



DrumBeat: June 16, 2008

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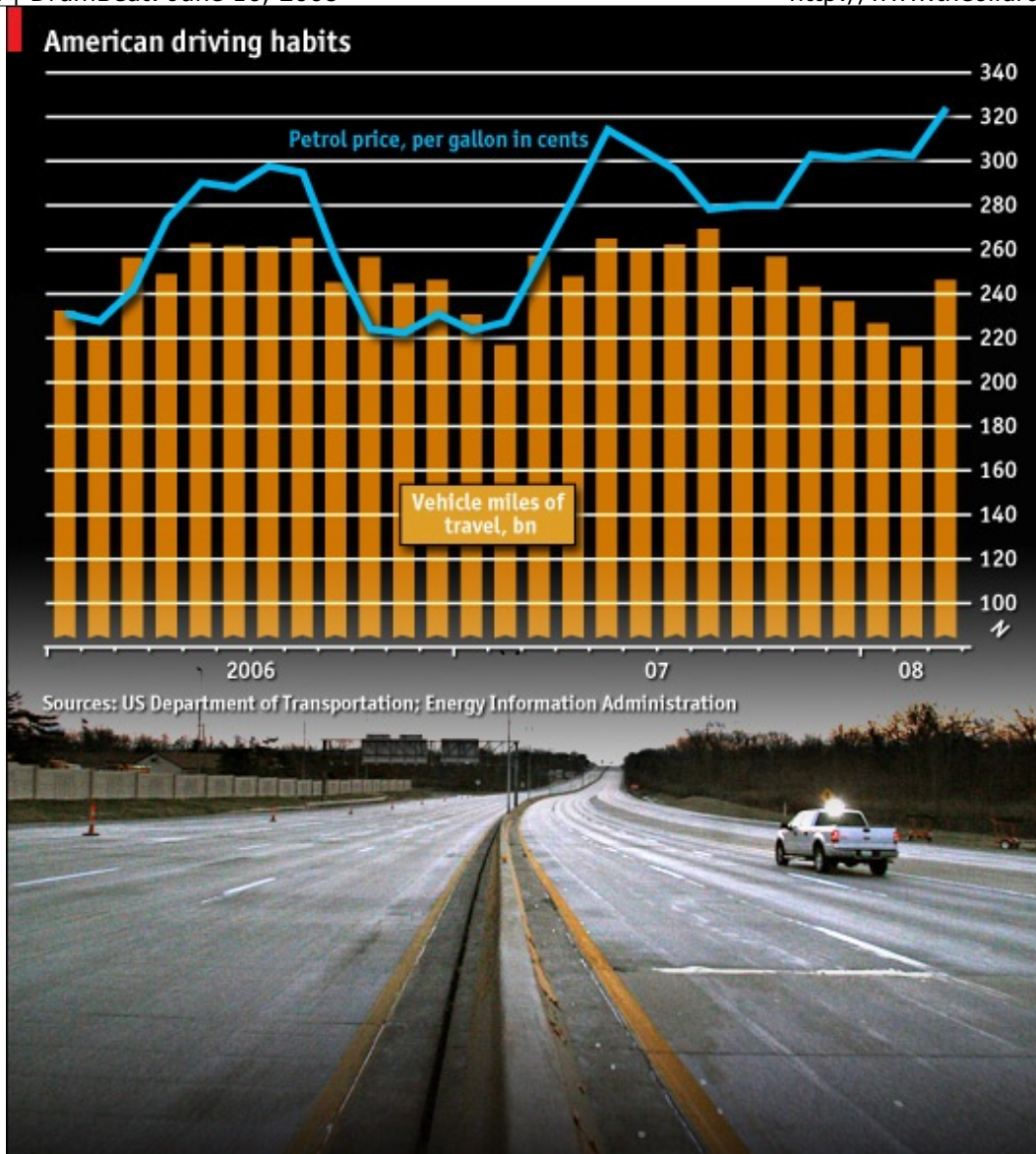
Topic: [Miscellaneous](#)

[Food supply fears mirror oil worries at Saudi summit](#)

DUBAI (Reuters) - Saudi Arabia's emergency energy meeting next week brings together Western consumer countries threatened by soaring oil prices with Arab producers worried about scarce food supplies.

