



DrumBeat: June 26, 2008

Posted by [Leanan](#) on June 26, 2008 - 9:07am

Topic: [Miscellaneous](#)

[Oil prices soar past \\$140 on OPEC, Libya comments](#)

NEW YORK - Oil prices are soaring further into record territory, breaking past \$140 a barrel after OPEC's president said prices could rise well above \$150.

Reports that Libya is considering cutting oil production are also sending prices higher.

Light, sweet crude for August delivery has traded as high as \$140.05 on the New York Mercantile Exchange.

[Libya May Cut Oil Output on U.S. Threat to its Assets](#)

(Bloomberg) -- Libya, the holder of Africa's largest oil reserves, threatened to cut oil output in response to a U.S. law that allows terror victims to seize assets of foreign governments as compensation.

[Mexico Cantarell oil field output falls again in May](#)

MEXICO CITY, June 26 (Reuters) - Crude output from Mexico's struggling Cantarell oil field fell in May for the eighth month in a row to 1.038 million barrels per day, its lowest level in more than 12 years, Energy Ministry data showed on Thursday.

The fading jewel of Mexico's oil industry, Cantarell has declined rapidly since 2004 and is pulling down overall oil production in the world's No. 6 oil-producing nation, threatening Mexico's status as a top supplier to the United States.

[Brazil Oil Reserves to at Least Triple on New Finds, Lula Says](#)

(Bloomberg) -- Brazil's President Luiz Inacio Lula da Silva said the country will at least triple its oil reserves from exploration of a new offshore area that includes the Western Hemisphere's largest discovery since 1976.

[The grasp of BP on oil assets in Russia gets more tenuous](#)

MOSCOW: The grasp of the British company BP on its extensive oil assets in Russia became more tenuous Thursday after its Russian partners said a general shareholders' meeting for BP's joint venture here had been held in violation of Russian law.

The Russian partners said the board elected at that meeting was illegitimate. If upheld by a court, that stance could cripple BP's ability to manage its pumping assets and refineries in Russia.

[Nigerian gunmen free 4 foreign oil workers - army](#)

PORT HARCOURT, Nigeria (Reuters) - Nigerian gunmen have freed four foreign oil workers kidnapped in two separate incidents in the Niger Delta last month, a military spokesman said on Thursday.

[John Michael Greer: The 'Silent Running' fallacy](#)

It's in this context that we can define the *Silent Running* fallacy; it's the mistaken belief that human industrial civilization can survive apart from nature. It's this fallacy that leads countless well-intentioned people to argue that nature is an amenity, and should be preserved because, basically, it's cute. That sort of argument invites the response, just as stereotyped and more appealing to our culture's governing narratives, that hard-headed practicality takes precedence over emotional appeals and nature can therefore be ravaged with impunity.

Yet nature is not an amenity, and the "practicality" that leads current political and business leaders to ignore the disastrous consequences of their own actions doesn't deserve the name. If anything, industrial civilization is the amenity, and it's not particularly cute, either. Nature can survive without industrial humanity, but industrial humanity cannot survive without nature – no matter how hard we pretend otherwise, or how enthusiastically we stuff our brains with science fiction fantasies of electronic reincarnation and the good life in deep space.

[McCain's Energy Plan: Correct Diagnosis, Killer Prescription](#)

John McCain seems to have identified our energy problems accurately. But are his solutions equally laudable?

June 26, 2008 - by Jérôme Guillet

With gas topping \$4 per gallon and oil prices seemingly reaching new highs every week, more pain at the pump is certain in the foreseeable future, and energy policy is rightfully

claiming its place as a major topic of the 2008 election. Indeed, John McCain gave a major campaign speech earlier this week in Houston specifically on energy (the full transcript can be found [here](#)) and addresses the issue again this week in [Santa Barbara](#). It is worth looking in more detail at how he describes the current situation, and what he is proposing.

Note: the full version of this text, by our very own Jerome a Paris, will be posted in full on TOD over the week-end.

[Pay Attention to Oil Decline Rates](#)

We commonly hear that the reason oil prices have risen is rapid demand growth in developing countries, particularly China and India. But the decline of mature oil fields throughout the world is a much greater source of demand for new oil supplies than the growth of end user demand. It has been estimated by CERA that declining fields lose 4.5% of total oil production per year thus requiring about 3.9 mb/d of new oil each year for the global oil supply to stay the same. The growth in end user demand, on the other hand, varies from only the currently estimated 800 kb/d this year to about 1.5 mb/d in recent years, much less than the estimated 3.9 mb/d per year of declines. (Frankly, I'm not certain either the decline or the demand number is accurately known; I take all oil statistics as estimates at best.)

