



## DrumBeat: June 30, 2008

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Topic: [Miscellaneous](#)

### [US says won't allow Iran to shut key Gulf oil route](#)

MANAMA - The commander of the US navy's Fifth Fleet warned on Monday that the United States will not allow Iran to shut the Strait of Hormuz, a key oil supply route in the Gulf.

"They will not close it... They will not be allowed to close it," Vice-Admiral Kevin J. Cosgriff said at a press conference in Bahrain, where the Fifth Fleet is based.

### [U.S. helped Iraqis on oil contracts](#)

A group of American advisers led by a small State Department team played an integral part in drawing up contracts between the Iraqi government and five major Western oil companies to develop some of the largest fields in Iraq, U.S. officials say.

The disclosure, on the eve of the contracts' announcement, is the first confirmation of such direct Bush administration involvement and is sure to stoke criticism of the deals. On Monday, Iraq invited bids for the development of its largest oil field. The country has prequalified 41 foreign firms.

### [High fuel prices reshaping airline industry: Milton](#)

MONTREAL — — Record-high oil prices are hurting travel demand and reshaping the world's airline industry, with discount carriers suffering more than most, says Robert Milton, chief executive officer of Air Canada's parent company.

"This one is a truly global issue, and I think you're going to see a lot of airlines disappear," Mr. Milton said Monday after ACE Aviation Holdings Inc.'s annual meeting in Montreal.

"The ones who are going to really have a problem are the airlines that have been trying to sell a low-fare proposition."

## [Majors say speculators not to blame for oil price](#)

MADRID (Reuters) - The heads of some of the world's biggest oil companies countered on Monday OPEC claims that speculators were driving high oil prices, blaming instead a dearth of new supplies.

The chief executives of Royal Dutch Shell Plc, BP Plc and Spain's Repsol YPF told the oil industry's biggest gathering in three years that restrictions on where they can invest and high taxes meant they could not help boost supplies as much as they might.

## [Saudis' Oil Meeting Produces Few Results](#)

A more significant outcome of the meeting was the indication that Saudi Arabia believes oil prices have climbed too far. Yet no indication was given as to how far crude might have to fall for Saudi Arabia to reverse its current accommodating stance. There can be little doubt that Riyadh and OPEC's evaluation of what constitutes a fair price for oil has risen dramatically in line with rising prices.

## [Corn harvest shortage will hike food prices](#)

DES MOINES, Iowa - Farmers will harvest nearly 9 percent fewer acres of corn this year than last year, in part because of Midwest flooding which has damaged a portion of the crop, the government reported Monday.

The result likely will be continued high corn prices, which likely will drive up some food prices.

## [The infrastructure crisis - it'll be the survival of the fastest](#)

We are facing an infrastructure crisis. In North America and Europe the bones, muscles and nerves that keep us in motion are not keeping up with the demands we place on them.

The infrastructure crisis is a mega-trend - one that will sweep all of us along in its path. You can either be carried along in its path or take decisive actions for your benefit.

Today's companies built their business models - customers, retail networks, manufacturing, sourcing and logistics - over the past 40 years. When these business models were being built logistics costs steadily declined as transportation efficiencies increased and the cost of fuel declined in real terms. That is why people built big plants and distribution centres in remote locations. It is why China is viable as a sourcing centre for many companies whose markets are in North America and Europe.

[Part one: America is falling apart](#) - *Growing backlog of repairs to roads, sewers and other basics threatens economy, livability*

Remember that bridge that collapsed in Minneapolis last summer? More than one-quarter of U.S. bridges -- including one-quarter of Oregon's -- are structurally deficient or functionally obsolete.

We need to spend \$250 billion to fix our aging water pipes. And our telecommunications system is far slower than the rest of the world's lightning-fast broadband.

"We're basically sliding toward Third World status," said Rep. Peter DeFazio, D-Ore. "It's pathetic."

[Loans Due – It's time to pay](#)

Kansas Department of Transportation Secretary Deb Miller wants people to call members of the state's congressional delegation and urge them to steer some money into the federal Highway Trust Fund.

No doubt transportation secretaries in 49 other states have made similar pleas to their constituents.

It appears Congress has been playing fast and loose with the fund – borrowing money from it and forgetting to pay it back. The neglected loans include one of \$8 billion dollars in 1998 and others for the 9-11 recovery effort in New York City and the Hurricane Katrina recovery effort in New Orleans.

