



DrumBeat: June 6, 2008

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Topic: [Miscellaneous](#)

[Oil rises jump more than \\$11 to new record high](#)

NEW YORK - Oil prices shot up more than \$11 to a new record above \$139 Friday after Morgan Stanley predicted prices would hit \$150 by the Fourth of July. The unprecedented jump is all but certain to drive gas prices well past the \$4 mark in the coming weeks.

Oil's meteoric surge, which pushed prices more than 8 percent higher in a single day, added to a huge increase Thursday to cap oil's biggest two-day gain in the history of the New York Mercantile Exchange. The burst higher — which also came on rising Middle East tensions — also raised the prospect of accelerating inflation by adding to already strained transportation costs.

[U.S. has few options as oil nations tighten grip](#)

WASHINGTON (Reuters) - Resource nationalism in oil producing countries is cordoning off valuable supplies and the United States has precious few options to battle the trend amid a looming supply crunch.

As oil prices marched above \$135 a barrel last month -- and hit a record \$137.79 on Friday -- international firms have found themselves faced with tougher terms and shut out of the globe's most promising oil basins, a trend known as "resource nationalism."

[Oil Crisis: Your Primer on the Great "Peak Oil" v "Speculators" Debate](#)

Who's right? The truth is no one knows (and anyone who confidently asserts that they do is fooling themselves). Part of the problem is that no one knows exactly how much oil the world is producing, or what the world's actual daily consumption is. What's more, no one knows what the "intrinsic" value is of a barrel of oil.

[Taiwanese farmers protest fertilizer price hikes](#)

TAIPEI, Taiwan: About 200 farmers from Taiwan's rural south protested Friday against a 70 percent increase in fertilizer prices, demanding government subsidies to help them offset rising costs.

The protesters, mostly from Pingtung and Tainan counties, held up fertilizer bags scribbled with slogans such as "Fertilizer Prices Rise, Farmers Die."

Last month, the government lifted a three-year freeze on fertilizer prices, allowing suppliers to factor in their rising costs amid soaring global raw material prices.

The protesters said the move encouraged widespread hoarding, leading to a severe fertilizer shortage.

Newly inaugurated President Ma Ying-jeou's administration also has lifted freezes on fuel and electricity prices, setting off a wave of price hikes for everything from food to household supplies.

[Chile Supermarkets Run Out of Food as Truckers Strike](#)

(Bloomberg) -- Chilean supermarkets are running out of fresh meat, hospitals may not have enough oxygen and salmon processing plants are shutting down as striking truckers block roads to protest the high price of fuel.

[Pakistan: Dealers facing acute shortage of petrol and diesel](#)

KARACHI (APP) - Petroleum dealers were facing acute shortage of petrol and diesel due to non-supply from oil marketing companies (OMCs).

[Karachi's public transport deciding to go 'private'](#)

KARACHI: In a growing trend, transporters, with their vehicles and business, are leaving Karachi for other more lucrative parts of Pakistan. So far, 8,500 vehicles have moved from the city since 2002. The traffic police, vehicle inspectors, rioters and increasing fuel prices in the city make it impossible for them to sustain their business here, learnt Daily Times.

[Heinberg: How Do You Like the Collapse So Far?](#)

Everyone knows things are going wrong. But if you understand ecology, you know this in a way that others don't. It's not just that the current crop of world leaders is idiotic. It's not just a matter of a few policies having gone awry. We've been on a perilous track since the dawn of agriculture, capturing more and more biosphere services for the benefit of just one species. Fossil fuels recently gave our kind an enormous economic and technological boost—but at the same time enabled us to go much further out on an

ecological limb. No one knows the long-term carrying capacity of planet Earth for humans, absent cheap fossil fuels, but it's likely a lot fewer than seven billion. The implication is not just sobering; it's paralyzing.

[Blame it on oil? No, blame it on Bush wars](#)

Even a layman like me can see that markets are sensitive to bad news and their short and long-term effects. Especially when it is inspired by the US, the world's biggest economy and the custodian of the international trade and financial system. And all Bush has done over the past seven years is bombard markets with bad news.

The oil prices began to climb after the invasions of Afghanistan and Iraq and have risen in tandem with the escalation of conflict and turbulence in the Middle East. There's clearly a method in the madness!

These wars are also contributing to the escalation of fuel cost and economic woes in indirect ways; by plunging the US ever deeper into debt and depreciating the dollar. The oil is largely priced in US dollars. And as the greenback's value is eroded, oil-exporting countries demand more and more dollars for their produce.