Record oil prices and their impact on the industrialized world will no doubt dominate the agenda, but food security could also feature as arid Middle East states worry about affordably feeding their rapidly growing populations.

[Losing their drive](#)



Americans are being driven out of their cars by soaring fuel costs

[How badly are consumers getting squeezed?](#)

Is an extra couple of hundred dollars at the gas pump enough to break the budget of the average American? By itself, maybe not. But rising gas prices are just the latest in a series of blows that have consumers tightening their belts.

[Gazprom, Shell May Expand Sakhalin-2 to Pump More Gas](#)

(Bloomberg) -- OAO Gazprom, Russia's state-owned natural gas export monopoly, said it's examining plans to increase gas extraction from the Sakhalin-2 fields, being developed with Royal Dutch Shell Plc in the country's Far East.

[Toyota's hybrid output can't meet demand](#)

TOKYO - Toyota is struggling to keep up with booming demand for hybrid vehicles because it's unable to make enough batteries that are key parts in the hit "green" cars, a senior executive said Monday.

The crunch on battery production is likely to stay for the rest of the year, as new lines can't be added to boost production until next year, said Toyota Motor Corp. Executive Vice President Takeshi Uchiyamada, who oversees production at Japan's top automaker.

[Saudi Arabia's Leverage In Oil Market Is Sapped](#)

Saudi Arabia has now made clear that it may never increase its production capacity beyond 12.5 million barrels a day -- its target for the end of 2009 -- up from its current level of 11.4 million barrels a day. After that, all drilling and exploration could go to maintain that as the country's oil fields age.

With demand still growing strongly in China and other parts of Asia, as well as within the Persian Gulf itself, the market is now digesting the fact that Saudi Arabia -- with nearly a quarter of the world's proven oil reserves -- may provide only a few of the added barrels that countries will need in the future. That has helped deepen the widespread fears over whether other suppliers can keep up with demand in the next decade.

Some analysts have pointed to the country's Khursaniya oil field, which is expected to come onstream next month, as proof that Saudi Arabia can easily bump up its production by 500,000 barrels a day if it wants. But the plan for that field was to ramp up its production slowly, while using the new stream to allow some of the country's older fields to rest.

[Vinod Khosla: All Biofuels Are Not The Same](#)

Last month the Wall Street Journal accused me of advocating subsidies for food-based ethanol. I ought to "take a vow of embarrassed silence," it said, for claiming that ethanol's contribution to the food crisis is "overblown." The Journal's claims would be laughable if the stakes were not so high.

[China Becomes Net Gasoline Importer for First Time](#)

(Bloomberg) -- China was a net importer of gasoline for the first time in May as rising oil costs discouraged refiners from processing crude into fuels, and in preparation for the August Olympic Games.

Gasoline imports reached 338,572 metric tons in May, the highest in at least 29 months,

while exports were 160,000 tons, the Customs General Administration of China in Beijing said in an e-mailed statement today.

[Nuclear's changing fortunes: Public's concerns dwindle as energy crisis grows](#)

Along-promised, never-quite-delivered revival of nuclear energy may finally be underway in Canada and one of the key reasons is, at first glance, counterintuitive -- the environment.

[Sentiment on drilling changing](#)

Just three years ago, the pollsters at Gallup found 42 percent of Americans supported tapping into the vastly unknown underground oil deposits of Alaska's Arctic National Refuge Area.

With the nationwide price for gas now over \$4 a gallon, a recent Gallup poll showed 57 percent of Americans now favor further exploration.

[Mexico: Will Gas Subsidies End?](#)

Mexico's costly subsidy for gasoline is becoming even more expensive for the government as global oil prices soar, putting pressure on public finances. What will Mexican President Felipe Calderon do? Will he be forced to curb or eliminate the subsidy? If he does, what would be the economic and political repercussions?

