



## DrumBeat: June 7, 2008

Posted by [Leanan](#) on June 7, 2008 - 9:17am

Topic: [Miscellaneous](#)

### [Oil explorers find new fields to conquer](#)

Payne's North Sea adventure is a small example of what \$130-a-barrel oil — on Friday it reached \$139, with many analysts predicting \$150 next month — is doing to the oil-exploration game across the globe. Fields that were once thought too small, too deep under the sea, or in too dangerous a country, are being rushed into production.

Companies are also dipping into “unconventional” hydrocarbon deposits — the sticky mountains of tar sands in Alberta, Canada and on the banks of Venezuela's Orinoco river, the “tight sands” gas reserves of western Australia, and the methane trapped in long-disused European coal mines.

### [Oil sector faces seismic changes](#)

The potential peak oil crisis that is dominating headlines around the world has been “just around the corner” for decades.

### [Could Brazil Take No. 1?](#)

Petrobras, the Brazilian oil giant formerly derided as “Petrosaurus,” could become the world's most valuable company, based on its stock price. That startling forecast, made recently by mutual-fund maestro Ken Heebner, speaks volumes about how fast Petrobras, Brazil and world markets are changing.

### [Manufacturers Sharing the Pain of High Oil Costs](#)

Surging oil prices are beginning to cut into the profits of a wide range of American businesses, pushing many to raise prices and maneuver aggressively to offset the rising cost of merchandise made from petroleum.

Airlines, package shippers and car owners are no longer the only ones being squeezed by the ever-mounting price of oil, which shot up almost \$11 a barrel on Friday alone, to \$138.54, a record.

Companies that make hard goods using raw materials derived from oil, like tires, toiletries, plastic packaging and computer screens, are watching their costs skyrocket, and they find themselves forced into unpleasant choices: Should they raise prices, shift to less costly procedures, cut workers, or all three?

### [Alternative energy no quick fix for world - oil execs](#)

ST PETERSBURG, Russia (Reuters) - Alternative energy sources such as solar, wind power and biofuels will not provide the answer to global energy shortages for at least the next 10 years, major oil company executives said on Saturday. Such forms of energy are expensive to develop, despite record oil prices, and would require further research before providing a viable alternative to oil and gas, Western oil major officials said during the St Petersburg Economic Forum.

"Alternatives are not going to solve the challenges the world faces over the next decade," Tony Hayward, chief executive of BP Plc, told a roundtable meeting during the forum.

### [Taiwan's China Airlines cuts flights by 10%](#)

TAIPEI : China Airlines (CAL), one of Taiwan's leading international carriers, said Saturday it has cut its monthly flights by 10 percent to combat rising oil prices.

### [Official news agency: Former gas pipeline owners seek compensation from Bolivia](#)

LA PAZ, Bolivia (AP) - Bolivia's government news agency says an arbitration request has been filed against the Bolivian government in response to the nationalization of gas pipeline company Transredes.

President Evo Morales nationalized all assets of the pipeline company on Monday. The company was half-owned by Royal Dutch Shell PLC and Ashmore Energy International.

### [Canadian oil sure to be U.S. election issue](#)

Environmentalists are pinning their hopes on a change in the U.S. government -- and especially the ascension of Democratic nominee Barack Obama -- to stem what they see as a rising tide of "dirty oil" from Alberta, a coalition of Canadian and American environment groups said.

But Canadian officials said it doesn't really matter who wins the election; Alberta oil will continue to remain an important source of supply south of the border. Canada regularly alternates between Saudi Arabia, Venezuela and Mexico as the No. 1 exporter to the

world's largest oil consumer.

### [Shell, Gazprom Agree to Study Arctic LNG Projects](#)

(Bloomberg) -- Royal Dutch Shell Plc and OAO Gazprom, Russia's gas exporter, signed a preliminary agreement to study liquefied natural gas projects on the Yamal peninsula in Russia's far north.

### [Kremlin chief says BP, TNK-BP interests not always aligned](#)

ST PETERSBURG, Russia (Reuters) - Kremlin chief of staff Sergei Naryshkin said on Saturday that BP Plc's interests were not always aligned with those of its Russian joint venture TNK-BP, repeating a criticism made by the venture's Russian shareholders.

### [Russian finance minister questions abilities of oil and gas cartels](#)

ST. PETERSBURG (RIA Novosti) - Russia's deputy prime minister and finance minister questioned on Saturday the abilities of oil and natural gas cartels to cut market risks.

"I have a cautious attitude to organizations like OPEC [the Organization of Petroleum Exporting Countries]," Alexei Kudrin said, speaking at an international economic forum in St. Petersburg. "Those institutions cannot reduce market risks, including in terms of prices."