[Report: U.S. 'preparing the battlefield' in Iran](#)

WASHINGTON (CNN) -- The Bush administration has launched a "significant escalation" of covert operations in Iran, sending U.S. commandos to spy on the country's nuclear facilities and undermine the Islamic republic's government, journalist Seymour Hersh said Sunday.

[Oil disquiet on the Western front](#)

North American media, Andrew Nikiforuk says, take for granted how much oil undermines democracy, powers our food system, feeds our drug-addled medical industry and concentrates our cities like bovine feedlots.

[To China, stability may be more valuable than oil profit](#)

BEIJING: The dramatic decision by China to raise fuel prices by more than 15 percent last month might seem to suggest that Beijing is shifting into a higher gear in its drive toward raising the prices of domestic resources to global norms.

Don't be fooled, analysts say. The sudden increase does not mean a sea change in Chinese policy although it might embolden Beijing to take small but more frequent steps in the future, if the fallout from fuel price increases is contained.

### [Energy's easiest fix: Use less](#)

NEW YORK (CNNMoney.com) -- Want to help the country save a quick million barrels of oil a day? Drive 5% less. Slow down. Inflate your tires.

Those three steps would reduce U.S. oil consumption by 1.3 million barrels a day immediately, according to the Alliance to Save Energy, a conservation group running an efficiency campaign backed not only by environmental groups but also the auto and oil industries.

### [As Gas Prices Rise, Teenagers' Cruising Declines](#)

SCHAUMBURG, Ill. — For car-loving American teenagers, this is turning out to be the summer the cruising died.

Kevin Ballschmiede, 16, pined for his 1999 Dodge Ram — “my pride and joy” — the other night as he hung out in a parking lot in this town outside Chicago. Given that filling the 26-gallon tank can now cost more than \$100, he had left it at home and caught a ride.

From coast to coast, American teenagers appear to be driving less this summer. Police officers who keep watch on weekend cruising zones say fewer youths are spending their time driving around in circles, with more of them hanging out in parking lots, malls or movie theaters.

### [Britain goes slow as trains, planes and ships cut fuel costs](#)

The soaring cost of oil has led to the slowing of vehicles of almost every type in Britain, from planes to trains, ferries, merchant vessels, buses and private cars.

Pilots and ships' captains have been ordered to go slow, train drivers have been asked to switch off engines and coast downhill and bus companies are training staff to drive more smoothly in order to cut costs.

[Nepal: Transport workers seize, distribute 24,000 liters diesel](#)

KATHMANDU - Transportation workers of Butwal, Rupandehi district seized two tankers from the regional office of Nepal Oil Corporation (NOC) at Bhairahawa and distributed it to entrepreneurs at the existing rate on Sunday.

They resorted to such an action saying that shortage of petroleum goods was creating hand-to-mouth problem.

[Bill McKibben: When Words Fail](#)

I ALMOST NEVER write about writing — in my aesthetic, the writing should disappear, the thought linger. But the longer I've spent working on global warming—the greatest challenge humans have ever faced—the more I've come to see it as essentially a literary problem. A technological and scientific challenge, yes; an economic quandary, yes; a political dilemma, surely. But centrally? A crisis in metaphor, in analogy, in understanding. We haven't come up with words big enough to communicate the magnitude of what we're doing. How do you say: the world you know today, the world you were born into, the world that has remained essentially the same for all of human civilization, that has birthed every play and poem and novel and essay, every painting and photograph, every invention and economy, every spiritual system (and every turn of phrase) is about to be . . . something so different? Somehow "global warming" barely hints at it. The same goes for any of the other locutions, including "climate chaos." And if we do come up with adequate words in one culture, they won't necessarily translate into all the other languages whose speakers must collaborate to somehow solve this problem.

[Cries in the Dark](#) (*Roscoe Bartlett, James Woolsey, Andy Karsner, Robert Hirsch*)

*How serious is America's energy crisis? These four voices want to make sure policymakers don't dismiss it -- again.*

The oil shock of 1973 came and went. So did the panic after the Iranian revolution six years later, when oil prices shot to record highs. Gone, too, is the brief flurry of fear that followed Iraq's invasion of Kuwait in 1990.

After each, voices in Washington that cried out for big changes in U.S. energy policy were slowly drowned out. James Schlesinger, the first U.S. energy secretary, has said for decades that when it comes to energy policy, the U.S. toggles between complacency and panic.

Will it be different this time around?

(This is one of many articles in a special [Energy Section](#). There are also articles on nuclear, solar, natural gas, and lots more.)

