



DrumBeat: June 9, 2008

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Topic: [Miscellaneous](#)

[Oil data lag may cause sharp price fall - Lehman](#)

Lehman analysts said they believed oil prices in the high double-digits would curb demand growth enough to allow supplies to catch up, but that it may take months for demand destruction to appear in data, and that oil traders "appear to have lost patience".

"If prices continue to rise from here, we fear that economic tipping points could be reached in Asia and the market will find itself with more demand destruction than it cares for," analysts Adam Robinson and Michael Waldron said in a report dated June 6.

"The problem, however, is that barring an economic meltdown, the data we need to verify our oil market argument is unlikely to become available until well after this summer."

[China, Africa, and Oil](#)

As global demand for energy continues to rise, major players like the United States, European Union (EU), and Japan are facing a new competitor in the race to secure long-term energy supplies: China. As its economy booms, China is intent on getting the resources needed to sustain its rapid growth, and is taking its quest to lock down sources of oil and other necessary raw materials across the globe. As part of this effort, China has turned to Africa, an oil-producing source whose risks and challenges have often caused it to be overlooked economically. Some reports describe a race between China and the United States to secure the continent's oil supplies. Others note that while Chinese interests in Africa have surged, Western states still make the vast majority of investments in Africa and remain highly influential.

[Can China Keep the Lights On?](#)

Beijing finds it difficult to reconcile its desire to supply cheap, universal electricity with the economic realities.

[Saudi Arabia calls for emergency summit as oil prices soar](#)

Saudi Arabia today called for a summit of oil producing countries and consumers to discuss how to prevent oil prices from soaring further, following last week's surge to a record high of \$139 a barrel.

The country's Information and Culture Minister, Iyad Madani, said that the kingdom would work with OPEC to "guarantee the availability of oil supplies now and in the future".

In a statement following the weekly meeting of the Saudi Cabinet, Mr Madani said the current price of oil was unjustified and pledged action to prevent further "unwarranted and unnatural" price hikes.

[Tinkering our way to sustainability](#)

When we think about the scope of the ecological challenges we face--peak oil, climate change, soil degradation, water depletion and species loss--we often think of responses big enough to match them.

We might ponder large, national or international crash programs for the deployment of alternative energy; for the conservation of energy, water and habitat; and for the spread of organic agriculture and gardening. We might also think of a global agreement to slash greenhouse gas emissions deeply and quickly.

But, the larger the responses one imagines, the more improbable their implementation seems. Governments are moving only slowly or sometimes not at all in the direction of sustainability though some corporate efforts are moving much faster.

[Two-day strike at Bantry Bay terminal](#)

SIPTU workers at the Conoco Phillips storage facility in Bantry Bay are to begin a 48 hour stoppage on Wednesday.

They are seeking pay parity with workers at the National Oil Refinery Authority plant in Whitegate and the restoration of full time off in lieu for unsocial hours, including night shifts.

['Everyone's starving' in Ethiopia, aid worker says](#)

SHASHAMANE, Ethiopia (AP) -- Like so many other victims of Ethiopia's hunger crisis, Usheto Beriso weighs just half what he should. He is always cold and swaddled in a blanket. His limbs are stick-thin.

But Usheto is not the typical face of Ethiopia's chronic food problems, the scrawny baby or the ailing toddler. At 55 years old, he is among a growing number of adults and older children -- traditionally less vulnerable groups -- who have been stricken by severe hunger because of poor rains and recent crop failure in southern Ethiopia, health workers say.

"To see adults in this condition, it's a very serious situation," nurse Mieke Steenssens, a volunteer with Doctors Without Borders, told The Associated Press as she registered the 5-foot, 4-inch Usheto's weight at just 73 pounds (33 kilograms).

[High costs land on school cafeteria trays](#)

When America's schoolchildren return to class in the fall, they will learn a painful lesson in economics: Higher food and fuel prices are forcing up the price of school breakfasts and lunches across the country, by as much as 50 percent in some districts.

