



## DrumBeat: July 1, 2008

Posted by [Leanan](#) on July 1, 2008 - 9:11am

Topic: [Miscellaneous](#)

### [Peak Oil: IEA Inches Toward the Pessimists' Camp](#)

But the juiciest nugget? The conservative IEA appears to be inching ever-closer to the “peak-oil” crowd. Supply simply can’t keep pace with demand — everybody with an oil well has the taps open, but there’s not much left in the keg. Oil fields are aging quicker than free-agent pitchers, and the global oil industry has to run faster just to stay in place.

....Politicians can pick their bogeyman—be it speculators, OPEC, or Democrats. But more and more it seems like the oil connundrum boils down to an age-old truth: Finite supplies can’t meet infinite demands.

### [Auto sales plunge](#)

*Buyers flee SUVs and pickups but can't find the cars they want, resulting in steep declines at most automakers.*

NEW YORK (CNMoney.com) -- June auto sales plunged, according to reports from the nation's major automakers, as Americans shunned pickups and SUVs in the face of record gas prices.

General Motors reported that its U.S. sales fell 18% in June versus a year ago. Sales of GM's light trucks, which includes pickups, SUVs and so-called crossovers, tumbled 16%. GM's car sales dropped 21% in the month.

### [Pemex says crude output may plummet without reform](#)

MADRID (Reuters) - Crude production in Mexico could fall dramatically by 2015 if a reform bill before Congress is not passed, the head of state oil company Pemex said on Tuesday.

"From today's production of around 2.9 million barrels a day (bpd), Pemex's production levels could fall by around 1.2 million bpd by 2015 without this reform," Jesus Reyes Heróles told journalists in Madrid.

## [The Long Wait For More Oil](#)

This is not necessarily a case for peak oil. There is a glut in the market of heavy, sour crude, the kind that is high on sulfur and difficult to refine; the problem is that refining capacity is under pressure and lacks the free capacity to handle such oil. New refinery projects, such as the planned 400,000 barrel-per-day refinery planned by Total in Saudi Arabia, could help ease the strain.

But many will not come on-stream for another five years, and higher costs and delays are already pushing back many projects. The IEA predicted on Tuesday that at least 1 million barrels per day of refining capacity had already been pushed back to 2013, from 2012, piling on the medium-term pressure.

## [Gazprom: endless price growth strategy](#)

MOSCOW. (RIA Novosti) - Gazprom, the world's biggest gas company, believes that there will be no alternative to hydrocarbon-based fuel in the foreseeable future and therefore gas prices will continue to soar.

## [U.S. turns against curbs on oil drilling - Exxon](#)

MADRID (Reuters) - The U.S. public mood is moving toward allowing drilling in areas which are currently off limits to the oil majors due to environmental concerns, the chief executive of Exxon Mobil said on Tuesday.

## [Iran to Increase Investment in Oil Refineries as Costs Advance](#)

(Bloomberg) -- Iran, OPEC's second-largest oil producer, will increase investment in modernizing and upgrading refineries as costs rise and the dollar declines.

The country plans to spend as much as 20 billion euros (\$32 billion) on the refining industry in the seven years through 2012, Deputy Oil Minister Mohammad Nematzadeh said in an interview with Bloomberg Television. In April, he estimated expenditure of 18 billion euros.

## [Retail gasoline demand down on \\$4 pricetag](#)

NEW YORK (Reuters) - U.S. retail gasoline demand remained in a slump as high prices at the pump trimmed demand for the fuel, MasterCard Advisors said Tuesday.

"The regional year-over-year view shows all regions but the Midwest are consuming less gasoline when compared to a similar week in 2007," said Michael McNamara, vice president of research and analysis at MasterCard Advisors.

### [Manufacturers struggle to overcome rising prices](#)

NEW YORK - Each week, Ira Cooper opens a letter from another supplier with the same message as the last: We're raising our prices, effective immediately. We can't tell you how long the new prices will last.

"We used to get quotes good for six months," said Cooper, president of QED Inc., a lighting company based in Lexington, Ky. "Now you're lucky if you can get a quote good for 15 days."

Manufacturers of everything from wallpaper to cereal are feeling the same hit. The Institute for Supply Management said Tuesday that its index of prices manufacturers pay for raw materials hit 91.5 in June, up from 87 in May and the highest reading since 1979.