[OPEC president: Oil could soon hit \\$170](#)

Crude oil prices will likely rise to between \$150 and \$170 a barrel this summer, OPEC President Chakib Khelil was quoted as telling a French television station.

[Iraqi Oil Workers' Union Threatens Strike to Block New Oil Law](#)

(Bloomberg) -- The Iraq Federation of Oil Unions, which represents more than half the nation's oil workers, will consider striking to stop the passage of a national oil law.

[Hawaii suffers a tourism blow](#)

High fuel prices have caused airfares to skyrocket. And the economy has caused some Americans to postpone or downsize their travel plans. Fewer tourists are coming to Hawaii, and some think the problems are only beginning.

ATA and Aloha Airlines have already gone bust. And starting next week, two Japanese airlines will increase fuel surcharges on flights to Hawaii by 43%. American Airlines just announced plans to eliminate its Chicago-Honolulu route at the end of the year.

Singular Simplicity: *The story of the Singularity is sweeping, dramatic, simple—and wrong*

So on what do intelligent people base the idea that technological progress is moving faster than ever before? It's simple: a chart of productivity from the dawn of humanity to the present day. It shows a line that inclines very gradually until around 1750, when it suddenly shoots almost straight up.

But that's hardly surprising. Since around 1750 the world has witnessed the spread of an economic system, by the name of capitalism, that is predicated on economic growth. And how the economy has grown since then! But surely the creation of new markets and the increasingly fine division of labor cannot be equated with technological progress, as every consumer knows.

Move over London and N.Y., there's a market shift going on

There are efforts to establish commodities markets in the Gulf and the Far East. Hong Kong has just announced plans to establish a fuel oil futures contract. Dubai Mercantile Exchange has already launched a sour crude futures contract with the help of Nymex, home to America's benchmark crude futures. Sour crude represents the majority of the world's oil and it is growing in dominance as the popular light, sweet crudes diminish in volume. The Dubai contract struggles to gain acceptance as Saudi Aramco is still unwilling to use it as a benchmark to price its own crude.

There is little doubt, however, of the logic that suggests the focus of oil trading will shift to the main suppliers as North Sea and U.S. supplies begin to dwindle. It's a challenge for London and New York, and attempts by the U.S. Congress to strangle the trade in futures out of fear that speculators are manipulating the oil price is dangerous and naive.

American financial fiasco could take down world economy

Frankly, all financial institutions are in deep trouble, and the reason is the American dollar. The situation is so dire that it's not going to make a hoot of difference who becomes the next president of the United States: it's beyond the power of the rulers of the American political and economic system to curtail severe damage to its entire economic enterprise. Neither Obama nor McCain can do anything to stem the disaster that will be fully employed by the end of this year.

Part of the cause is that the USA happens to be the most indebted nation on the planet and its people the least prepared to cope with peak oil and peak food. Even now Americans throw away up to 40 per cent of the food they buy, their high-powered and fuel-thirsty automotive park cannot be converted to more efficient vehicles for many years, while their exurban lifestyle makes car-sharing and mass transport impossible for most.

[The link between oil and xenophobia](#)

The problem is that our global economy can't function in the way it does currently with significantly less energy. To keep on growing, it requires more and more energy. The phenomenal growth we are seeing in India and China is keeping demand high.

Over the last three years production has flattened while demand has risen sharply. Prices have reached all-time highs and we haven't yet started the decline in production.

The effects of rapidly rising oil prices have been varied and widespread. Oil permeates almost every sector and every country.

['Shortage psychology' driving oil prices up, analyst says](#)

WASHINGTON — Growing global demand for oil and the fear of supply disruptions have created a "shortage psychology" that is helping keep fuel prices high, a leading energy analyst told Congress on Wednesday.

Many speculators now are convinced the world is "running out of oil," energy expert Daniel Yergin told a Joint Economic Committee hearing. "As prices go up, this psychology becomes self-reinforcing," sending prices higher still - at least, until consumption patterns change dramatically.

[New-car owners less satisfied with miles per gallon](#)

DETROIT — Drivers of new cars were less satisfied with their vehicles this year for the first time in at least five years, due mainly to rising fuel prices, according to an annual survey released Thursday.