[UK: Energy policy – fear of new dark age](#)

THE days of meeting an unchecked demand for energy through monolithic carbon-intensive power stations are coming to an end. On that statement last week from Scottish and Southern Energy, Britain's second-largest gas and electricity supplier, there can be little disagreement. Centralised, fossil fuel-fired generation will have to give way to a combination of energy efficiency and diversity because the fossil fuels are finite and for the sake of the planet.

[Is Famine Inevitable?](#)

The fate of global food production has now become the chief terror of the future.

[Debunking the Myths of the Food-vs.-Fuel Debate](#)

Ethanol is currently on trial, charged with causing world hunger and civil unrest. It is alleged that the corn and other grains used to produce biofuels has led to severe food shortage and disrupted food security around the world. Alternative fuel production has been blamed for high food prices at the grocery store and causing a "silent famine" among the world's poor. Some have gone as far as to claim that production of ethanol and biodiesel from grain is a "crime against humanity." To the charges, ethanol pleads "not guilty."

[Experts: China won't trade food for fuel](#)

A Chinese energy expert says China has no plans to sacrifice food for biofuel. Song Yanqin, a co-drafter of China's national energy strategies, said at Asia Clean Energy Forum 2008 in Manila, that food security comes first in China, more importantly than fuel.

[Biodiesel's Popularity Causes Shortage](#)

MAKAPUU, Hawaii -- Higher gas and diesel fuel prices boosted the popularity of locally made biodiesel, but people hoping to save money on the environmentally friendly fuel are out of luck because there is no longer enough to go around.

[India: Uranium scarcity ails nuclear plants](#)

NEW DELHI: Acute shortage of uranium is badly hitting power generation in the six nuclear plants in the country as the generation is not even half of the current total installed capacity of 3,770 MW. Though the Government is working on new initiatives, the demand for uranium, which is going to shoot up in the coming years to meet the nuclear power generation goal of 20,000 MW by 2020, could be met only from "external sources," said Union Minister of State for Power Jairam Ramesh.

[The Hybrid Holdup: Fresh Batteries](#)

Another problem in keeping up with demand is an acute shortage of the nickel-metal-hydride batteries required for hybrid vehicles. GM's launch of its new hybrid-SUVs has been delayed for nearly three months by a labor dispute at a key supplier of the batteries. And Toyota's chances of getting more hybrids into showrooms is foundering on the battery shortage. "We can't produce enough batteries right now," Carter says. A new plant for the nickel-metal-hydride batteries won't come on line until 2010.

[Electric cars will need juice](#)



With gasoline prices orbiting in the stratosphere, Jim Bartlett relies on a cheaper

alternative to fuel his pickup truck: a standard wall outlet.

Bartlett's truck is powered by electricity, not gasoline. Bartlett, a mechanical engineer who lives in Cary, juices up his truck by plugging in. Instead of filling a gasoline tank, he recharges 1,600 pounds of batteries.

[Could Zeppelin's airships soon be gracing our skies again?](#)

Germany is producing zeppelins again. More than 70 years after the infamous Hindenburg disaster, its latest airship was gently guided out of the hangar doors last month to make its maiden test flight.

[Lack of Trust Hurting the Global Market](#)

Yet, the OPEC is fast becoming the target. In the US Congress, a resolution blocking an otherwise normal arms sale to Saudi Arabia was moved unless the Kingdom signaled raising production by some one million barrels per day. And then in an additional move, some Congressmen tried to bring a lawsuit against the Organization of the Petroleum Exporting Countries (OPEC) for collective action. Stakes are indeed getting higher.

The open season seems now having spread to the UK too, where the British Prime Minister Gordon Brown also appeared aiming squarely at the OPEC. "It is, as people will recognize, a scandal that 40 percent of the oil is controlled by OPEC, that their decisions can restrict the supply of oil to the rest of the world, and that at a time when oil is desperately needed and supply needs to expand, that OPEC can withhold supply from the market."

And some analysts are jumping on the bandwagon too. Sadad Al-Husseini, a former senior Saudi Aramco executive, NOW alleges that some oil-producing countries are inflating the size of their oil reserves by as much as 300 billion barrels by padding supposedly proven reserves with "probable" reserves and tar and oil sands.

[Saudi Arabia plans royal treatment for heavy crude](#)

SAN FRANCISCO (MarketWatch) -- Dense, dirty and less profitable, a type of crude oil long marginalized by the global petroleum industry is attracting a wave of new refining investment as the world's supplies of premium crude look set to decline.