### [Omaha storm caused \\$10 million in utility damage](#)

OMAHA, Neb. - Omaha Public Power District officials estimated that it will cost about \$10 million to repair all the damage to the power system caused by last Friday's strong winds.

### [OPEC couldn't replace Iran oil output: OPEC chief](#)

MADRID (Reuters) - OPEC will not be able to replace some 4 million barrels per day in lost Iranian output if Tehran carries out its threat to stop oil exports if attacked, OPEC President Chakib Khelil said on Tuesday.

"It's obvious that if you curtail 4 million bpd from the market, you are going to have a big problem," he said. "I don't see who can replace that, including OPEC," Khelil told a news conference in Madrid.

### [Kuwait gearing up for possible oil route closure by Iran](#)

KUWAIT CITY - Kuwait is drawing up a contingency plan to maintain the flow of oil exports in case Iran closes the Strait of Hormuz, a vital oil route in the Gulf, a Kuwait official was quoted as saying Tuesday.

"There are precautionary plans to export Kuwaiti crude in cooperation with the Gulf

Cooperation Council (GCC) countries, but those plans are not finalized yet," Saad al-Shuwaib, head of the state oil firm Kuwait Petroleum Corp was quoted as saying by KUNA news agency.

### [Oil could hit \\$200 if Gulf witnesses dramatic events](#)

KUWAIT CITY (Agencies): Oil prices will certainly sky-rocket to the unprecedented level of \$200 per barrel in case the Gulf region witnessed dramatic developments, according to officials and experts. These executives and specialists, in exclusive interviews with Kuwait News Agency (KUNA), confirmed that the prices of the vital energy resource have been soaring unchecked largely due to the war of words and recurring sabre rattling pitting Iran against Israel over Tehran's nuclear issue. Any military step by either side against the other will certainly plunge the whole region into a deep crisis and create an international energy crisis, they affirm. Israeli officials have repeatedly hinted at prospects of launching a military strike on Iran to wipe out the country's nuclear sites and hinder the Iranians' efforts, as the Israelis say, to manufacture nuclear arms that will eventually pose a serious threat to Israel's very existence.

### [Australian Energy R&D Spending Nears \\$1B a Year](#)

In 2004-05, \$987.57 million was spent on energy R&D. When the categories of 'prevention and treatment of pollution' associated with energy is included, the total increases a further \$87.6 million to be more than \$1,075 million.

### [In oil-rich Iraq, lines to buy gasoline are long](#)

BAGHDAD — Frustrated Iraqis trying to tank up their cars faced miles-long gas lines today — a stark reminder that a country with one of the world's largest oil reserves still has major challenges delivering fuel to its people.

### [Thailand: LPG shortage stems from higher demand by personal vehicles](#)

BANGKOK (TNA) – Thailand's supply of liquefied petroleum gas (LPG) is in shortage at present mainly because greater numbers of personal vehicles have been converted to use the alternative fuel, according to the Energy Ministry.

The ministry's officials had been assigned to check gas stocks of retail outlets to see whether they were hoarding the gas as many had charged.

However, the ministry believed the LPG shortage stemmed mainly from the much higher demand for the gas by personal cars.

### [Argentina's Salta power plant resumes Chile supply](#)

SANTIAGO (Reuters) - Chile said on Monday that Argentine power plant Salta reestablished service to its northern grid after supplies were diverted on Thursday to satisfy shortages in Argentina following a plant failure.

### [Brazil oilmen stage 24-hour strike, output not hurt](#)

RIO DE JANEIRO (Reuters) - Oil workers at Brazil's state oil company Petrobras started a 24-hour warning strike on Tuesday that is not designed to affect output but to make the company discuss safety and profit-sharing with workers.

### [Australia: Trading scheme to combat gas crisis](#)

WA companies will soon be able to trade scarce gas supplies with each other as they battle to cope with the State's energy crisis.

### [Energy crisis: Three strikes and we are out](#)

A scientific and political consensus now exists on the threat posed to our civilisation by climate change. The problem is generating the political will to take the steps necessary to radically reduce our consumption of fossil fuels.

The present oil shock provides the answer to that problem — if our leaders have the courage to use it.