[Canadian navy drowning in sky-high fuel prices](#)

MONTREAL -- Ballooning fuel prices and recruitment problems kept Canadian navy vessels docked for much of last year, Sun Media has learned.

The 34 vessels deployed on Canada's east and west coasts, on average, spent only 81 days at sea in 2007, according to documents obtained by Sun Media through the Access to Information Act.

Fuel costs for Canada's navy ships jumped 50% last year, the documents revealed, and are expected to rise another 25% this year.

"The rapidly rising price of oil will have dramatic consequences on the 2007-2008 operations budget," said David Statham, a former Canadian naval officer. This increase will also impact on the operational capacity of the Canadian fleet.

[Australia: Critical fortnight looms for gas crisis](#)

The next two weeks will be critical in dealing with the State's energy crisis, Alan Carpenter said.

But Mr Carpenter said he had no intention of enforcing domestic electricity restrictions and there would be no blackouts or brown-outs to help cope with reduced energy supplies.

WA lost a third of its gas supplies after an explosion last Tuesday at the Varanus Island facility owned by US giant Apache Energy. It will take about two months before partial supplies at the North-West site can be restored and it is not known when full supplies will return.

[WA gas blast rocks miners](#)

MINERS are taking desperate measures to secure supplies of gas and diesel fuel in the face of at least two months of interruption to 30% of gas supplies in Western Australia following the explosion at Apache Energy's facility on Varanus Island.

A Citi analyst, Clarke Wilkins, told clients that he had heard reports of spot gas sales in WA at up to \$30 a gigajoule, triple recent spot prices and five times the price of contracted gas.

[Mexico rethinks fuel subsidies](#)

Mexico's subsidies for domestic fuel are taking a growing share of government revenue, increasing the urgency for Congress to reform the state oil monopoly, said Dionisio Perez-Jacome, deputy finance minister for the budget.

President Felipe Calderon's initiative to give state oil company Pemex more leeway to hire private companies for production and refining would reduce the cost of subsidies by enabling Mexico to produce more of the gasoline it consumes, Perez-Jacome said.

[French oil port strikers call for more action](#)

PARIS (Reuters) - Striking workers at France's largest oil port of Fos-Lavera in southern France on Monday entered their third day of action, stepping up pressure on the government over its plan to privatise state-run ports.

The three-day strike at the Fos-Lavera oil port in the southern port of Marseille blocked 29 oil tankers at quay or from entering the hub, the port authority said.

[Nepal to raise fuel prices to counter shortages](#)

KATHMANDU (Reuters) - Nepal's government sanctioned a rise in fuel prices on Monday to stem losses by the state-run oil firm and overcome a domestic oil shortage caused by record-breaking fuel prices.

The government said the Nepal Oil Corporation, which has a monopoly on oil imports, would decide how much to raise prices.

[Fuel Shortage Hits Nepal Ambulance Services](#)

Fuel crisis has gripped the western region to such an extent that even the ambulance service is on hold after the Western Regional Petroleum Dealers' Association shut shop since last evening.

The association was forced to stop selling petroleum products after angry consumers coming to petrol pumps in town began attacking the petrol pump staffers when they were told that there was no petrol.

The number of vehicles plying on the roads has dropped drastically.

[Iran plans at least 2.5 mln bpd oil exports in June](#)

TEHRAN (Reuters) - Iran plans to export at least 2.5 million barrels of oil per day (bpd) in June, the country's OPEC representative was quoted as saying on Sunday.

"On the basis of this program (Iran's crude export program), Iran will be exporting at least 2.5 million bpd oil in June," Mohammad Ali Khatibi was quoted as saying by the Oil Ministry's Web site Shana.

[Oil Price? It's Not a Barrel of Laughs](#)

Is this it? Have we reached peak oil; the moment when oil production starts to decline? If you've watched, aghast, as petrol prices have soared over the past year, you'd be forgiven for thinking that we have.

