



## DrumBeat: June 15, 2008


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Topic: [Miscellaneous](#)

### [New Matt Simmons Presentations](#)

**A Big Surprise (2001-2008)  
Rising Oil Prices**

- In early 1999, conventional wisdom assumed \$5 oil was about to arrive:
  - Saudi Arabia would flood world with cheap oil
  - \$5 oil would last for decades
  - Everyone bought into this thesis
- “We Woz Wrong” big time!



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- *Quo Vadis Energy? (Will Dawn Follow Darkness As Twilight Of Energy Fades?)*
- *The Unknowns In 2008: “Is \$120 Oil A Blessing Or A Curse?” And Has Oil Peaked*
- *Oil And Gas “Rust”: An Evil Worse Than Depletion*

### [Saudi Arabia yet to determine output hike size - TV](#)

DUBAI (Reuters) - Top oil exporter Saudi Arabia was yet to determine the size of a planned oil output increase, Al Arabiya Television said on Sunday citing an oil ministry official.

"The kingdom was yet to decide the volume of the planned increase in its oil output, the official said, adding that determining any increase in output levels before the meeting of

consumers and producers in Jeddah would be premature," Saudi-owned Al Arabiya said.

### [Yes, it's a crisis – but liquid gold will also oil the wheels of invention](#)

The telephone line was crackling when Daniel Yergin called me from Kazakhstan on Friday but there was nothing unclear about his message: oil is the new gold.

It's the new gold because the black stuff has become a hedge against the dollar, a new asset class of its own. Yergin also says the price of oil is close to reaching what he calls its "break-point". This is when the price – the latest is \$136 a barrel – triggers a sea-change in attitudes from governments, to car-makers to consumers. He reckons it won't be long before serious money goes into alternative energy sources and car-makers stop making vehicles like the Hummer completely. Consumers, he notes, are already filling their tanks with the same care as they would if petrol were, in fact, liquid gold.

### [Fuel strike: Tales from the forecourts of Britain](#)

As the effects of the fuel tanker drivers' strike starts to bite, David Harrison reports from the front line of the dispute and finds drivers stoical and the strikers resolute.

### [Tempers fray as Shell strike begins to bite](#)

Tempers frayed and frustration rose with the lengths of the queues on garage forecourts yesterday, with people hurling insults and vehicles literally scraping past each other as motorists jostled to get to the pumps.

With striking workers continuing to blockade Shell petrol depots around the country, there were growing reports of panic buying and people travelling dozens of miles just to fill up. Supermarkets have said they struggled to meet demand, and some garages are predicting they will run out of fuel.

### [Australia: More lay-offs as energy crisis spreads](#)

WESTERN Australia's gas crisis will hit hard this week as more businesses face the decision to shut down and lay off workers because of escalating energy costs, the state government says.

### [Australia: Consumer to carry cost of developing gas reserves: economist](#)

An economist has backed the Federal Government's move to increase the pressure on energy companies to develop available gas and oil reserves, but says it would come at a cost to consumers.

Federal Energy Minister Martin Ferguson was in Perth yesterday and said he would apply "use it or lose it" legislation more rigorously to encourage companies sitting on undeveloped reserves.

### [Asia's Subsidies Worsening Supply Crisis, Nestle Says](#)

(Bloomberg) -- Asian governments should scrap food subsidies because they are causing price increases and heightening a global supply crisis, said Nestle SA, the world's biggest food company.

### [Asians Especially Vulnerable to Food Shortages and High Prices](#)

With more than 60 percent of the world's undernourished people living in the Asia-Pacific region, the soaring cost of food is pushing many back into poverty as they try to cope with the increased challenge of putting food on the table.

### [Congress gets on board](#)

Last week, the House of Representatives gave a big boost to the future of passenger rail service in this country. By approving the more than \$14 billion, five-year spending plan by a veto-proof majority (which followed similar bipartisan action by the Senate last fall), Congress has not only taken a major step toward ensuring the survival of Amtrak but has also opened up opportunities for improved and expanded service across the nation and in Maryland.

Trouble is, it's not enough.

### [Australia: Drivers slow to adopt ethanol](#)

Only 26 per cent those surveyed said they buy ethanol-blend fuels, with 41 per cent of drivers saying they were unaware that the biofuel was suitable for their car and 26 per cent saying they were concerned about possible negative effects on their vehicles.