### [Richard Heinberg's MuseLetter: Coal in China](#)

China is the world's foremost coal producer and consumer, surpassing the United States by a factor of two on both scores and accounting for 40 percent of total world production. Moreover, its coal consumption has been rising rapidly, at a rate of up to ten percent per year (which translates to a doubling of demand every 7 years). While China is a significant producer of oil and natural gas, coal dominates the nation's fossil-fuel reserve base. About 70 percent of China's total energy is derived from coal, and about 80 percent of its electricity. The country has recently become the world's foremost greenhouse gas emitter due to its growing, coal-fed energy appetite.

### [Europe's Nuclear Energy Woes](#)

Global interest in nuclear energy (over 200 projects currently are pending) has tripled

the construction costs for plants over the last five years, according to figures from Lehman Brothers. That's come just as many workers in Europe's nuclear industry are thinking about retiring (consultancy Capgemini reckons the average age of employees now is around 45 years old) and energy companies are finding it hard to fill this knowledge-gap with graduates.

All told, Europe (and the U.S, for that matter) could have trouble fulfilling the expectations of this so-called 'nuclear renaissance.'

### [Speculation not to blame for oil - report](#)

NEW YORK (CNNMoney.com) -- An influential oil-policy group released a report Tuesday arguing that the increase in oil-market speculation is not driving up crude prices. But the study far from ends the debate.

### [With oil at \\$140 a barrel, can you still love Julian Simon?](#)

Remember Julian Simon, the guy who argued that resource prices would fall, fall, fall in real terms? I loved spending time with him and to this day he remains an underrated economist. (By the way, the very first piece I ever wrote was a guide to using Julian Simon for high school debaters.) But can we still advocate his major thesis?

### [High Gas Prices Threaten to Drain Small Towns' Populations](#)

Don Campbell's daily commute to Kansas City - about 100 miles each way - costs him roughly \$866 a month at \$3.90 per gallon. But he's a union iron worker and says he can make the math work.

Most of his neighbors can't. For them and thousands of other small-town residents across the country who drive long distances to jobs that pay little more than minimum wage, the high cost of gas is making that daily commute cost-prohibitive.

So much so that economists predict that over the next few years, the country could see a migration that would greatly reduce the population of Small Town America - resulting in a painful shift away from lifestyle, family roots, traditions and school ties.

### [A Discussion with Matt Simmons](#) (video)

Amidst skyrocketing oil prices, considerable financial activity in the oil market, and increased gas prices, producing and consuming nations alike are concerned about efficiency and supply. World Energy recently spent an afternoon with Matthew Simmons, president of the energy investment firm Simmons & Company International and author of *Twilight in the Desert: The Coming Saudi Oil Shock and the World*



*Economy*, to hear his perspective on oil supplies, pump prices, distributed generation and a return to post–World War II practices.

### [Does Iran have Bush over a barrel?](#)

WASHINGTON - If United States President George W Bush wants to boost Republican chances of holding on to the White House and keeping Democratic gains in Congress to a minimum in the November elections, he might consider taking an attack on Iran before the end of his administration "off the table".

Of course, that's probably the last thing Bush - and his particularly belligerent vice president, Dick Cheney - will do.

### [Deflationary Hurricane To Hit U.S.](#)

Peak oil, in conjunction with a crack-up inflationary boom in China, is masking deflation in the U.S. and pending deflation in the U.K. Those focused on rising energy and food prices are missing the boat.

### [We Can Lower Oil Prices Now](#)

Although most experts agree that financial speculation was not responsible for the surge in the global prices of food and energy, many people remain puzzled about the source of these remarkable price rises. Economics offers a simple supply-and-demand explanation and reason for optimism about the future of commodity prices. In the case of oil, economics also suggests how policy changes today that affect the future could quickly lower the current price of oil.

### [Strapped to a barrel](#)

Let us make two assumptions. There's enough oil in the world for now. And oil supply won't respond to a rising price, not even a stratospheric one. Indeed be ready for perverse responses (a DECLINE in oil supply?).

The first of these assumptions is blasphemous, at least in some eyes. Yet there is forty years of global oil reserves at current pumping speeds, and this has been so for forty years.

### [2008: The Return of Chicken Little](#)

Predicting mass bankruptcy, hyperinflation and resource shortages, Orlov recommends

stockpiling items that can be bartered on the black market, such as razors, condoms and liquor, strengthening local communities and learning how to grow your own food. "For most people in the U.S., rich or poor, life without money is unthinkable," he notes. "They may want to give this problem some thought, ahead of time."