### [Russia may cut oil taxes by up to \\$8.4 bln from 2010](#)

ST PETERSBURG, Russia (Reuters) - Russian oil firms are set to receive another round of tax cuts worth up to \$8.4 billion from 2010 as recently approved reductions would not be enough to revive output growth, top officials said on Saturday.

### [US Unable to Paralyze Iran's Oil, Gas Sector](#)

TEHRAN (Fars News Agency)- A string of recent natural gas deals involving Iran has raised eyebrows in Washington, including a substantial supply agreement with Switzerland and two other deals involving Malaysia and Oman.

### [Motorists feeling the pinch after oil prices surge](#)

Matt Simmons, chairman of an energy financing company in Houston, believes oil prices

are still too low. He told CBC News there are "very strong signs" that the global supply of crude oil has levelled out and is probably now in a gentle decline.

"We know categorically that \$130-\$140 oil has not stopped demand. It's still growing," he said. "And our stocks are very skinny. Our usable inventories of diesel and gasoline are razor-thin.

"So I think we need to bold ourselves and be prepared for a continual steady rise. If we ever have shortages, it's going to be a sharp rise," he said.

### [Strikers step up pressure on top French oil port](#)

PARIS (Reuters) - Workers at France's largest oil port of Fos-Lavera near Marseille prolonged on Friday the blockade they started the previous day, the port authority said.

The two-day long strike blocked 21 oil tankers from entering the port or from being loaded or unloaded, the port said in a statement.

### [Fuel, dairy products, beef in short supply in Argentine cities](#)

Buenos Aires - Several Argentine towns experienced a shortage of fuel, dairy products, beef and fresh produce on Friday due to road blockades set up by truck drivers protesting a farmers' strike.

The farmers have been protesting new agricultural tariffs, and their move sparked protests by drivers suffering from a lack of products to transport.

### [Nigeria: Government to Hike Petrol Price January 1](#)

The Federal Government yesterday disclosed that the current pump price of petrol would be adjusted upwards with effect from January 1, 2009.

However, it said the modalities of what will be the new price regime would be worked out by the organised labour and other stakeholders between now and the effective date.

### [Pakistan: The oil crisis](#)

We poor Pakistanis are suffering with 50 percent living below the poverty line, and many more being pushed under thanks to the current oil crisis which has managed to create tsunami that is a threat worldwide. With no remedy in sight. Electricity riots are already a common sight but the frequency of breadlines breaking into riots is increasing daily, not just in Somalia but in parts of the third world where we thought wheat was

never in critical shortage. The riots in Pakistan are for two reasons. Firstly, the price - a worldwide phenomenon, and second, a physical shortage due mainly to incompetence in the many layers of our government.

### [WALL ST CRUNCH: Oil on troubled housing](#)

When it comes to oil, the simple fact is that in the midst of incredible Middle Eastern volatility, we have not made the discoveries required to satisfy the demand of China, India and other emerging countries. The oil required to fill this gap is in Iraq, and if we could get Iraq under control the problem would ease. But given the turmoil in the region that still remains a long shot despite the big improvements of the last six months. Australia needs to remember that if Iran is attacked the Chinese have indicated that they may regard it as an attack on China. The Iran/ Israel powder keg is extremely dangerous not just to the oil price, but to world security.

### [No easy way out of Gulf food inflation](#)

Thanks to a number of elements that are causing food prices to rise across the globe, Gulf economies, which import most of their provisions, are expected to continue to experience high levels of food price inflation.

The high food prices are a result of the worldwide shortages of grain in the face of increasing demand. With increasingly more mouths to feed and supply capacities relatively fixed, prices the world over will continue their upward movement.

### [Stop the Insanity!!](#)

There comes a point when the needs of the many out weigh the needs of the few, or the one. I say this because there is one very obvious step that Congress could take to relieve the cost of fuel and help green gas omissions at the same time. It is a sure fire solution that could be done, legislated and put into effect very quickly and it would have an almost instant effect on the prices of nearly everything from bread to milk to gas and everything else. We are being painted into a smaller and smaller corner, we HAVE to do something.

The solution of which I speak? Pass legislation that requires all big corporations (Walmart, Kmart, Sears, JC Penney, Dollar Stores, etc, etc) to transport via train instead of semi-trucks.

### [Rising fuel costs may mean comeback for freight trains](#)

Spiking diesel fuel prices have deflated trucking stocks and made road kill out of many a small motor carrier.

It's sweet irony for anyone who's worn a pinstriped cotton cap to work. The rising price of diesel is poised to invigorate a mode of transportation that trucks nearly annihilated —the 40 freight railroads crisscrossing the state.