## [Alberta oil finds allies in U.S.](#)

Alberta found some friends Sunday at the western U.S. governors' meeting, when a pair of nearby lawmakers defended the oilsands and suggested Canada continue to ramp up its output in the face of environmental concerns.

"We have an energy crisis in this county and maybe the only reliable trading partner we have in this country is my neighbours, my friends in Alberta," said Montana Gov. Brian Schweitzer, a Democrat.

## [What's after oil?](#)

How did we get into this situation after a 100-year span in which the prevailing economy was cheap energy, slow increases and even steady pricing, with general confidence that it would remain so?

Some experts, like specialized geographer Robert Kaufmann of Boston University, call the past 150 years the "Petroleum Age," and he says it is beginning to draw to a close.

The fuller body of evidence points to a finite supply of oil, declining production and reserves from the traditional and easiest sources in the U.S., and increasingly expensive prices as hard-to-get reserves like deep water, tar sands and oil shale are tapped.

## [Oily Speculations](#)

If speculators aren't at fault, why have oil prices spiked so high? Fundamental reasons aren't hard to find. Between 2000 and 2007, world demand for petroleum rose by nearly nine million barrels a day, but OPEC has been consistently unable, or unwilling, to significantly increase supply, and production by non-OPEC members has risen by just four million barrels a day. The prospect of military action against Iran, which would disrupt global supply, seems greater than it did a few years ago. And the plunging value of the dollar has meant that the cost of oil has jumped more in the U.S. in the past year than it has in countries with healthier currencies.

But there's also something else at work, which the oil guru Daniel Yergin calls a "shortage psychology." The price of oil—more than that of many other commodities—isn't based solely on current supply and demand. It's also based on people's expectations about future supply and demand, because those expectations determine whether it makes sense for oil producers to sell their oil now or leave it in the ground and sell it later.

## [Credit Card Fees at the Pump are a 'Hidden Tax' on Consumers](#)

Consumers are feeling pain at the pump from gas prices topping \$4 a gallon but it's not

just gas they're paying for. They're dishing out "invisible" extra fees for using a credit or debit card when they gas up.

Interchange fees, the payments credit card companies and banks charge retailers for processing transactions made with plastic, constitute "a \$50 billion fee on consumers," said retailer Mitch Goldstone, owner of the 30 Minute Photos photo shop.

### [New street crime: Thieves lift manhole covers](#)

Cities and counties are battling manhole-cover thefts, a crime spree that police tie to the weak economy.

Hundreds of 200-pound covers have disappeared in three months in California, Michigan, Pennsylvania, Massachusetts and Georgia as scrap metal prices pop up.

"It's a sign of the times," says Sgt. Jay Baker of the Cherokee County Sheriff's Office in Georgia, where 28 manhole covers disappeared in April and May. "When the economy gets bad, people start stealing iron."

### [New set of Noble prizes for energy in offing](#)

Mumbai, June 30: The descendants of Alfred Noble, are planning to come up with a new set of Noble awards but with a difference.

Dr Michael Noble, the great grand nephew of Alfred Noble, who was here for a conference on "Responsibility To The Future" organised by Strategic Foresight Group, said that Noble Charitable Trust would institute an award for great work done in alternative energy.

### [Oil prices surge to record heights near \\$144](#)

LONDON (AFP) - Oil prices hit record high points close to 144 dollars per barrel on Monday as the dollar fell further and amid a conference and protests staged in response to soaring crude, analysts said.

Brent North Sea crude reached a historic peak of 143.91 dollars a barrel and New York light sweet crude struck an all-time high of 143.67 dollars.

"The market remains well supported by the broad weakness in the dollar, ever increasing investor interest in commodities, persistent supply disruptions and geopolitical tensions," Sucden analyst Andrey Kryuchenkov said on Monday.

## [Former President Bush energy adviser says oil is running out](#)

The era of globalisation is over and rocketing energy prices mean the world is poised for the re-emergence of regional economies based on locally produced goods and services, according to a former energy adviser to President Bush and the pioneer of the “peak oil” theory.

Matt Simmons, chief executive of Simmons & Company, a Houston energy consultancy, said that global oil production had peaked in 2005 and was set for a steep decline from present levels of about 85 million barrels per day. “By 2015, I think we would be lucky to be producing 60 million barrels and we should worry about producing only 40 million,” he told The Times.

## [Today's suburbs, tomorrow's slums?](#)

According to some doomsday scenarios, spiking gas prices could turn the cul-de-sacs and two-car garages that surround North America's cities - built over the past 60 years and designed for the convenience of people with cars - into tomorrow's slums.