[Saudi Aramco to invest \\$50bn in oil production](#)

Saudi Arabia is pushing ahead with an ambitious programme to add nearly four million barrels per day to its sustainable oil output capacity and maintain its position as the world's dominant crude supplier.

One mega project at the giant Khurais oilfield will add around 1.2 million barrels per day of light crude, which is favoured by global refiners for its low sulphur ratio and the fact that it is easier to process, according to an official report.

[A Brief History Of: The Oil Barrel](#)

It has been more than a century since any major producer shipped oil in an actual barrel, but the unit has been the industry's standard since the mid-1800s, when overwhelmed Pennsylvania oilmen collected the substance in whiskey barrels after striking their first gushers.

[Motiva Port Arthur refinery units restarted](#)

NEW YORK (Reuters) - Motiva Enterprises LLC has restarted the processing units at its 285,000 barrel per day refinery in Port Arthur, Texas, after a power outage on Monday, a spokeswoman for the joint venture said on Thursday.

[Gas hoarding leads to fire](#)

DARTMOUTH, Massachusetts (AP) -- Authorities say a couple trying to beat the high cost of gasoline accidentally caused a fire that burned their apartment complex.

[Watch Brazil and its oil](#)

Yes, we know that Australia has a rich suite of natural resources, especially coal, iron ore, gold, copper and a host of other commodities, and billions of dollars are being spent, and will be spent in the next couple of years, to bring them into production.

And we know we are going to have a great boost to national income and our terms of trade over the next year or so.

But take a reality check and look at what's happening in Brazil.

[Don't give up](#)

Do you feel it's a waste of time trying to prevent climate change? That reducing your carbon footprint is pointless when someone else is happy to increase theirs? That changing lightbulbs is a futile gesture? Well don't, says Michael Pollan, because even small changes in your lifestyle - and your thinking - can help save the world.

[High oil prices fuel development of new hybrid batteries](#)

NISKAYUNA, N.Y. - Rising oil and gasoline prices have put a spring in the steps of the engineers at General Electric's global research headquarters, who're developing new battery technologies to power everything from hybrid cars to tugboats, city buses and diesel locomotives.

[Will the Oil Bubble Burst?](#)

So guess what Rainwater did a few weeks ago, right after oil prices topped \$129 per bbl. for the first time? "I sold my Chevron," he says. "I sold my ConocoPhillips. I sold my Statoil. I sold my ENSCO. I sold my Pioneer Natural Resources. I sold everything."

This news, disclosed here for the first time, is a big deal. Lots of Wall Streeters--loudest among them the hedge-fund legend George Soros--have been warning lately that speculation has inflated oil prices into a soon-to-pop bubble. But talk is cheap--this is something more. One of the biggest oil winners of the past decade has decided to get out.

(See also [Richard Rainwater turns bearish on oil. For now](#))

[Indonesia not to hike fuel price in H2 even if oil averages \\$150/barrel - report](#)

JAKARTA (Thomson Financial) - Indonesia is not going to hike subsidised fuel prices again this year even if the country's crude oil price averages at \$150 a barrel for the rest of the year, Bisnis Indonesia reported, citing Finance Minister Sri Mulyani Indrawati.

Last month the government hiked fuel prices by an average of nearly 30 percent to cap a rising fuel subsidy as oil repeatedly hit fresh records.

[Gazprom Gas Supplies May Fall Short of European Demand By 2015: IEA](#)

The International Energy Agency has warned that Europe may face gas shortages by 2015, largely due to Gazprom's inability to meet growing demand. While this presents short term problems for European supply, Russia also has much to worry about in terms of bringing new fields online as the EU attempts to diversify its supplies beyond its eastern borders.

[French oil giant says demand could catch supply](#)

World demand for oil may soon outstrip supply as the cost of replacing reserves reaches \$80 a barrel, according to the head of Total SA, Europe's third- largest petroleum company.

"If we aren't careful in the next few years there will be a shortage of oil and gas to cover demand," Total Chief Executive Officer Christophe de Margerie told French deputies at a National Assembly commission in Paris today. "New forms of energy won't come quickly enough to compensate."

[North Sea Oil Reserves Could Be Up To 30 Billion Barrels](#)

A report broadcast on BBC Scotland has tonight made the claim that a further 30 billion barrels of oil could still be available in the North Sea. This figure is roughly the same as the amount of oil which has so far been extracted and has surprised many. However, it may not be quite as simple as that.....