### [Philippines mulls opening Bataan nuclear power plant--energy chief](#)

MANILA, Philippines -- The government is seriously studying the option of opening the mothballed Bataan Nuclear Power Plant to bolster the country's energy supply, Energy Secretary Angelo Reyes said Saturday.

Reyes said that a team from the International Atomic Energy Agency that inspected the power plant in Bataan months ago has reported that this could be rehabilitated in at least five years at a cost of \$800 million.

### [Is this what's next for drivers?](#)

VANCOUVER — Barbara Turpin loves driving. Expensive gasoline is changing everything about Ms. Turpin's driving.

She drives more slowly. She drives less. She puts \$20 worth in the tank instead of filling it up. She walks to the nearby Tim Hortons. She and her partner, Ray Davis, make fewer visits to friends scattered around British Columbia's Lower Mainland. And they're looking to buy an electric car to replace a 1990 Volvo.

### [Maine governor sees energy crisis](#)

AUGUSTA, Maine — Gov. John Baldacci says Maine is caught in the vise of a national energy price crisis, with gasoline hovering around \$4 dollars a gallon.

In his weekly radio address, Baldacci says food prices related to energy prices are rising fast too.

### [Lehman survey of major oil company spending](#)

NEW YORK (Reuters) - Worldwide spending on oil and gas exploration and production is expected to rise by 20 percent to \$418 billion this year, driven by higher energy prices, Lehman Brothers said on Friday in its semiannual survey of energy companies.

The following is a breakdown of the largest oil and gas companies' spending plans. (in billions of U.S. dollars)

### [Global demand sees oil on fire](#)

Be careful what you wish for. It may be the only way to get sharply lower oil prices in a world recession.

### [Fuel price hike without measures to check oil guzzling is meaningless: CSE](#)

It is unacceptable that, when India is reeling under severe economic pressure and household budgets are stretched, there is no official strategy to help reduce energy consumption in the transport sector, says the New Delhi-based Centre for Science and the Environment. It is time the government announces a policy of mandatory disclosure of fuel economy of vehicle models with complete details of technical parameters including weight, power etc and at the same time implements fuel economy standards.

### [Philippines: Congress won't give President 'crisis' powers](#)

Congress is not keen on granting emergency powers to President Arroyo to address the emerging food and energy crisis.

Senate President Manuel Villar said Mrs. Arroyo would be able to address the situation without special powers granted by Congress.

### [Botswana: High costs force mining firm to shelve plans](#)

The plant was expected to create about 3 500 jobs of which 500 were to be on a permanent basis after its completion in the next eight months.

However the jobs would have to wait as high construction costs, equipment cost and the current energy crisis currently engulfing the region did not justify the capital expenditure.

### [Why decarbonise? And how?](#)

The phenomenal rise in oil prices over the past six months, nearly doubling to \$127 a barrel, is no happenstance. It is increasingly becoming clear that the much-anticipated 'peak oil' phenomena is here, and to stay. 'Peak oil', refers to the fact that roughly when one-half of the global oil reserves have been exploited, in a situation of increasing demand, oil prices would rise irreversibly.



[Russian president blasts U.S. 'economic egotism'](#)

ST. PETERSBURG, Russia (AP) -- Russian President Dmitry Medvedev on Saturday criticized the United States for "economic egotism," saying it has fueled global troubles, and portrayed Russia's growing economic might as a force for worldwide stabilization.

[Hansen on Next Climate Steps: Charge Polluters; Pay People](#)

In Dr. Hansen's approach, a straightforward rising tax is imposed on the carbon content of fuels, instead of Mr. Barnes's notion of a shrinking supply of purchased, and traded, permits. But the basic concept, making polluters pay while shielding consumers from rising costs, is the same. (It's part of a menu of moves he seeks, including an end by 2030 to coal-burning power plants unless the carbon dioxide is captured; shifts in farming and forestry to pull more of the gas from the air; and cuts in other heat-trapping substances, including methane and soot.)

[Goldman Oil Bull Speaks: Yes, Oil Still Going to \\$150-\\$200 A Barrel, Gas to \\$4-\\$6](#)

The man who predicted the current oil "super-spike," Goldman's Arjun Murti, is smart enough not to let himself get photographed (in some idiot circles, Arjun is blamed for today's \$138 a barrel), but he did consent to a long interview with Barron's this week. Bottom line, Murti's thesis that oil will spike to \$150-\$200 a barrel is perfectly reasonable. As is his belief that prices will thereafter crash.