[Why Brazil Isn't Ashamed to Exploit Its Oil](#)

It comes down to this: Where government has the property right, restrictions on development tend to be low. But when the private sector is the owner, environmental concerns blossom.

[Small firms in warning over impact of rising fuel prices](#)

Rising fuel costs are having a “dramatic” effect on the economy, with most smaller firms warning it will be difficult to recruit staff in the coming year, according to a new report published on Monday.

[India - Gas allocation: priority to fertilizer, LPG plants](#)

NEW DELHI: The government has decided to accord top priority to fertilizer and LPG plants for allocation of gas under the new natural gas policy regime. Work would also be initiated to provide connectivity to the five naphtha and fuel oil-based plants and reopen seven closed units.

[Australia: Rising fuel prices hit fishermen](#)

The high cost of fuel is only adding to the difficulties of cray fishermen in an already difficult season, according to prominent Torres Strait businessman Peter Ahloy.

"The cost of fuel is having a lot of effect at a time when there's not many crays about; the fishermen are losing money or not making much at all," Mr Ahloy said.

[Researchers at UTA work on turning lignite into oil](#)

Researchers at the University of Texas at Arlington think they can turn the state's 200-year reserves of lignite into a supply of heavy crude that will return Texas to its glory days as one of the oil capitals of the world.

[Honda rolls out fuel cell car](#)

TAKANEZAWA, Japan (AP) -- Honda's new zero-emission, hydrogen fuel cell car rolled off a Japanese production line Monday and is headed to southern California, where Hollywood is already abuzz over the latest splash in green motoring.

[Peak oil – worry now](#)

A certain columnist for a newspaper conglomerate recently commented that those of us concerned with climate change are "doomsayers." He's wrong.

Doomsayers are those who say there is no point in doing anything, "it's too late," or "we can't help anyway." The environmentalists are actually the most optimistic people on earth. We believe that we can change things. We believe that the world can be a better place if we actually make an effort, and we are happy to tell anyone who will listen that there is still hope for humanity's future, we just need to adjust our thinking and actions.

[Saudis May Be Strapped for Oil, Close to Full Capacity](#)

Saudi Arabia's pledge to boost oil production by 500,000 barrels per day may not be achievable, a source close to the Saudi oil industry told CNBC.com.

...The country's ability to produce more than 9.45 million barrels a day of easily refined sweet crude is reliant on the newly-discovered Khursaniyah field, which is of yet not producing to its full capacity, a source close to the industry said.

[Will the Saudis Increase Oil Production?](#)

The loss of 1 million barrels per day of Saudi production between 2005 and 2007 was one of the single most important factors in the run-up in world oil prices over the last several years. One theory of the cause behind the earlier drop was that the Saudis' magnificent Ghawar oil field had entered into decline, in response to which the Saudis made a big increase in drilling effort to develop alternative sources within the kingdom.

[Asian refiners say "no thanks" to more Saudi oil](#)

SINGAPORE (Reuters) - Refiners across Asia said on Monday they were not likely to buy more Saudi crude at current prices, highlighting the kingdom's challenge in attempting to contain soaring markets by promising extra barrels.

[Trinidad & Tobago: Our unstable energy economy](#)

My concern is, what should a small energy-exporting economy do in the face of Peak Petroleum? We are already feeling the impact of high imported food prices (reduction in tourist arrivals will follow) which cannot be completely alleviated by planting our own food. We cannot be self-sufficient in food and the contributors to modern farming are also petroleum-based - fertilisers, equipment, pesticides, infrastructure, construction etc.

As we export and deplete our resources we may be able for a time to alleviate the impact of high-priced imports via subsidised prices (TT\$6 billion in 2008 for gasoline according to the Minister of Finance). Our savings in the Heritage and Stabilisation Fund etc - the result of high oil prices - are to be invested in the global financial system that depends on cheap energy - quite a conundrum. What this scenario suggests is that rapidly depleting our resources to turn some of it into US dollar savings to be invested in a precarious global financial system, needs re-evaluating.