### [Freeing ourselves from the oil trap may be more realistic than we realize](#)

For the purposes of answering the question about whether it is possible for the U.S. to be both carbon free and nuclear free, Makhijani assumed that nothing about our lifestyle

would change – we wouldn't ride buses more, build smaller houses or travel less.

“If we do those things, it will be easier and faster, but I didn't go there,” he said.

### [Adventures in Hypermiling](#)

With gasoline topping \$4 a gallon in many places, there's no shortage of advice from the financial experts: Try carpooling, biking or walking. Cut costs in other parts of your life. Eat out less and stop shopping. Carefully choose the brand and type of gasoline you use because some are more cost-efficient than others. Or just get rid of your car.

Then I heard about "hypermiling," which involves changing your driving behavior to coax better gas mileage out of your car. Hypermilers do such things as drive slowly, brake as little as possible and limit their use of the air conditioner to save fuel.

### [Kuwaiti MPs file bill to cut oil output](#)

KUWAIT CITY (AFP) - Opposition MPs filed a bill on Sunday that could effectively slash Kuwait's oil output if it is found that the Gulf state's proven reserves are actually much lower than official estimates.

The proposed legislation, signed by four MPs, stipulates that annual oil output from Kuwait, OPEC's fourth largest producer, should not exceed one percent of proven reserves.

### [Saudi Arabia May Announce Oil Output Increase June 22](#)

(Bloomberg) -- Saudi Arabia may announce an oil output increase at a meeting it will host in Jeddah on June 22 for oil producers and consumers because customers are asking for more crude, an OPEC official said today.

There is more demand for Saudi oil from ``all over" the world, the Organization of Petroleum Exporting Countries' official, who asked not to be identified, said in a phone interview. He declined to comment on the size of the possible increase, and denied reports that the Saudi Oil Minister Ali Al-Naimi would make a statement today on oil production.

### [South Africa: Why is the cost of living going up?](#)

Welcome to Peak Oil! The basis of the argument of Peak Oil is that at some time during the extraction of oil from the oil fields there comes a time where one reaches peak

production. There is a finite limit to the volume you can repeatedly pump out in one day, and once that peak is reached, you are on a downward trend for that field. Further, as one removes the oil from an oilfield that is in decline, additional discoveries of oil-fields are required to keep up with the demand. In the last few years, worldwide Peak Oil has been on the cards, with many predicting that it would occur in a window period, ranging anywhere from 2000 to 2040. By all appearances, worldwide Peak Oil appears to have been in 2005, around May. Since May 2005, the worldwide conventional oil production peaked at around 73 million barrels per day, with the balance (about 13 million barrels per day) made up through unconventional means. Adding to the predicament we face is the fact that the major oil fields have all peaked: Ghawar in Saudi Arabia, Cantarell in Mexico, Burgan in Kuwait; in fact most of the large oil fields have peaked with one exception, the Kashagan oil field in Kazakhstan, which was discovered in 2000.

### [Why Ships No Longer Go To Sea](#)

Navies are facing a crises because of rising fuel costs. Last year, these costs went up fifty percent, and another 25 percent jump is expected this year.

### [Interview: Jerre Stead, chief executive of business information supplier IHS Inc.](#)

**Q:** What about supplies? Where do you stand on the "peak oil" theory that production will peak in coming years and then gradually decline?

**A:** Nobody doubts that oil is a finite resource, but the debate today is about the scale of that resource and how much of it remains to be produced.

We have conducted extensive analysis of future productive capacity based on developable oil reserves and future growth through exploration and technology advances. This indicates that oil production can grow until at least 2030.

### [Apocalypse Now? To hell with debate, what can the simple folk do?](#)

High fuel means food will rocket in price. You CAN grow food in your garden, safely, with good nutrition, even later feed the scraps to a couple of chickens. Those who have no garden, consider growing on your window sills, balconies, flat roofs. Even if you only grow herbs, you would have something to barter with others growing other things.

