



DrumBeat: July 2, 2008

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[Petrobras Finds Signs of Large Oil Deposits Near Tupi](#)

(Bloomberg) -- Petroleo Brasileiro SA has found signs of large oil deposits near its Tupi field, the largest Western Hemisphere oil discovery since 1976, the state-controlled company's chief executive officer said.

``Today we have information about the areas and the indication of the existence of hydrocarbons," Jose Sergio Gabrielli, Rio de Janeiro-based Petrobras' chief said in a Bloomberg TV interview at the World Petroleum Congress in Madrid. ``We're certain of a huge increase in reserves."

[Iran hints at oil production boost](#)

MADRID, Spain (CNN) -- Iran Wednesday hinted at a possible increase in its production of crude oil to stabilize prices as they hovered above \$140 a barrel.

Speaking as he prepared to deliver a briefing on his country's oil industry at the World Petroleum Congress in Madrid, Gholam Hossein Nozari dismissed the possibility of prices moving to \$170 or even \$200 a barrel. "We can control," he told CNN.

Asked what Iran would do to control prices, he replied "By the supply, the market."

['Gas OPEC' loses steam](#)

MADRID (AFP) - The proposal for a "gas OPEC" that would group the world's biggest gas exporters as a cartel took several knocks this week at a leading energy conference as key producers backed away from the idea.

"To begin with, I think putting the word 'gas OPEC' was a mistake," Iranian Oil Minister Gholam Hossein Nozari told delegates at the World Petroleum Congress on Wednesday.

"It was not supposed to be any organisation of that sort. It was supposed to be a forum for different exporting countries to cooperate."

[The end of cheap oil will affect virtually everything](#)

Most people don't realize it yet, but the end of the era of cheap oil will impact virtually every aspect of life in this country, and reshape the way we travel, where we choose to live and do business, and even what foods we eat.

[Obsessive fuel savers can get impressive results — but at a cost in safety](#)

It's a good idea, of course, to try to save on fuel. The problem comes when people who don't know what they're doing seize on what they think are the principles of hypermiling, leading them to adopt dangerous tactics, such as driving too slowly in traffic, tailgating larger vehicles or "drafting" (driving in another vehicle's slipstream to reduce wind resistance) too closely, rolling through stop signs or making turns without using the brakes.

[No Gloating for Big Oil](#)

In a week when oil prices shot to \$143 a barrel, the mood at the World Petroleum Congress in Madrid is surprisingly somber. Perhaps the oil company CEOs and OPEC ministers, gathered for the biggest conference in the industry's calendar, are feeling besieged by the relentless drumbeat of public outrage. Perhaps they have been worn down by their ongoing efforts to blame each other for spiraling prices. Or maybe they just think it in poor taste to gloat about their record profits. But even Monday's news that Iraq would open six of its oil fields to international contracts — news that came just hours after Royal Dutch Shell president Jeroen van der Veer announced to the congress that such a deal was "weeks, not months" away — failed to lighten the mood.

[The economics of running on empty](#)

Prosperity returned, as it always does. If it didn't, you would have a permanent recession. The notion is so absurd that no economist in their right mind would even consider it. So I will.

In a worse-case scenario, permanent recession hits and each generation becomes poorer than the last. Gross domestic product (GDP) declines continuously. It eventually hits zero and we return to subsistence living, like our cavemen ancestors.

We may be seeing the beginning of that now.

[Output still far from peak levels, say CEOs](#)

MADRID, Spain - Canada's oilsands are still years away from making a meaningful

impact on global oil supplies, the heads of two of the world's largest oil companies -- Exxon and Total SA -- said at the World Petroleum Congress in Spain yesterday.

But they also said despite economic and environmental challenges, unconventional oil from Canada will eventually play a crucial role in meeting the world's oil needs.

"Resources in Athabasca (Alta.) are huge, probably much bigger than expected," Total CEO Christophe de Margerie told a news conference.