After all, the world has never before seen the cost of crude oil reach the recent unprecedented price of 135 a barrel. Only 10 years ago, average crude oil prices were less than 12 a barrel, or 50 years ago they were 3.

At least three airlines have gone bust this year and others are swiftly raising fares and adding fuel surcharges, meaning, in the case of British Airways, an extra £158 on the cost of a long-haul flight.

[And What of Crude?](#)

To summarize, there are available vast quantities of two substances easily refinable into crude oil at a small additional cost, *and most of it is right here in North America*. Peak oil, where is thy sting.

[Philippines: Oil firms feel pinch from rising prices](#)

The head of EPC, which belongs to a group of firms that blossomed after the government deregulated the downstream petroleum industry a decade ago, said that a number of companies are beginning to cut operating hours to make up for the high costs and lower revenues.

This partly explains Saudi Aramco's departure from the Philippines' largest oil refiner. Petron Corp., which accounts for nearly 40 percent of the local market, saw its return on equity (ROE) dip over the last five years, according to a report by Peter Lee U, dean of the University of Asia and the Pacific School of Economics.

[Oil price to stay over \\$100-World Bank](#)

CAPE TOWN (Reuters) - Global oil prices, around \$40 up this year, will remain high in a range between \$104 and \$108 a barrel over the next three to five years, a World Bank official said on Monday. Oil soared more than \$16 a barrel -- over 13 percent -- in a two-day rally on Thursday and Friday partly on weakness in the dollar and rising tension between Israel and Iran.

[UK: Fuel...or No Fuel?](#)

Green energy is a failure, power cuts will hit us all and the Government is covering it up.

[Fuel worries prompt a 1970s flashback](#)

WASHINGTON — The Arab oil embargo in the fall of 1973 sparked gas lines across America. Some motorists had to limit their fill-ups to odd- or even-numbered dates, and Congress lowered the national speed limit to 55 mph to conserve fuel.

When a second energy shock hit later in the decade, President Jimmy Carter ordered office buildings to kick up their thermostats in summer to 78 degrees, while then-Texas Gov. Bill Clements put the state capital on a "no-tie, no-coat basis."

[Rail's use of energy subject of debate](#)

Honolulu's planned commuter rail system will consume enough electricity each day to power about 9,250 homes, or a community the size of Hawai'i Kai.

That shouldn't pose a risk of energy shortage and could lower transportation-related air pollutants and energy use as people switch from automobiles to trains, according to the city.

[Wealth Evaporates as Gas Prices Clobber McMansions, SUV Makers](#)

Homeowners in the exurbs aren't the only ones whose assets have taken a hit because of the surge in energy costs. Companies such as General Motors Corp. and UAL Corp. are writing off billions of dollars in plants and equipment that are no longer viable in an age of dearer oil. The destruction of wealth and capital will weigh on U.S. growth for years to come.

“Our whole economy reflects the relative costs of energy: the cars we drive, the houses we occupy, the kinds of factories we have and the equipment in them,” says Dana Johnson, chief economist at Comerica Bank in Dallas. “I’m expecting relatively large changes in all of these things.”

[Diesel Beats Gasoline as Traders Bet on Widest Spread](#)

(Bloomberg) -- Diesel, the world's most-used transport fuel, is so prized by traders they'll pay the biggest premiums in at least 15 years to buy it.

Because refiners can't make enough, diesel sells for \$145 a ton, or 14 percent, more than gasoline as China halts exports, the Middle East boosts imports and power shortages force mines from Australia to Chile to run oil-fed generators. For the first time, refiners Valero Energy Corp. and ConocoPhillips this summer will make more money from diesel than gasoline in the Northern Hemisphere, said Andrew Reed, an analyst at Energy Security Analysis Inc. in Boston.

[Experts divided on when - or even if - oil bubble will burst](#)

CALGARY — With oil prices gushing above a new record of US\$139 last week, experts cannot agree on when - or if - that number will ever come down.

A barrel of crude is worth nearly 50 per cent more than in February and more than double what it was last year.