[Saudi Aramco and Total Confirm \\$10 Billion Refinery Construction Project in Jubail, an Industrial Info News Alert](#)

Saudi Arabia's national oil company, Saudi Aramco, and the French energy company Total S.A. (Paris) have confirmed their investment in a 400,000-barrel-per-day refinery in Jubail, Saudi Arabia. The \$10 billion refinery will process heavy crude oil from Saudi Arabia into high-quality oil products that meet stricter environmental standards. The refinery is scheduled to be completed by the end of 2012.

[From Flat World To Free World](#)

Considering the many jubilant boasts by "flat world" devotees in recent years, you might have been tempted to regard economic globalization as a juggernaut, powered by inexorable forces of technology and history.

Big mistake. There's no preordained direction for the world economy--only an undetermined future that will take the shape of whatever ideas and policies we choose to uphold. The lack of an intellectual defense of capitalism has left free markets vulnerable. "The power of the state is reasserting itself," said Daniel Yergin, co-author of *The Commanding Heights* and a free-market optimist, in *The Wall Street Journal* recently.

[Australia: When is a bike not a bike? When it's electric](#)

THEY might look like a solution to the rising oil price and global warming, but a court ruling has found some motorised bicycles cannot be legally used on NSW roads - even though the Roads and Traffic Authority previously advised owners they could.

[The oil era reaches its desperate endgame](#)

An increase in Saudi oil pumping might well have the desired effect of bringing down the price somewhat. But what if it does not fall low enough to ease the pain of the world economy? How long before our political leaders return to Saudi and its Opec allies to plead for more? And what will be the political price extracted for this? What we are seeing in this desperate horse-trading is the endgame of the oil age. Even if we have not yet reached the inevitable moment of "peak oil", when production begins its inexorable decline, it is abundantly clear that the age of cheap fuel is over. The economic leaps forward by China and India represent a step-change in energy demand. The rate of discovery of new oilfields has failed to keep pace with the speed at which nations are joining the global economy. That means the price of oil will remain considerably above the level to which we have historically been accustomed.

[Saudis to pump oil at fastest rate in decades](#)

DUBAI (Reuters) - The world's top oil exporter Saudi Arabia will boost output next month to the fastest rate in decades to help keep pace with demand and tame what it sees as unacceptably high fuel prices.

Riyadh plans to lift output to 9.7 million barrels per day (bpd) in July, United Nations chief Ban Ki-moon said on Sunday after meeting Saudi Oil Minister Ali al-Naimi.

[Quest for Oil: Where to Look Is the Question](#)

Industry supporters say they can't be sure how much oil exists in areas they haven't explored. But they say there are good reasons to think large reserves exist in areas now closed to drilling. Closed areas in the Gulf of Mexico and off the coast of California, for example, abut areas that have been drilled successfully for years.

[News reports: Japan, China agree on gas deal](#)

TOKYO - Japan and China have agreed on a gas exploration deal in the East China Sea, striking a compromise in the long dispute, news reports said Monday.

[Gazprom Seeks Gas Swaps With Sonatrach to 'Optimize' Supply](#)

(Bloomberg) -- OAO Gazprom, Russia's state-owned gas-export monopoly, plans to swap gas supply volumes with Sonatrach, Africa's largest natural-gas producer, to ``optimize" fuel deliveries to Europe and beyond.

Gazprom, which opened its first African office today in Algeria, may swap gas in pipelines for liquefied natural gas cargoes from Sonatrach. It may also offer LNG from the Sakhalin-2 project in Russia's Far East for Sonatrach LNG swaps.

[Fire shuts Norwegian oil platform in North Sea](#)

OSLO, Norway (AP) -- Norwegian oil company StatoilHydro ASA says it has halted oil and gas production on a North Sea platform after a fire broke out.

[Fridman Says TNK-BP Relations Broke Down on Its Performance](#)

(Bloomberg) -- Russian billionaire Mikhail Fridman said relations with BP Plc have broken down over what he called the poor performance of their venture TNK-BP.