### [Notes on the new culture of the end](#)

Much has been said about the religious fervor of peak oil proponents, and *World Made By Hand's* righteousness does beg parallels with its counterpart in Christian eschatology, the *Left Behind* series of Rapture potboilers. But peak oilers have physics on their side, and their queasy conviction—the I-told-you-so quality—is part of what has always made such speculation, secular and otherwise, so compelling. After all, even an eco-apocalypse is a story of judgment—the sinners suffer; the faithful are tested. And in the end, both are cast out of the ruined cities to wander in the wilderness.

### [In food crisis, Asians look to agriculture](#)

The global food crisis means that countries across Asia are making agriculture a higher priority and taking steps to grow more crops within their own borders.

"People suddenly care about agriculture," says Neil McCulloch, director for economics programs at the Asia Foundation office in the Indonesian capital, Jakarta. "It takes a crisis to make everyone wake up and realize agriculture has been neglected."

### [On America's New Energy Future](#)

The World Health Organization estimates that 38.8 million Americans are now "obese" - i.e., 30 pounds or more overweight. That factors out to 583,000 tons of body fat. Since a kilogram of human fat contains 7,200 kilocalories of energy and a barrel of oil generates 1,410,579 kilocalories, Americans are hauling around (at minimum) the fat-equivalent of 2.92 million barrels of oil on their bodies.

If the concept of "flab gas" leaves you flabbergasted, prepare for a shock. Miami's Jackson Memorial Hospital reportedly has signed a deal to supply Norwegian entrepreneur Lauri Venoy with 3,000 gallons-per-week of liposuction leftovers harvested by its clinics. This bio-fat could produce 2,600 gallons of biodiesel, sufficient to fuel a Hummer for a year.

### [World oil supplies will be tight until 2013: IEA](#)

LONDON — World oil supply will rise more slowly than expected by 2013, leaving little spare capacity on the market despite weaker demand growth, the International Energy Agency said on Tuesday.



In its Medium-Term Oil Market Report, the energy adviser to 27 industrialized countries said global supply capacity will reach 95.33 million barrels per day (bpd) by 2012, 2.7 million bpd less than its previous forecast a year ago.

The outlook comes as supply concerns and robust demand in Asia and the Middle East have helped drive crude oil prices to record highs above \$140 (U.S.) a barrel, adding a strain to the world economy.

### [Oil refining capacity expected to tighten](#)

LONDON — The global oil market will see about 40 per cent less additional refining capacity in 2012 than expected as a results of project delays due to increasing costs, the International Energy Agency said on Tuesday.

“Increasing cost pressures have added 50 per cent to investment expenditures over the past two years,” the IEA, the energy adviser to the world's most industrialized countries, said in its Medium-Term Oil Market Report for 2008-2013.

### [Energy Projections vs. Energy Realities](#)

It's a big government report, with charts and graphs. If you've ignored every other technical paper from an agency with a long name, it sure looks like you can cheerfully deep-six the one released last week, since it contains phrases like "World marketed energy consumption is projected to increase by 57 percent from 2004 to 2030. Total energy demand in the non-OECD countries increases by 95 percent, compared with an increase of 24 percent in the OECD countries."

### [More oil will not bring price down-Saudi king](#)

KUWAIT (Reuters) - Oil prices would not ease even if production were raised because speculation and taxes are behind the soaring market, Saudi Arabia's King Abdullah was quoted as saying in a Kuwaiti newspaper on Tuesday.

"People who think that oil prices will go down once production is raised are wrong because there are indications the prices will remain high," the Arab Times quoted the ruler of the world's largest oil exporter as saying.

### [Oil Exporters Need Future Demand Assurance, OPEC Says](#)

(Bloomberg) -- Oil producers face ``big uncertainties" concerning future expectations of demand, potentially affecting some \$500 billion worth of investment, OPEC's president

said.

“We need to be assured of what to expect for future demand,” Chakib Khelil, president of the Organization of Petroleum Exporting Countries, said today at the World Petroleum Congress in Madrid. “There is a lot of uncertainty when it comes to decision-making about investing in upstream and downstream.”