[West Australia Says Gas Blast Cut Supply to Pilbara by 45%](#)

(Bloomberg) -- Western Australia said the gas plant explosion that cut almost a third of the state's supplies has reduced deliveries of the fuel to the mining industry in the Pilbara region by 45 percent.

[Australian Truck Drivers Protest Fuel Prices](#)

Mathaba.Net - Australia's National Secretary of the Transport Workers Union (TWU), Tony Sheldon, addressing the media outside New Parliament House in Canberra, said that tens of thousands of truckers and small businesses face collapse due to the rising fuel prices.

This affects safety on the road and the lack of government help means workers will have to work longer and harder. 228 lives should not have been lost due to deaths in the past year due to the pressures of rising fuel costs, he pointed out, and criticised the lack of "cost recovery" action by the Australian regime.

[Nepal: Strike over fuel price hike paralyses Kathmandu valley](#)

Life in the Kathmandu valley came to a standstill Thursday as four minor parties jointly called for a shutdown to protest the hike in fuel prices.

[Alberta ignores U.S. oil critics at its peril](#)

There was a time when being Alberta's man in Washington D.C. involved golf rounds and cocktail circuits of non-stop fun.

As America's most reliable energy supplier, the province rated a red-carpet reception in a national capital thirsting for secure oil. Not any more.

[Analysis: Americans may hold a key to gas prices](#)

WASHINGTON — A decline in Americans' demand for gasoline is keeping record prices from skyrocketing even further, a USA TODAY analysis of gas and oil prices shows.

The price of crude oil has nearly doubled in the past year, while gas has risen in the U.S. by about one-third, according to statistics kept by the Energy Information Administration. Oil prices are being driven up by rising demand in developing nations. But U.S. drivers have cut back, causing a 1% drop in demand for gas this year compared with the same period in 2007. That has forced refiners and retailers in the U.S. to reduce their profit margins.

"Whenever you look at \$4 gas, you feel to some degree that you're being taken advantage of," says Eric Wittenauer, a Wachovia Securities energy futures analyst. "Unfortunately, it could actually be worse."

[A world less flat](#)

If the price of oil remains high, we may see drastic changes to America's cities, economy and way of life.

[World Economy Would Collapse If Oil Hit \\$200, Deutsche Says](#)

(Bloomberg) -- The global economy would collapse if oil hit \$200 a barrel, said the top energy analyst at Germany's largest bank.

``Two-hundred dollar oil would break the back of the global economy," Deutsche Bank AG's Chief Energy Economist Adam Sieminski said in an interview today in Tokyo. ``Next step after \$200 would be global recession and bad news for everybody."

[Americans, Hurt by Rising Gas Prices, Curb Spending](#)

(Bloomberg) -- Most Americans say they are feeling the pain from rising gasoline prices and many are tightening their belts in response, a Bloomberg/Los Angeles Times survey shows.

``It costs me double to fill up the tank," says J.L. Harder, a 75-year-old retiree and poll respondent in Peoria, Texas. ``We don't go on vacation and don't visit the relatives."

He isn't alone. Seven in 10 of those surveyed say higher gas prices have caused them ``financial hardship." More than 1 in 3 respondents say they have cut back on their spending over the last six months as oil and food prices surged and

[Tokyo Electric May Post Bigger Loss on Fuel Costs, Shimizu Says](#)

(Bloomberg) -- Tokyo Electric Power Co., forced to shut the world's biggest nuclear plant, may post a wider first-half loss than the utility had forecast as fuel costs soar.

``With the closure of our Kashiwazaki Kariwa nuclear plant, we're in the most difficult phase ever," Masataka Shimizu, who took over as the company's president today, said in an interview in Tokyo. ``We will be hard-pressed to achieve the earnings targets we've announced."

[Japan govt to help fishermen pay soaring fuel bills](#)

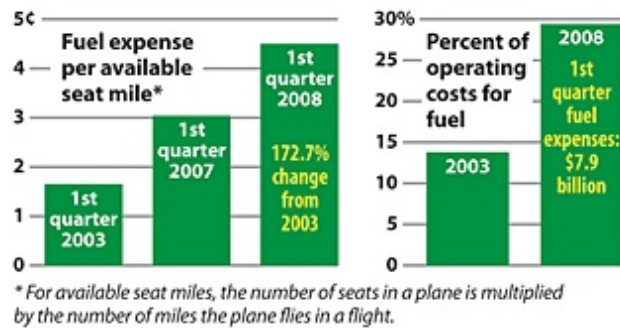
TOKYO (Reuters) - The Japanese government hammered out steps on Thursday to help businesses and individuals cope with soaring energy prices, including footing some fuel costs for the fishing industry.