[South Korea Faces Difficulties on Oil Costs, Lee Says](#)

(Bloomberg) -- South Korea's President Lee Myung Bak said the economy faces difficulties from rising oil and food costs and vowed to pursue policies to ease the burden on consumers.

``Our conditions are very difficult. International oil prices doubled in the last year and grain and raw-material costs are surging," Lee said in a speech delivered today in Seoul. ``Rising prices and a slowdown in the economy are putting our economy in a difficult situation."

[Investors' Growing Appetite for Oil Evades Market Limits](#)

Hedge funds and big Wall Street banks are taking advantage of loopholes in federal trading limits to buy massive amounts of oil contracts, according to a growing number of lawmakers and prominent investors, who blame the practice for helping to push oil prices to record highs.

[Earthquake Lake Threatens China's Longest Oil Link](#)

(Bloomberg) -- China's longest fuel pipeline is at risk of damage from an earthquake lake that's threatening to burst its banks, said the parent of operator PetroChina Co.

[Oil, inflation threaten Japan Inc spreads](#)

TOKYO (Reuters) - Japanese bond investors have been slow to recognise the inflationary threat from record high oil prices, and an expected squeeze on corporate profits from steep commodity prices should push credit spreads wider in coming

months.

[Uranium supply sufficient for next century: Study](#)

Global uranium supply is sufficient for at least the next 100 years and countries going ahead with nuclear energy programme will have enough fuel for their robust demand and growth, says International Atomic Energy Agency (IAEA).

[Chile Considers Solar Energy to Help Power Mines](#)

Chile, faced with an energy shortage that threatens to disrupt output at the world's biggest copper mines, may tap solar energy to help avoid power rationing.

[Oil prices seep into asphalt costs, detour road work](#)

CHICAGO — Fewer roads will be repaved this summer, thanks to soaring prices of oil-based asphalt.

Some states, cities and counties say their road-repair budgets didn't anticipate asphalt prices that are up 25.9% from a year ago, so they're being forced to delay projects.

"We will do what patching we can, but this will truly, truly be a devastating blow to the infrastructure," says Shirlee Leighton, a county commissioner in Lake County, S.D., where a 5-mile repaving project was postponed after bids came in \$79,000-\$162,000 higher than the \$442,000 budget.

[South Africa's Response To Soaring Global Oil Prices](#)

Though it is uncertain precisely when global oil production will peak, and what the post-peak rate of depletion will be, Aspo cites evidence that suggests that global oil production will probably decline between 2007 and 2020, with a significant risk of the decline being rapid, with price spikes.

[Will carbon tax get more New Brunswickers off oil?](#)

Do you think this is true?: "The price of oil will go down if we use significantly less of it." The law of supply and demand indicates that if supply is relatively fixed, then demand will determine whether the price goes up or down. So how are we going to use less oil?

[Soaring rhetoric down south, not so much up north](#)

Obama is responding to the troubled state of the union by appealing to voters' imaginations, setting out a lofty vision rather than making a litany of pedestrian promises.

He has a receptive audience, people who believe themselves to be part of a country that's the greatest, richest, strongest nation on earth are inclined to dream big.

Reality, however, suggests that global warming and peak oil will make life quite miserable in the next short while, more for Yanks than Canadians.

[McCain and Obama: Green Energy on Their Side](#)

Whether it's John McCain or Barack Obama who moves into the Oval Office next January he'll have a deskfull of problems to cope with: the biggest foreign policy blunder in the nation's history, a lackluster economy, and what appears to be a peaking of the world's oil supply.

All of which are related, of course.

[Our Energy Future](#)

The Oil Drum - TOD is a very interesting community-blog with a focus on peak oil and future energy sources. Lots of data-driven analysis of all things related to energy and energy use, with plenty of debate spilling over into the frequently long-running (and often illuminating) comment threads. Search the blog for past content on just about any energy-related subject or concept imaginable.

[How to Bet on Oil – Whether Bull or Bear](#)

Few investors are as bullish as Matthew Simmons, president of Houston investment bank Simmons & Co. International, who predicts oil will hit \$200 to \$500 a barrel over the next six months to five years. But a growing number of investors think \$150 to \$200 is within range over the next year.