### [Arctic Holds 100 Billion Bbl Oil In Unexplored Fields-US Government Expert](#)

MADRID (AFP)--The Arctic holds 100 billion barrels of oil in unexplored fields, a government geologist with the U.S. Geological Survey said Monday at an international oil industry gathering in Spain.

“The Arctic is almost completely unexplored,” said Donald Gautier at the World Petroleum Congress in Madrid. “There are 100 billion barrels of oil to be found in the Arctic.”

### [Are big bets by speculators driving up oil? Experts disagree](#)

Speculation about whether speculators are to blame for the superspike in oil prices is in overdrive.

Now that it costs \$100 to fill up big SUVs, an Agatha Christie-esque whodunnit featuring finger-pointing lawmakers and suspected speculators is gripping this oil-obsessed nation in search of someone to blame.

### [World oil reserves and future production](#)

“By 2010, the production of the fuel that has driven the world’s economy will start to rapidly decline. This will conflict with the steadily increasing demand for oil. The collision of these two trends will lead to shortages and increased prices, providing a strong incentive to shift to alternative fuel resources...Due to unequal distribution through the world of oil and gas supply and consumption, [the upcoming] transition will result in significant shifts in global power and wealth.”

### [Oil creating ‘overnight millionaires’ in N.D.](#)

The drilling frenzy has led companies to search for oil using horizontal drilling beneath Parshall, a town of about 980 in Mountrail County, and under Lake Sakakawea, 180-mile-long reservoir on the Missouri River.

“I have heard, anecdotally, that there is a millionaire a day being created in North

Dakota," said Ron Ness, president of the North Dakota Petroleum Council.

### [Promise of Biofuel Clouded by Weather Risks](#)

The record storms and floods that swept through the Midwest last month struck at the heart of America's corn region, drowning fields and dashing hopes of a bumper crop.

They also brought into sharp relief a new economic hazard. As America grows more reliant on corn for its fuel supply, it is becoming vulnerable to the many hazards that can damage crops, ranging from droughts to plagues to storms.

### [Most state workers in Utah shifting to 4-day week](#)

Utah this summer will become what experts say is the first state to institute a mandatory four-day work week for most state employees, joining local governments across the nation that are altering schedules to save money, energy and resources.

### [India in solar energy push as climate plan launched](#)

NEW DELHI (AFP) - India on Monday released a national plan to tackle climate change with a focus on renewable energy, but stuck by its refusal to specify targets to cut greenhouse gas emissions.

Under the National Action Plan on Climate Change, the country will gradually move towards renewable sources of energy and focus on solar energy.

### [Experts urge states to invest in CO2 carbon capture and storage](#)

THE HAGUE (AFP) - Capturing and storing carbon emissions from power generation holds the key to managing climate change amid rising use of polluting oil, gas and coal, an international CO2 conference heard in The Hague on Monday.

### [Fund aims to help small Japanese firms cut emissions](#)

TOKYO (AFP) - A new fund aims to help small Japanese companies gain access to technologies to reduce emissions of gases blamed for global warming, its supporters said Monday.

The fund, which will be set up in July, seeks to facilitate the transfer of low-carbon technologies from big Japanese firms to smaller companies which normally cannot afford

them.

### [Fish Fade Away, Crabs Take Over](#)

Global warming has caused dramatic shifts in some aquatic communities in which fish populations die off and lobsters, crabs and squid move in.

The finding comes from a new analysis of 50 years worth of fish-trawling data collected in Narragansett Bay and adjacent Rhode Island Sound but may apply elsewhere, researchers said.

### [UN chief urges rich nations to lead on Africa, climate](#)

TOKYO (AFP) - UN Secretary General Ban Ki-moon appealed Tuesday to rich nations not to backtrack on assistance to Africa and action against climate change at next week's Group of Eight summit.

Leaks of the draft statement for the July 7-9 summit in Japan suggest that rich nations will water down commitments to help Africa and offer little new on cutting greenhouse gas emissions blamed for climate change.

### [Scientists say ailing penguins signal sea problems](#)

WASHINGTON - The dwindling march of the penguins is signaling that the world's oceans are in trouble, scientists now say. Penguins may be the tuxedo-clad version of a canary in the coal mine, with generally ailing populations from a combination of global warming, ocean oil pollution, depleted fisheries, and tourism and development, according to a new scientific review paper.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).