### [Step program for gasoholics](#)

One year ago, the Peak Oil Task Force delivered a report to the City Council, but the whole region needs to mobilize. Think of it as a commuter version of "Some Enchanted Evening." At a recent graduation party in Cedar Mill, two neighbors squint at each other across a crowded kitchen island. Kinda scary, isn't it, they agree, about those gas prices headed toward \$5 a gallon. Then a bit shyly, they circle a new question. Maybe it's time

to take it to the next level. Both, they know, work downtown. Both leave home and return each day at roughly the same time. Turns out, they even park right next door to each other. Maybe this is a match made in post-Peak Oil Heaven.

### [That Buzz in Your Ear May Be Green Noise](#)

If even well-intentioned activists are feeling overwhelmed, the average S.U.V. driver must be tuning out. And some environmentalists fear that the public might begin to ignore their message before any meaningful change can be accomplished. For them, it's a time to reassess strategies and streamline their campaigns before it's too late.

### [Localizing a global oil problem](#)

You've heard it said that the world is flat – that today, all economics is global. Time to rethink that in light of the global energy crisis. The world is being rerounded, its horizons shrinking. Localism is the new globalism.

Cheap, abundant and accessible fossil fuels allowed us to create a world in which we are relatively unconstrained by geography. That era is passing into history, and it is not likely this process can be reversed.

There is simply not enough oil being extracted quickly or inexpensively enough to meet global demand – nor, in all likelihood, will there be again. This is called peak oil. Last week, economic analysts said Americans have never before spent a greater portion of their income on energy costs. The sooner we come to terms with this reality, the sooner we can begin taking serious steps to adapt.

### [Malaysia Faces Bankruptcy If Oil Subsidy Continued - Finance Minister](#)

HULU TERENGGANU (Bernama) - The country can go bankrupt if the government continues giving oil subsidy to the people, in order to cope with the global oil price hike, without sound measures to tackle the problem, said former Finance Minister Tengku Razaleigh Hamzah.

He said based on information from Petronas and the oil production rate of 600,000 barrels per day currently, he opined that the country's oil and gas reserves would not be able to meet the demand in the next five years.

"After this, Malaysia will have to bear a high cost and depend wholly on oil imports to meet the local demand.

### [Oil: does anyone know which way the wind blows?](#)

One of the more dire predictions comes from Jeff Rubin, chief economist at Canadian bank CIBC: "Four to five years from now, airports like Heathrow and Gatwick will be half-empty. North American airlines are already passing on fuel surcharges to customers. People ain't going to be flying because of the fuel costs, so half the airlines are going to go bankrupt."

Mr Rubin says the only solution is for "people to get off the road". With supply not growing and the "world thirstier for oil than six years ago", he forecasts \$225 a barrel by 2012. At that price, American motorists will pay the same amount to fill a tank as their British counterparts do today.

### [High oil prices are based on fundamentals not speculative bubbles](#)

I don't wish to be rude. Al-Naimi knows a lot more about oil than me. But "fundamentals" are very much driving the market. And even if we do see more Saudi oil in the coming months, it's unlikely to lower the price of crude.

### [Oil crisis: £100 \(\\$195\) to fill up the tank? Just get used to the idea](#)

Queues at petrol stations may be a chilling taste of things to come. Prices are soaring, experts warn of shortages ahead, and some say the world is running out of fuel. Already people are getting out of their cars and finding other ways to travel, while less scrupulous drivers are stealing diesel. Has the motor car just stalled - or are our driving habits changing for ever?

### ['North Sea oil will last for 100 years'](#)

The north sea will continue to provide oil for another 100 years, twice as long as previous estimates, according to industry analysts.

Dr Richard Pike, a former oil industry consultant and now the chief executive of the Royal Society of Chemistry, said: "Rather than only getting 20 to 30 billion barrels [from the North Sea] we are probably looking at more than twice that amount."

### [The Great Oil Deception: Part Two](#)

*"It is getting much more expensive to find Oil these days."*

While it is true that it is getting more expensive to find oil, one has to examine whether that increase is of a permanent nature as many argue. The reason that it is getting more expensive to find oil is mainly because service, drilling and other costs are sharply increasing. While this may seem like a circular argument at first, my intention is to demonstrate that the cost of finding oil is rising to a cyclical peak, and that it is not

secular in nature.