In this uncharted territory, there has been much discord among experts about whether an "oil bubble" exists - and if it does, whether it is due to burst much like dot-com tech stocks did in 2000.

[Scramble for oil as price continues to rise](#)

There is no doubt that global oil production - at about 87 million barrels a day - is sputtering. The real question is: why?

Is it, as advocates of the “peak oil theory” claim, because there is simply not enough oil left in the ground? Or is it because of other reasons, such as a lack of investment in new

fields and production?

[India - Oil crisis: An opportunity to cry foul?](#)

As a matter of fact, our country is now entering a crucial phase of very difficult and trying times. It would be wishful thinking and trifle foolhardy on anyone's part to expect the international prices of oil to come down, rather than going up further, in the future. The world's total oil production has been stagnating around 85 million barrels a day since 2005, and there seems to be very little likelihood of a marked increase in production in the near future. Fresh explorations do not indicate substantial quantities of usable and commercially viable oil reserves. Organisation of Petroleum Exporting Countries (OPEC) is unwilling to increase production any further or lower the prevailing prices. The point of peak oil production is about to be reached, although *International Energy Agency and World Energy Council* would have us believe that at the very least it will take a couple of decades to scale that point. Be that as it may, the oil crisis is likely to sink the world's most advanced and developed economies, what to speak of the developing and under-developed economies. Such are the perils of the economies based on the concept of consumerism, that they are consumed by the very excesses they tout as a panacea for the economic good health of a nation!

[What is the Right Price for Oil?](#)

The world's challenge is clear enough: supply is not growing at the same pace as demand. Non-OPEC supplies are actually falling, with failing oilfields and failure to invest in necessary upgrading. OPEC suppliers have little incentive to increase supplies - should that option be at all available to them -- since high and rising prices provide growing revenues for their economies. Revenues are growing so fast that OPEC nations can expand domestic infrastructure, and even maintain subsidies on domestic sales to consumers, while still generating surplus revenues to invest in world markets. From their perspective, if high and rising prices are likely to be sustained, why take more oil out of the ground? Why not leave it there for future generations?

[Gazprom Doubles Investment to \\$30 Billion](#)

(Bloomberg) -- OAO Gazprom, Russia's state-owned natural gas monopoly, plans to double investment in projects to \$30 billion this year, exceeding Royal Dutch Shell Plc's plan, which the Anglo-Dutch company said was the world's largest in the oil and gas industry.

[Russia and Norway tackle Arctic sea border issue](#)

OSLO (Reuters) - Russia and Norway meet on Monday and Tuesday in the hope of making progress in a decades-old dispute over their maritime border in the Barents Sea

-- a part of the Arctic that could hold large oil and gas reserves.

Officials have said the Barents Sea could become an important new source of petroleum to supply Europe, but development has been hindered by the dispute.

[Trinidad & Tobago rents zoom](#)

A week or so ago Robert Riley of bpTT warned that all those reports you read in the newspapers about oil zooming past the US\$100 mark have little relevance here. It is indeed noteworthy that Mr Riley did not enlighten us on what price bpTT got for its last oil shipment.

[Nigeria oil militants attack boat](#)

Militants have ambushed a patrol vessel in Nigeria's oil-producing Niger Delta region but the authorities have denied reports that it was hijacked.

A military spokesman said the boat was providing security for oil installations in the Delta when it came under attack.

Some reports say attackers seized the boat and its crew of eight.

[Nigeria must strike deal in oil rebel trial - lawyer](#)

LAGOS (Reuters) - Nigeria must reach a political deal in the trial of a militant leader from the oil-producing Niger Delta and avoid jailing him if it is to have a chance of ending violence in the region, one of his lawyers said.

[Peak oil drives energy innovation](#)

The flipside to the pain caused by a decade of high oil prices was that it spawned an amazing number of new and exciting developments all over the Western world.