[Carolyn Baker: Location, Location, Re-Location...](#)

Relocation involves much more than logically choosing a geographical area inside or outside the U.S., taking into consideration the climate, access to arable land, water, wood, and other resources for living sustainably—a decision requiring most individuals to carefully weigh the assets and liabilities of any given place and then acquiring the financial resources necessary to make the transition. Just deciding where one wants to live is challenging enough; equally stressful for most people is finding the means to relocate, and as the price of gas and just about everything else soars, it feels as if the

sands of time are running out and against those who have not yet made their move.

[World needs \\$45 trillion energy revolution](#)

The world must undergo a “new global energy revolution” and faces the gargantuan bill of \$45 trillion (£23 trillion) if it is to halve carbon dioxide emissions by the year 2050, the International Energy Agency has warned.

The coming revolution will require sweeping changes to the electricity and auto industries. More than 215 million square metres of solar panels must be “planted” across the globe and the roads must be populated by a billion electric or hybrid cars, according to the influential agency.

[Oil above \\$130 on weak dollar, Israel comments](#)

LONDON (Reuters) - Oil rose by more than \$2 a barrel to above \$130 on Friday, bringing gains in the last two days to \$8 as the U.S. dollar weakened on signals the European Central Bank may raise interest rates this year.

Comments from Israel's transport minister that an attack on Iranian nuclear sites looked "unavoidable" given the apparent failure of sanctions to deny Tehran technology with bomb-making potential also helped drive prices higher.

[Cairn says peak oil fears may have fuelled rally](#)

LONDON (Reuters) - Oil's spurt to a record above \$135 last month from around \$100 at the start of 2008 may have been influenced by a growing feeling that oil supplies might be peaking, the head of oil explorer Cairn Energy said.

Cairn's Chief Executive Bill Gammell told the Reuters Global Energy Summit on Friday that there was growing awareness in the market about "peak oil", a theory which says that global production is near an apex after which it will decline sharply.

[Jeremy Leggett: Seas of plenty?](#)

A BBC documentary implied that Scotland has plenty of oil and gas in reserve. It should never have been screened.

[How High Will Gasoline Prices Go?](#)

And then there's the matter of Peak Oil, which I examined back in April. The basic theory says that someday, the earth being in effect a finite reservoir, the amount of oil that we are able to extract per day will begin to decrease.

That fact is unarguable. The only question concerns the timing. What I've read leads me to believe we are nearly there. Yet the concept of Peak Oil remains alien to most Americans. In fact, I recently asked a number of smart people if they were aware of the concept of Peak Oil. Every single one said no.

[Energy: Reaching a peak](#)

A report commissioned by the U.S. government in 2005 contained a stark message. The country, it said, would soon face "an unprecedented risk management problem". The Hirsch Report warned the Bush administration of "economic, social, and political costs", which were also likely to be "unprecedented".

These were strong and worrying words. But, despite first appearances, the report was not describing the threat of terrorism; it was about Peak Oil.

So what was the U.S. administration's response to this warning? Firstly, they buried the report for almost a year. Then, when it finally came to light, they chose to ignore its recommendations completely. But the threat of Peak Oil has not gone away.

[Pakistan may seek deferred Saudi oil payments](#)

ISLAMABAD - Pakistan's prime minister is seeking an agreement with Saudi Arabia to defer oil payments as his country struggles to rein in yawning trade and fiscal deficits, an aide said.

[British Gas raises tracker tariffs](#)

The increase follows record oil costs driving up wholesale markets, British Gas said.

About 2,500 residential customers have signed up to the British Gas Market Tracker plan. Those on dual fuel tracker tariffs will see a 14% increase.

[Chevron to build new pipe on Kazakh Caspian shore](#)

ALMATY (Reuters) - U.S. oil company Chevron agreed with Kazakhstan on Friday to press ahead with a new domestic oil pipeline, due to be part of a broader \$3 billion project to link Caspian oil deposits with international markets.

Kazakhstan pumps most of its oil through Russia but it has irritated Moscow in past years by announcing plans to build more pipelines and diversifying exports towards western Europe.

[Fuel prices push Britons towards pedal power](#)

LONDON (Reuters) - Natalie Steed knew it was time for a change when her aging car ground to a halt in a country lane while she was on holiday in southern England last month.

With fuel prices hitting record highs, adding to already painful costs of road taxes, maintenance, tolls and parking, a switch to pedal power was a natural response.

"Buying another car just seemed like such a ridiculous thing to do," Steed told Reuters.

[Senate action on climate bill seems doomed](#)

WASHINGTON - Senate Republicans appeared ready to turn back an ambitious plan to reduce the risks of global warming after a week in which bipartisan bickering and political posturing seemed to drown out the environmental debate.



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