"The problem is that the time to take resources into production will be longer than expected."

"The oilsands in Canada is an important resource for future supply," added Exxon boss Rex Tillerson.

[Cuba to Sign Exploration Deal with Brazil's Petrobras](#)

The Cuban government expects to sign an oil exploration deal with Brazilian state-run energy giant Petroleo Brasileiro (PBR), or Petrobras, later this year, the president of Cuba's state-owned oil company told the Estado news agency Tuesday.

[Nigerian oil output to reach 2.2 mbpd soon: oil minister](#)

MADRID (Reuters) - Nigeria expects its oil output to rise to 2.2 million barrels per day (bpd) very shortly from around 1.9 million now and to hit at least 2.5 million bpd by mid-2009, Oil Minister Odein Ajumogobia said on Wednesday.

[National Oil Firms Well Placed to Take on Majors](#)

State-owned national energy firms of producer nations such as Algeria's Sonatrach are now well equipped to compete with multinational giants in foreign markets, Algeria's energy minister said on Tuesday.

"There is no reason why Sonatrach should not explore in other countries. Sonatrach has a lot of money," he said at the World Petroleum Congress, a major industry gathering, in Madrid.

[Russia: Fuel Prices Cause Fear of Flying](#)

Plane fares have been rising since the beginning of summer due to a continuing crisis on the aviation fuel market. Rising fuel prices have threatened airlines' survival and they are looking for every possible way to pass the increased cost onto passengers. However, it looks as though the carriers will not void losses completely, which may result in the

bankruptcy of some of them.

[China railways raise freight rates to offset domestic oil price rise](#)

BEIJING, July 2 (Xinhua) -- China's rail carriers have raised freight transport fares to cover extra costs brought about by oil price hikes, the country's top economic planning agency said on Wednesday.

Each wagon of freight will be charged from 5.7 yuan (80 U.S. cents) to 14.8 yuan per tonne plus extra charges ranging from 0.03 yuan to more than 0.07 yuan per tonne-km, according to a statement published by the National Development and Reform Commission (NDRC).

[Thailand: Energy minister warns against using cooking gas in vehicles](#)

BANGKOK (TNA) – Energy Minister Poonpirom Liptapanlop on Wednesday warned motorists not to attempt to use cooking gas instead of LPG for vehicles, saying it could endanger their lives.

She conceded that consumers in many areas are using the substitution because it helps reduce their costs.

However, such an approach is very dangerous and could cause substantial damage to lives and property, she said.

[High tech to low, world's green methods are many](#)

From the simplest methods to the most technologically advanced, the strategies employed around the world to be more environmentally friendly and reduce reliance on fossil fuels are as varied as the people that inhabit the planet.

[BlackLight's physics-defying promise: Cheap power from water](#)

An entrepreneur with \$60 million in venture funding says he's found an endless source of cheap energy. Trouble is, it violates the laws of quantum physics.

[Gas guzzlers and 'ghostburbs'](#)

SUV factories closing, bicycle sales and train use rocketing, commuter belts becoming "ghostburbs" as residents flock to the inner cities . . . welcome to 2008 America, where soaring oil and petrol prices have triggered a sudden revolution in travel behaviour and

a seismic upheaval in the automobile industry.

Four dollars (£2) for a gallon of petrol may seem like peanuts on this side of the pond, but in the shellshocked US, where pump prices have doubled since 2004, it is proving to be the breaking point for millions of recession-hit households. In March 2008, according to the US department of transportation, Americans drove 11bn fewer miles than in March 2007 - a 4.3% drop, and the first downward trend in 30 years.

[Yergin Says Record Oil Prices Call for Multifaceted Response](#)

(Bloomberg) -- There's no single solution to high oil prices, and lawmakers need to take an "ecumenical" approach to drafting legislation and policy, according to Daniel Yergin, chairman of Cambridge Energy Research Associates.