[Forum sees oil peak as world crisis](#)

CAPITAL REGION — Paul Swartz, a former scientist for General Electric and local business leader, says he believes worldwide oil production either has, or soon will, reach peak production, which he thinks will probably mean the end of modern western civilization generally and the collapse of the American way of life specifically.

He doesn't think it will take long for this to happen.

"There is a growing insufficiency [of oil] and it's going to undermine civilization as we know it. Not tomorrow, not in the next year or two, but in the next five to 10 years," Swartz said.

[Refusing to build roads isn't the answer to climate change](#)

The recent debate about Ottawa's new mass transportation plan became somewhat emotional in spots.

At one point, Councillor Clive Doucette, a staunch supporter of light rail, opposed the



plan because it includes, as well as light rail, extension of the city's bus-only transitways – more roads, in other words.

### [What price petrol?](#)

Subsidizing fuel instead of taxing it may be an interesting concept to us, but it's surprisingly common – Nigeria, Iran, Iraq, Libya, Egypt and Malaysia are just a few examples, but more importantly for world consumption, the treasuries of China and India also chip in towards the cost of a tankful for their citizens. With such huge markets offering their citizens an incentive to use fuel unwisely, there are comments from pundits in the west that these governments should act more responsibly, especially in view of global warming, peak oil and the other catastrophes awaiting us just over what would be the horizon if it wasn't hidden by the smog. Although this is understandable, it does smack of a fair amount of selfishness on our part – having spent a century using all the cheaply available oil inefficiently we now have all the sanctimony of a reformed smoker. We've finally realised that our habit can't be sustained without serious consequences, so we now feel entitled to insist that everyone else should share in our self righteous zeal.

### [The 2x4 of Reality](#)

The howls for increases in margin requirements (Dennis Kneale) on energy grow daily, funny how these calls were mysteriously absent when tech stocks did the moonshot or when investment banks like Lehman and Bear Stearns, to only mention a few, were leveraging 40:1. But not with energy as these new religion finders are the case like white on rice. Comical, their selective thinking.

### [Oil price and marginal supply](#)

The thrust of Abdullah's argument is that you have to believe in peak oil to believe that high oil prices are sustainable. If you don't believe in peak oil then you must believe that oil prices will revert to the marginal cost of supply in short order.

There are two points here I want to address. First of all, peak oil. Second, the marginal cost of supply. They are intertwined with one another.

### [Oil in a Bubble?](#)

We believe that all the talk of speculators being the cause of the rise in the price of oil as being pure fiction, although some very respected analysts believe otherwise. They are a handy scapegoat when you don't want to examine the real reasons. If one examined the prices of commodities that don't actually trade on any exchange, some of them have risen faster than have oil prices or most other futures-traded commodities.

### [Australia: Petrol to hit \\$1.75 next week](#)

PETROL is forecast to hit \$1.75 a litre next week due to a spike in the cost of crude oil, putting more pressure on the Australian fuel market.

But the government and opposition remain divided over how to deal with the petrol crisis.

### [The Ultimate Race: Peak Oil vs. Climate Change](#)

This is starting to become a familiar pattern. Peak Oil looks rough and ready and unbeatable, like the Lakers or Kimbo Slice. It puts up great numbers (\$130 a barrel, again!) and awesome highlights (it's too expensive to fill in potholes this summer)!

Global Warming looks bedraggled, wheezing through every week, like the Celtics. And yet, it keeps showing up, keeps stealing wins, occasionally comes up huge with a cyclone and ...

### [Peak oil debate will rage as long as doubts remain over Opec's reserves](#)

Nopec intends to break up the Opec cartel and therefore free up global supply, but debate rages over whether there is enough to go around.

And as Rembrant Koppelaar, from the sector forum [www.theoil Drum.com](http://www.theoil Drum.com), points out: "The question of spare capacity is a difficult one because it is based on trust, not on any fact."

### [Protests around the globe as oil prices pinch](#)

(Reuters) - Oil prices have doubled over the last year and risen 44 percent this year alone, with U.S. crude surging to a record high \$139.12 a barrel on Friday, a troubling rise for energy ministers of the Group of Eight Nations plus China, India and South Korea, who are meeting in northern Japan this weekend.

Since 2004, oil prices have shed their typical \$20-\$30 a barrel stability to climb steadily, due to factors such as new demand from India and China and supply threats from conflict in the Middle East.

### [The First Signs of "Peak Gas"?](#)

Consumers the world over are beginning to protest at the huge gasoline prices they are paying at the pump. But whilst the world goes crazy over the oil prices, there are worrying signs about what is happening in the gas market that could also spell disaster.