Soaring oil prices have led to protests across Asia and Europe, and the threat of a strike by Japanese fishermen has highlighted the impact on the nation's already struggling small to mid-sized companies.

[Major turbulence ahead for airlines](#)

Fuel costs eating into budgets

The seven so-called network airlines, including carriers such as American and United, have struggled to adjust for fuel expenses over the past five years. Key data for the network airlines:



New York - America's aviation system could be at risk of collapsing by the beginning of next year.

That warning from aviation experts has prompted some industry leaders to call for re-regulation, something considered almost heresy until now. Others are urging Washington to do more to rein in the oil speculators pushing up fuel costs.

[Fuel costs drive bus company out of school contract](#)

A major bus company is walking away from a five-year contract with Nova Scotia's Acadian school board, blaming high fuel prices.

[High fuel prices put brakes on indie band tours](#)

For months, the 23-year-old singer-guitarist had been budgeting money and booking show dates for Something Fierce's third tour, but skyrocketing gas prices have put the brakes on those plans.

"Once I ran the numbers, it was a 'there's no (expletive) way' kind of moment," Garcia said. After much hand-wringing and grumbling from bookers who'd scheduled the band to play, Garcia canceled the tour.

[New faces join ranks of nation's homeless](#)

Those facing homelessness include the working poor, who were among those hardest hit by the collapse in subprime mortgages. But others are middle-class families who scarcely expected to find themselves unable to afford their homes.

...In addition to foreclosures, other factors are driving families to the edge of homelessness: mounting utility bills, the surge in gas prices and the rise in

unemployment, which jumped from 5% to 5.5% in May, the government reported. Often, those factors make it harder for families to afford their mortgages — especially for those who bought homes with adjustable-rate mortgages that have reset to higher rates.

[Thieves target farm diesel supplies as prices soar](#)

LORENZO, Texas (AP) — With the price of diesel skyrocketing, farmers and ranchers around the country are being targeted by ne'er-do-wells armed with syphon hoses and pumps.

Sheldon Wilder, who owns a cotton gin 30 miles east of Memphis, Tenn., has endured worse already. Twice in two weeks, he had diesel drained from saddlebag tanks on a truck at his gin. The second time the thieves left the hoses loose and what diesel they didn't steal drained out onto the ground.

[Highway deaths down in 35 states](#)

Harsha says high gasoline prices discouraging some Americans to drive might be a factor in the decline of fatalities, but it's "premature" to draw that conclusion. Other factors might be stronger laws for seat-belt use and stepped-up enforcement, she says.

Some police officials attribute the decline to fewer vehicles on the roads. "Although I have no data that would clearly indicate this, I do believe part of our reduction in traffic collisions and deaths can be attributed to fewer miles being driven," says Capt. Curtis Henderson of the Iowa State Patrol. "I think that the only explanation for that kind of decline across the country is fewer vehicle miles traveled."

[Agencies brace for higher fuel costs](#)

It's not just home owners looking ahead to a hard winter because of high heating oil prices. The Central Vermont Community Land Trust, which owns 372 units of affordable housing and manages almost all of them, is expecting a huge budget crunch this winter.

And that's going to mean rent increases.

[Drivers mixing ethanol with gas to save money](#)

Auto manufacturers warn that ethanol can corrode fuel lines and damage hoses, seals and the fuel pump in cars not made to carry ethanol. That can lead to bad gas mileage,

poor performance and may even affect the vehicle computers that warn of problems.

The EPA says it can damage emission control devices.

Yet with the price for a gallon of gas hitting a string of record highs this year, motorists are paying little heed, even at the risk of voiding their warranties.

[US oil demand slides](#)

America's seemingly never-ending demand for oil appears to be abating as a direct result of the surge in prices.

Data from the US Department of Energy revealed a large build-up in oil inventories in the last seven days, knocking more than \$5 off the price of a barrel of oil at one stage.

[Speculating on why oil, gasoline prices are soaring](#)

Severin Borenstein, director of the UC Energy Institute, said Congress and some members of the media had spent considerable time theorizing about the role fund managers have played in driving up oil prices.