Among them were solar-powered steam turbines in the Pyrenees, solar water heating panels on private roofs in Boston, hydrogen-powered cars in Tokyo, wave energy generation off the Shetland Islands, tidal barrier power stations in France, a huge hydrothermal power station in the Gulf of Mexico, and test fields of "windmills" in France. Surprisingly, outside of Brazil, biofuel wasn't particularly favoured other than for the introduction of some tax breaks in the USA for ethanol plants.

[Pressure at the pump may turn positive](#)

This is the world's third oil shock, and the worst after allowing for inflation, but don't let that put you off.

Yet present company excepted, the world is coping much better with higher petrol prices than last time.

[New Zealand, it's time to sail to the moon](#)

The cost of fuel is rising fast. We may be experiencing peak oil, the point where demand growth exceeds supply. Fuel will become even more expensive when a range of local and international sustainability measures kick in. Already our own government is contemplating a green tax on tourists while the EU is doing its best to ensure the concept of "food miles" gets up to protect its own inefficient production.

None of this is going to go away in a hurry and even if you don't believe in human-induced climate change, you have to concede that New Zealand needs to manage the risk that all of this presents.

New Zealand needs to have a moment. It needs to "choose to go to the moon". And, here comes that idea: we should make it our national mission to reintroduce sail as a means of transporting our produce around the world.

[Global warming gloom - clouds have green linings](#)

Current economic and political mindsets need to change in the face of future environmental challenges, according to the head of the United Nations environmental programme.

Executive director Dr Achim Steiner held a lecture entitled "Are we glimpsing the emergence of a green global economy" at the Maidment Theatre last Wednesday, as part of the World Environment Day celebrations.

[Shell, Qatar to work on carbon dioxide storage](#)

Royal Dutch Shell, Europe's largest oil company, and Qatar Petroleum agreed to invest as much as \$70 million to research carbon dioxide storage projects in the Middle East and beyond.

[Oil shortage a myth, says industry insider](#)

There is more than twice as much oil in the ground as major producers say, according to

a former industry adviser who claims there is widespread misunderstanding of the way proven reserves are calculated.

Although it is widely assumed that the world has reached a point where oil production has peaked and proven reserves have sunk to roughly half of original amounts, this idea is based on flawed thinking, said Richard Pike, a former oil industry man who is now chief executive of the Royal Society of Chemistry.

[Oil seen hitting \\$150 this summer: Goldman analyst](#)

KUALA LUMPUR (Reuters) - Oil prices are likely to hit \$150 a barrel this summer season, the global head of commodities research at Goldman Sachs said on Monday, as tighter supplies outweigh weakening demand.

"I would suggest that the likelihood of that happening sooner has increased tremendously ... sometime in summer," Jeffrey Currie told an oil and gas conference in the Malaysian capital, referring to oil at \$150 a barrel.

...Goldman Sachs forecast almost a month ago that U.S. crude would average \$141 a barrel in the second half of 2008, up from a previous projection of \$107, due to tight supplies.

"Demand for oil is weak but supplies are even weaker," Jeffrey Currie told the conference, citing supply disruptions in Nigeria and struggling output rise in Russia.

[Spanish hauliers on fuel strike](#)

Tens of thousands of Spanish lorry drivers have begun an indefinite strike against the soaring price of diesel, which has risen by 20% this year.

Some 90,000 hauliers stopped work at midnight on Sunday (2200 GMT) and are expected to stage blockades and demonstrations in coming days.

Their strike follows action by hauliers in France and other European countries.

[Surging oil alarms Wall Street](#)

NEW YORK — The pain at the gas pump that is emptying consumers' wallets on Main Street is starting to siphon big money from the account balances of Wall Street investors.

Indeed, the oil crisis gripping the USA is sparking fears that the economic gloom is deepening, setting off alarm bells on stock trading desks.

[China: Power companies struggle with shrinking profits](#)

The relentless rise in energy prices, particularly coal, is pushing domestic power companies to a corner with no obvious way out other than an increase in electricity charges, which are controlled by the government.

[Viet Nam digging itself into a hole with coal exports](#)

As the country is currently selling coal at a cheaper export price than import, Vietnam may end up buying back some of its coal at a higher price if national reserves are exhausted.