The predictions for the most part come from subscribers to the theory of "peak oil," which holds that crude prices will shoot permanently upward as global demand outstrips dwindling supply, ruining the economy. But their predictions are getting a second look now, as suburbanites, especially in the United States, grumble at the rising price of a fill-up.

## [Crude today is dirt cheap: Matthew Simmons](#)

*There are projections that oil may touch \$200 a barrel by year-end. Do you think we are heading towards such a situation?*

There are so many whacky theories swirling around the world on why oil prices stunned everyone. Speculators are mostly betting that crude will soon crash, so I suspect this group of investors is net short, and if they are banned from speculating, oil prices will jump higher.

The oddest question is the one seldom asked: why did 99% of the presumptive oil experts have their eyes shut as this earth-shattering event played out, and why the busload of sleepers are still so confused?

## [Russian oil exports fell 5.3% to 757mln bbl in Jan.-May](#)

MOSCOW (RIA Novosti) - Russia's crude oil exports fell by an estimated 5.3%, year-on-year, in January-May 2008 to 103.3 million metric tons (757 million barrels), the Economic Development Ministry said Monday on its web site.



The decline was due to lower crude output and increased supplies to domestic refiners, the ministry said.

### [Giant Saudi field is key to boosting oil output](#)

KHURAIIS OIL FIELD, Saudi Arabia - This massive oil field surrounded by the desolate sands of Saudi Arabia's vast eastern desert feels like the middle of nowhere.

But what happens over the next year at Khurais, one of Saudi Arabia's last undeveloped giant oil fields, could hold the key to what drivers will pay at the pump for years to come.

### [Canada Oil Sands Need Minimum Price \\$70 a Barrel, Statoil Says](#)

June 30 (Bloomberg) -- Canadian oil sand deposits require crude prices of at least \$70 a barrel to cover capital and operating expenses and provide an acceptable rate of return, a StatoilHydro ASA executive said.

### [BP chief blames inadequate supply for soaring oil prices](#)

MADRID (Xinhua) -- The chief executive of the energy giant BP said on Monday that soaring oil prices are a result of an inadequate supply rather than speculation.

"These prices are a signal that is telling us that supply is not responding adequately to rising demand," Tony Hayward told delegates at the 19th World Petroleum Congress (WPC) being held in Madrid.

He suggested politics rather than geology is the reason behind the supply shortage.

"The problems are above ground not below it," Hayward said.

### [Iraqi notice on oil does not include contracts](#)

BAGHDAD - The Iraqi government opened six oil fields to international bidding Monday as the nation attempts to boost daily production by 60 percent.

### [Oil a shaky crutch for Iran's Ahmadinejad](#) - *While some are prospering, inflation eroding purchasing power of many*

TEHRAN - Faced with rapid inflation and growing international concern about his

country's nuclear ambitions, Iranian President Mahmoud Ahmadinejad is relying on huge increases in oil and gas revenue to insulate his government from internal and external pressures.

### [Costs are changing commutes](#)

A couple of months ago, Yoko Olsgaard was weighing offers for two project management positions. One was in Fremont, about 27 miles from her home in Oakland's Redwood Heights neighborhood. The other, which paid 10 percent less, was with Kaiser Permanente in Emeryville, about 7 miles away.

She ended up choosing the lower-paying Kaiser job. The main reason? The high price of putting gas in her 2001 Toyota Camry.

### [Fuel costs take toll on farmers' bottom lines](#)

Ghiggeri & Stonebarger Farms used to spend \$100 to \$200 to grow an acre of the Brentwood sweet corn sold throughout Bay Area supermarkets and prized by chefs at some of the Bay Area's top-rated eateries.

But this year's record fuel and fertilizer prices have driven those costs sky-high — up 30 percent to 50 percent from last year — for G&S and other local farmers.

### [Third Oil Shock](#)

Korea is now mired in a seemingly endless beef brawl, but the rest of the world is wrestling with skyrocketing oil prices. So it is only natural — if quite belated — for the government to come up with a contingency conservation program. Its contents and underlying assumptions show, however, that Seoul still doesn't seem to be fully aware of the dire situation facing this country.

### [What's Really Fueling Those Sky-High Oil Prices](#) - *There are lots of theories; most of them are right*

Ask any number of experts about what's causing the current run-up in oil prices, now around \$140 a barrel, and you're likely to get several different answers.

### [The positive side of high oil price](#)

Peak oil or freak oil? The current oil shock, with Nymex crude touching \$142 on Friday, has as much to do with bad luck as geology. And, as usual with luck, man has largely

made his own.