### [Energy chief: Flat production behind oil prices](#)

Production has stalled since 2005 at 85 million barrels a day, while economic growth — particularly in China and India — has pushed demand ever higher, Bodman said before a meeting of ministers from the U.S., Japan, South Korea, India and China.

"We're in a difficult position where we have a lid on production and we have increasing demand in the world," he told a small group of reporters, dismissing the effects of speculation and unclear inventory levels and other factors on oil prices.

### [The Peak Oil Crisis: On Slowing Down](#)

Studies showed that by the early 1980's 83 percent of the motorists on New York interstates were cruising above the posted limit. Speed limits soon became an ideological issue when the Heritage Foundation put out a report saying that speed limits were only saving trivial amounts of gasoline. In 1999, Cato Institute concluded that deaths from car accidents did not increase after the speed limits were raised and there was a net economic benefit of \$2-\$3 billion a year from everybody driving faster.

A review of comments on web sites advocating a return to the 55 mph limit suggests that the idea is vastly unpopular. Slowing down is not going to come easily.

### [Mexico, an Oil Producer, Hasn't Benefited From Soaring Prices](#)

MEXICO CITY — Mexico is the world's sixth-largest oil producer, and the steady climb in the price of oil has reached record highs. The soaring prices should have generated \$3 billion above budget estimates for the state oil monopoly, Pemex. But now the government says that windfall just is not there.

The recent announcement by the finance ministry angered opposition politicians, who declared that government technocrats were manipulating the numbers.

### [BP's Russia Trouble](#)

LONDON - BP seems to have nerves of steel when it comes to dealing with its Russian venture. Chief Executive Tony Hayward said Thursday that BP remains committed to the country, even as troubles for its Russian joint venture mounted.

## [The Export Cops Are Watching](#)

In April, two Louisiana executives of Engineering Dynamics pleaded guilty to conspiring to violate U.S. export laws by selling computer-aided design software for the oil and gas industry to a Brazilian distributor.

How is that a crime? U.S. prosecutors alleged--and the men eventually admitted--that they knew the distributor was reselling the software to Iranian companies.

## [Feinstein Fights McCain on Burma Tax Break for Big Oil: Democrat Sides With Chevron in Rangoon Deal](#)

The Republican Party's presumptive nominee for president, Senator McCain, is locked in a disagreement with a Democratic senator from California, Dianne Feinstein, over whether to permit Chevron to do business with the regime in Rangoon. One of them is taking a hard-line human-rights stand against the military junta in Burma. The other is carrying water for the interests of America's second largest oil company.

## [In Venezuela, the Newest State Business Is a Dairy](#)

BARQUISIMETO, Venezuela -- Mauricio Herrera describes himself as a devoted soldier in President Hugo Chávez's self-styled revolution. So when oil workers opposed to Chávez went on strike in 2002, Herrera was among loyalists at the state oil company who revived production.

Now, with the government bedeviled by food shortages, Herrera has been called upon to carry out the president's orders in an entirely different sector: milk.

## [Asia Gasoline- Pakistan seeks summer gasoline import](#)

SINGAPORE (Reuters) - Pakistan State Oil Company has issued a tender to buy up to 40,000 tonnes of 87-octane gasoline for delivery over the next three months, the latest in a sporadic series of imports, the company Web site showed on Monday.

## [At \\$4, Everybody Gets Rational](#)

So now we know: The price point is \$4.

At \$3 a gallon, Americans just grin and bear it, suck it up and, while complaining profusely, keep driving like crazy. At \$4, it is a world transformed. Americans become rational creatures. Mass transit ridership is at a 50-year high. Driving is down 4

percent. (Any U.S. decline is something close to a miracle.) Hybrids and compacts are flying off the lots. SUV sales are in free fall.

### [Fewer Tickets to Ride: As Gas Prices Rise, Tourists and Companies Cut Back](#)

The Spirit of Washington dinner boat packs powerful twin diesel engines that carry 600 people on sightseeing voyages along the Potomac. Two eight-cylinder generators keep the neon lights glowing at the onboard bar. The bow thruster helps it push away from the dock.

Fueling them all are 7,000 gallons of diesel that have shot up in price by about 40 percent over the past year. Add four other boats with a total of 20 engines among them, and it's one big financial headache for Sal Naso. He's worried.

### [Republican lawmakers block US climate bill](#)

WASHINGTON (AFP) - US lawmakers blocked a sweeping climate change bill Friday, after Republican warnings of high energy costs dashed Democrats' hopes for pollution caps under President George W. Bush's administration.

Environmentalists looked ahead to the November election for the next opportunity for legislative change, after the much-anticipated bill met a swift demise in the Senate following a week of partisan bickering.



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