At the current rate of exploitation and export, supplies may run dry even earlier than 2015, experts have warned.

[Airlines pay price for creating 'flying is cheap' image](#)

The aviation industry is guilty of creating the impression that "flying is cheap" and will pay the price as rocketing oil prices in the coming months force no-frills carriers out of business, the joint head of the world's biggest airline has said.

[Producer price growth at record](#)

UK producer prices rose at a record pace in May, official figures show.

Prices jumped by 8.9% from the same month a year earlier, the Office for National Statistics said. Input prices also shot up, 27.6% higher on the year.

The quickest growth since records began in 1986, it was driven by higher food, scrap metal and energy costs.

[Economy squeezes the American Dream](#)

Work hard, play by the rules and tomorrow will be better than today. That implicit promise has been at the core of the American Experience through good times and bad.

But now, whipsawed by plummeting home values, \$4-a-gallon gas, rising food prices and gyrating financial markets, Americans increasingly fear that the national bargain has unraveled, that their once-steady march toward affluence has derailed. In a new USA TODAY poll, 54% of those surveyed say their standard of living is no better today than five years ago.

[UK: Rising price of oil could send our energy bills soaring even higher](#)

Millions of householders can expect even higher fuel bills over the next 12 months, industry analysts have warned.

They say gas prices will rise by up to 43 per cent and electricity by 21 per cent.

At the same time, annual dual fuel bills are likely to jump by £360 a year, taking them above £1,400.

But some experts claim the estimates are too conservative and predict that the figures will be even worse.

[Revealed: airlines' £10bn government fuel subsidy](#)

The Government has been urged to abolish a £10bn-a-year "hidden subsidy" to the airline industry to bring it into line with hard-pressed motorists struggling with higher petrol prices.

Although the aviation industry claims it is being badly hit by the soaring price of oil, it still enjoys a double boost denied to drivers because it does not pay fuel duty or VAT on the fuel for its planes. New figures suggest this subsidy is worth £9.92bn at current levels of fuel tax.

[Carolyn Baker: The Switch Has Been Flipped: It's Too Late For Solutions](#)

I would be the first to admit the possibility that nuclear war may erase all potential for human survival as collapse more fully unfolds. However, I would also adamantly insist that it may not be inevitable and that local communities and families who have consciously prepared for collapse can not only navigate it but create mini-societies where an entirely new paradigm prevails. In the latter scenario unimaginable opportunities (a word very closely connected with "options") abound for remaking human relationships, human connection with the earth and the non-human world, and the reclaiming of our ancient memory of living within limits as partners with, not dominators of, the earth.

[Biofuel backlash: High prices, pollution worries hit consumers](#)

Metro Transit, the region's largest consumer of biodiesel, is "taking an indefinite pause" in buying the renewable fuel, said general manager Kevin Desmond.

"We're taking a hard look at it in terms of both its price and the science," he said.

[World major economies see new nuclear dawn](#)

AOMORI, Japan (AFP) - Top economic powers have declared that the world is entering a new era of nuclear energy amid rising concerns over high oil prices and global warming, but Germany stood firmly as an exception.

[Kiribati president asks for climate change help](#)

WELLINGTON, New Zealand - The president of the South Pacific nation of Kiribati, threatened by rising sea levels caused by climate change, appealed Monday for more nations to help in relocating families whose homes have been submerged or are threatened.

So far, only New Zealand has begun taking in Kiribati families, President Anote Tong said after talks with New Zealand Prime Minister Helen Clark.

[Japan PM unveils plan to cut emissions](#)

TOKYO (AFP) - Prime Minister Yasuo Fukuda said Monday that Japan would aim to cut greenhouse gas emissions blamed for global warming by 60 to 80 percent by 2050 from current levels and launch an experimental carbon market.

[Marine life is destroyed by acid environment](#)

Traditional marine communities containing creatures such as sea urchins and snails are being destroyed as CO2 emissions make their environment more acidic.



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