The central theme of this decade's bull market in crude is little different from previous oil shocks: a change in expectations about future supplies. In other words, many think we have enough oil today but might not tomorrow.

### [U.S. Power Agency Warns High Electricity Prices Could Plague America 'For Years to Come'](#)

Citing high commodity prices for natural gas and coal, which were the fuel sources for 18% and 50%, respectively, of U.S. electricity generation in 2007, the Federal Energy Regulatory Commission (FERC) said this "may be the beginning of significantly higher power prices that will last for years to come." The agency didn't say exactly how high it thinks prices could rise, but EnergyTechStocks.com has learned that one major U.S. electric utility is now assuming in its internal forecasts that power prices in its region will double within five years or less.

### [Solar and Wind Will Drive Natural Gas Up](#)

A second important market likely to strengthen in near future years is electric power generation. That market is turning strongly away from coal in the U.S. and Europe and toward alternatives like solar and wind which are non-base load sources, meaning they work during some days and some hours a lot better than others. When they don't work, the generating plants must have "peaking capacity" to bring them quickly up to nameplate capacity. Natural gas is the way to obtain short term bursts of generating capacity.

### [Four killed in Niger Delta attacks](#)

Lagos - Two unidentified gunmen and two civilians were killed, one of them beheaded, in two separate attacks on Saturday in southern Nigeria's oil-rich Bonny Island, a military spokesperson said on Monday.

### [Shell says no weekend attack on Nigeria oil sites](#)

ABUJA (Reuters) - Royal Dutch Shell said on Monday there were no attacks on its oil flow stations in Nigeria over the weekend following local media reports of clashes with militants near its facilities at Bonny.

### [High helium prices limit gas balloons as sport](#)

"Price is just about to drive gas ballooning extinct in this country," said Andy Cayton, an avid gas balloonist and retired army helicopter pilot who runs balloon rides in Georgia.

The price for a full tank of gasoline for cars might be exorbitant these days, but filling up a helium-filled gas balloon could cost over \$12,000. And that's just the gas; buying a gas balloon itself can cost about \$30,000.

Two to three years ago, the cost to fill a helium balloon of the same size was about \$3,000.

### [Why the sudden food crisis?](#)

Few are ready to talk about the carrying capacity of Earth and whether we are exceeding it. Perhaps the time has come to realize that Earth is close to being stressed beyond its ability to support the people inhabiting it. It is not just the food we grow, but the damage we are causing to the land by over-farming, the addition of pollutants to the atmosphere bringing on rapid climate change, and the now-generation approach that we must have it all. We have not grasped the concept of sustainability.

### [Moving beyond oil](#)

Imagine the day when your vehicle's odometer becomes a tax meter — the more you drive, the more you pay in taxes.

When you do drive, you'll be greeted by more toll stations. And when you stop, you'll be greeted by more parking meters. Along the way you'll notice roofs with solar panels, yards with vegetable gardens, construction crews building bike paths instead of roads, and perhaps even large warehouses stuffed with massive amounts of food to deal with an energy emergency that hovers on the horizon.

### [Speculation and the Price of Oil](#)

The main problem is that the market for oil has been distorted by very deep interventions. The cure for the high price of oil is to liberate the market. Here is what is needed:

1. Install toll charges on all crowded streets and highways just high enough to eliminate the traffic congestion. The tolls would be payable with electronic devices in cars, and only apply to places and times that would otherwise be congested.
2. Taxes on fuel would be replaced with pollution charges. That would require the economy-wide installation of remote sensors that measure the pollution as cars drive by.

### [Australia: Will smaller lot sizes have a renaissance?](#)

Could this mean that smaller holdings might have a renaissance as increasing energy costs force a return towards a way of life that we once knew? Will the era of cheap energy be just a 'blip' in history?

### [China's Hu says 'time is limited' in curbing climate change](#)

BEIJING (AFP) - Chinese President Hu Jintao urged renewed efforts to curb global warming on Saturday, stressing "time is limited" in finding efficient solutions to the problem, state media reported.

"How we cope with climate change is related to the country's economic development and people's practical benefits. It's in line with the country's basic interests," Hu said according to the official Xinhua news agency.

### [Eco progress to continue despite economic woes: IPCC chief](#)

LONDON (AFP) - Progress in the battle against climate change will continue despite economic woes around the world, the head of the United Nation's Nobel Prize-winning scientific panel wrote on Monday.



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