"The theories may have some initial appeal," he said, "but then they run headlong into some difficult realities."

[British prime minister calls for investing billions to reduce dependence on oil](#)

LONDON: Prime Minister Gordon Brown has called for Britain to invest 100 billion pounds (US\$200 billion; €128 billion) to reduce its dependence on oil.

Brown says the government proposes investing that amount of money over a dozen years to develop more renewable energy sources and to find ways of living and working more efficiently.

[Libya May Cut Oil Output as Market Is Oversupplied, Ghanem Says](#)

(Bloomberg) -- Libya may cut oil production because the market is oversupplied, the nation's top oil official said.

``We are also weighing such a move because of the threats and intimidation against OPEC," National Oil Corp. Chairman Shokri Ghanem said in a telephone interview today from Tripoli. ``We have to protect our interests."

[Saudi Net Crude Oil Exports](#)

From this it can be seen that Saudi oil production and net exports peaked in 2005, while domestic production steadily increased. In fact, net exports reduced by 10.5% in the two year period 2005-2007, of which a reduction of 6.7% occurred in 2007.

Net exports in 2005 were 9.223 million barrels per day, 8.848 million barrels per day in 2006 reducing to 8.269 million barrels per day in 2007.

[The most dangerous form of Peak Oil](#)

The oil-rich peoples of the Middle East long believed their oil reserves to be unlimited. During the past decade they slowly realized their error, the "Bedouin to Bedouin over five generations scenario." This insight changed the world. Consider their choice: after pumping enough oil to meet expenses, is it better to pump more and invest the surplus - or leave it in the ground for future generations? The latter looks like the superior bet, given the inevitable peaking of oil and the paucity of potential substitutes over the next few generations.

[Province gives cold shoulder to energy-saving AC program](#)

Across Toronto, 40,000 homeowners have volunteered to let Toronto Hydro shut down their air conditioners for short periods on very hot days to conserve scarce power.

There's just one problem, says chief executive Dave O'Brien: No one has ever asked Toronto Hydro to put the system to use.

..."Never been asked to do it," O'Brien said. "We've never once been called ... to activate our system in lieu of going to buy coal-fired power on the spot market."

[China wind power capacity growing](#)

BEIJING (Reuters) - China's installed wind power generating capacity is expected to top 10 gigawatts (GW) by the end of this year and to exceed 20 GW in two years, far above government targets, the official Xinhua News Agency said.

[Beware the Silver Bullet ...](#)

I am a bit of a techno-optimist. I believe that scientists and engineers provide part of our solution paths forward. I believe (know) that there are tremendous things being developed in laboratories and garages around the world that will help us (the US) deal

with the challenges we face. Yet (that "but"), I am weary of leaping upon the latest news, the item from the laboratory, the newest press release that screams "PROBLEM SOLVED" because, for whatever reasons, those miraculous answers all too often head back to the laboratory, turn out to be more difficult and costly than first described, and end up doing less than imagined.

[We can feed the world: look at all the space](#)

It's no wonder food prices are rising. We are exploiting less of the planet for agriculture than we were only a few years ago.

[Obama adds to oil sands pressure](#)

OTTAWA — Canada's oil sands producers are facing new pressures to slash their greenhouse gas emissions, with the latest salvo coming from the campaign of Barack Obama, the presumptive Democratic U.S. presidential nominee.

[U.S. not on board for 2050 emissions cut goal - source](#)

Japan has yet to persuade the United States to agree to a global goal of cutting greenhouse gas emissions by 50 percent by 2050 at next month's G8 leaders' summit, a Japanese government source said on Thursday, raising the prospect of a diplomatic failure for Prime Minister Yasuo Fukuda.

[California unveils ambitious climate plan](#)

LOS ANGELES (Reuters) - California on Thursday took a major step forward on its global warming fight by unveiling an ambitious plan for clean cars, renewable energy and stringent caps on big polluting industries.

The plan, which aims to reduce pollutants by 10 percent from current levels by 2020 while driving investment in new energy technologies that will benefit the state's economy, is the most comprehensive yet by any U.S. state.

[Ex-EPA official critical on climate change](#)

WASHINGTON - A high-ranking political appointee resigned from the Environmental Protection Agency after concluding there was no more progress to be made on greenhouse gases under the Bush administration.



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