Shareholder returns at TNK-BP have been worse than at other Russia oil companies, Fridman told a press conference in Moscow today as he and his fellow billionaire shareholders battle for control of the venture with BP.

[Gazprom CEO's \\$250 Oil Forecast Deals Doom Options Traders Love](#)

``It would be a disaster for all the oil-importing countries, all the democracies and China," says James Woolsey, vice president of consultant Booz Allen & Hamilton Inc. in

McLean, Virginia, and a former Central Intelligence Agency director. ``And it would be hugely beneficial for the many monarchies and dictatorships that are the main suppliers."

Some investors are already betting on Miller's forecast. At least 3,008 options contracts have been purchased giving holders the right to buy oil at \$250 a barrel in December, data compiled by Bloomberg show. The options closed at 64 cents on June 13.

[China puts lid on soaring oil prices](#)

Even though the price of crude oil has ballooned to record highs on international markets, China has remained curiously insulated from the global fuel crisis. Thanks to generous government subsidies and rigorous prices controls, pump prices across China have barely moved in months.

[Analyst: Air fares could double if oil prices keep rising](#)

Airlines may have to double fares this year if crude oil prices rise above \$150, industry analyst Michael Boyd warned Friday. Ticket prices will need to jump 80 percent to 100 percent to cover the airlines' jet fuel if oil prices go that high, he said.

"As of June 2008, the entire U.S. air transportation system is operating on borrowed time. Between January and today, the situation has degenerated from a crisis to a survival situation," the president of the Boyd Group said in a report.

[Hong Kong aims to create oil futures market: financial secretary](#)

HONG KONG (AFP) -- Hong Kong is looking at developing its own oil futures market as China tries to counter the effect of the commodity's rocketing price, the city's financial secretary said on Monday.

The new market would help fix the disparities that Asian buyers face when purchasing oil, which is priced in Dubai, London and New York and does not take into account local conditions, John Tsang said.

[A post-petroleum world](#)

With gas at \$4 per gallon, most people in New Hampshire can feel their wallets draining along with their car tanks. Not Nelson Lebo. He doesn't have a car. He's not worried about the cost of home heating oil either. And soaring food prices? Not much of a problem.

Lebo, 40, lives in a 1782 farmhouse in the woods of Andover that he has dubbed Pedal Power Farm. He heats it with wood cut from the property. He gets around on a bicycle. He grows much of his own food and buys locally otherwise. He gets his electricity from solar panels.

[What's in your future as oil prices rise?](#)

The ancient city of Pompeii was destroyed by the volcano Vesuvius in 79 AD and the majority escaped. But 3,300 people died during the 24-hour eruption, even though there was ample time to flee. Similarly, we see people staying in the path of hurricanes and dying. Humans often fail to appreciate a dangerous situation, make a poor decision and perish. Explaining some of the dangers that exist in our energy supply may help people make better decisions on their future.

[Price jolt: Electricity bills going up, up, up](#)

Utilities across the USA are raising power prices up to 29%, mostly to pay for soaring fuel costs, but also to build new plants and refurbish an aging power grid.

Even more dramatic rate increases are ahead. The mounting electric bills will further squeeze households struggling with spiraling gasoline prices.

[Floods push U.S. corn prices to records](#)

Rain in the Midwestern United States has damaged crops and delayed plantings, heightening fears that there might not be enough corn to meet global demand for food, feed and biofuel. The fears drove the grain to a record high for the eighth trading day in a row.

[Greenpeace declares war on coal](#)

Greenpeace has called for all Australian coal-fired power stations to be shut down by 2030 as part of a radical energy plan.

The group wants an immediate ban on new coal-fired power stations - and extensions to existing plants - and for the Rudd government to plan to close their doors for good.

[Climate change threatens reef fish](#)

SYDNEY (AFP) - Climate change threatens to devastate coral reef fish populations and

increase the likelihood of fishery collapses, Australian researchers warned Monday.



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