### [Oil prices: Correction on cards](#)

There are indeed parallels between the late stages of the dotcom mania and the current oil boom. Both mega trends were rooted in a powerful economic shift; the dotcom boom was associated with several technological breakthroughs and new killer applications that change the way we live and do things, the oil-led commodity boom is attributed to the emergence of China and India as economic powerhouses, and the decoupling of the emerging economies from the developed world.

### [With crude oil prices skyrocketing, companies are squeezing every ounce out of Bay area wells](#)

Andreason said oil is getting hard to find in Michigan, and throughout the world.

He and other area oilmen say they believe in the theory of peak oil, postulated by Shell Oil geologist M. King Hubbert, who predicted in 1956 that U.S. oil production would peak by 1970. Later, Hubbert predicted world production would peak by 2000.

"I think we're either at it or very near it," Andreason said. Alexander Cohn | Times PhotoJordan Hicks of Evart attaches valves that will connect a methanol scrubber, used to keep natural gas from freezing in cold temperatures, to the treater in the background.

"I've been in this business a long time, and I've worked all over the world, and I see the same thing everywhere. It's just harder to get out of the ground, even in the Middle East."

### [Gas Station Owner Joins Wisconsin Protest](#)

With gasoline costing \$4 a gallon, more than 20 union members rallied in front of a Madison gas station yesterday to protest John McCain's proposed tax cuts for Big Oil while average working families strain to pay ever-rising prices.

...The gas station owner came outside and, instead of asking the protestors to leave, told them the skyrocketing gas prices had hurt his business. He even picked up a sign and joined the rally before going back to work.

### [Adapt or die: Future of big SUVs](#)

NEW YORK (CNNMoney.com) -- Until recently, big SUVs had resisted the sales declines hitting their smaller, mid-size brethren. That was because large SUV drivers were hard-core - they really needed interior room and pulling power, and they weren't



about to switch to car-like crossovers.

But with skyrocketing gasoline prices, many big SUV drivers are rethinking those needs.

### [Costs and long equipment waits dog gold and all mining output expansions](#)

High oil prices may spell the death knell for major new additions to global gold reserves, according to one of Australia's foremost equities analysts. Addressing the 2008 Paydirt Gold Conference in Perth, Western Australia, earlier this year, corporate analyst and equities market author, Peter Strachan, said oil-reliance could hamper future growth in gold production volumes.

### [Old Farming Habits Leave Uzbekistan a Legacy of Salt](#)

Uzbekistan, a land-locked country that was once part of the Soviet Union, is home to one of the biggest man-made disasters in history. For decades its rivers were diverted to grow cotton on arid land, causing the Aral Sea, a large saltwater lake, to lose more than half of its surface area in 40 years.

But old habits are hard to break, and 17 years after the Soviet Union collapsed, cotton is still king and the environmental destruction continues unabated, cutting into crop yields.

### [Starting to Think Outside the Jar](#)

Glassmaking is based on old, stable technologies that require lots of materials and energy. The basic furnace, which melts sand into glass at extremely high temperatures, hasn't undergone a fundamental change since the 1850s. Furnace designers have long contented themselves with small improvements, such as using pure oxygen to improve energy efficiency.

Today, glassmaking faces a technological upheaval that offers a reminder that "it is a mistake to assume that older technologies are less dynamic than new ones," says David Edgerton, a historian at Imperial College in London and the author of "The Shock of the Old," a history of the evolution of pre-electronic technologies in the 20th century.

### [China Increases Lead as Biggest Carbon Dioxide Emitter](#)

China has clearly overtaken the United States as the world's leading emitter of carbon dioxide, the main heat-trapping gas, a new study has found, its emissions increasing 8 percent in 2007. The Chinese increase accounted for two-thirds of the growth in the year's global greenhouse gas emissions, the study found.

## [King Coal Country Debates a Sacrilege, Gas Heat](#)

POTTSVILLE, Pa. — Over the last 150 years, Schuylkill County has been famous for a rare hard coal called anthracite that fed the explosive growth of the East Coast during the Industrial Revolution, fostered the rise of the United Mine Workers union and powered many of the factories that supplied troops through both world wars.

Now county officials here are considering the unthinkable: converting from homegrown anthracite to natural gas at the county courthouse and prison. The proposal has led to outrage and soul-searching from state lawmakers and county residents who say it insults local history and sends the wrong message about the area's leading export, which has been in decline for years.



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