"We ought to really get beyond 'either-or' and the notion that there's only one thing to do," said Yergin, the Pulitzer Prize-winning author of "The Prize," a history of the oil industry. "It doesn't work that way in a \$14 trillion economy."

Changes to oil policy, renewable fuels, alternative energy sources and improving fuel efficiencies can all be part of a solution, Yergin said in an interview with Bloomberg Radio.

[Oil reform won't reverse Pemex woes](#)

MEXICO CITY (Reuters) - Mexican Finance Minister Agustin Carstens said on Tuesday a proposed reform to overhaul the country's oil sector would not be enough to reverse the woes of national oil monopoly Pemex.

[Summer report will address winter heating needs](#)

AUGUSTA: Mainers will have a better idea by mid-July what the government thinks it can do about rising fuel costs, and the first priority will be to help the state's poor get through this winter.

[Learn to live with higher fuel prices](#)

Seattle and King County should follow Portland's example. That city established a Peak Oil Task Force in 2006, and had a report from that group last March that evaluated the city's preparedness for high-priced oil and goals for reducing fossil fuel use. If we don't do this planning now, this region will just move from one shock-driven tipping point to another.

[Russia's Oil Output Falls in June, Extending Decline](#)

(Bloomberg) -- Russian oil production declined in June, bringing the world's second-largest crude exporter closer to its first annual drop since 1998.

Production fell to 9.77 million barrels a day (40 million metric tons a month), 1 percent less than in June last year, according to data released by CDU TEK, the dispatch center for the Energy Ministry. Output rose 0.2 percent compared with May.

Russia's production may have peaked as producers struggle with aging fields, rising costs and increasingly remote new deposits, senior executives at Moscow-based OAO Lukoil and TNK-BP, the country's two-biggest independent oil companies, have said. The finance and energy ministries are developing tax-cut proposals in a bid to revive growth.

[Gas prices post 3rd straight record](#)

NEW YORK (CNNMoney.com) -- Retail gas prices have risen to an all-time high for the third straight day, according to a survey from motorist group AAA.

The national average price for a gallon of regular gas rose five-tenths of a cent overnight to \$4.092, the daily survey showed Wednesday. That tops the previous day's record of \$4.087 a gallon.

Gas prices are now about 3% higher than last month and 38.5% higher than year-ago levels.

[Soaring prices push economies to tipping point: IMF](#)

WASHINGTON (Reuters) - Surging food and fuel prices have pushed some countries to a "tipping point," the head of the International Monetary Fund warned on Tuesday, threatening hard-won efforts in many African countries to stabilize their economies.

"If food prices rise further and oil prices just stay the same, then some governments will be unable to feed people and at the same time maintain stability in their economy," said Dominique Strauss-Kahn, managing director of the IMF.

[High gas prices threaten to shut down rural towns](#)

FORKS OF SALMON, Calif. — The price of gas isn't an annoyance here. It's a calamity.

Peggy Hanley uses a generator that burns a gallon of diesel fuel every hour —at about \$5 a gallon— to power Forks General Store, the only place to buy groceries for miles around. There's no electric service, so Hanley, the owner, uses the generator to run

eight refrigerators, nine freezers, lights and two ice machines for the store, which has been in a trailer since a fire destroyed the original building in 1994.

There are no utilities and no public transportation in this unincorporated town of a couple hundred people along a narrow road that winds through the mountains 314 miles north of Sacramento. Many people here buy gas for their vehicles and gas or diesel for generators that power their homes.

[Rising prices hammer seniors on fixed incomes](#)

Long before workers at the San Diego Food Bank began distributing cardboard food cartons from the back of a truck on a recent day, elderly men and women, many needing walkers and metal canes, formed a line in a church parking lot.

The free food amounts to a lifeline for these seniors, who have seen inflation wring much of the value out of their fixed incomes. For these retirees, the prices of essentials — notably, gas and food — have galloped beyond reach. Perhaps most of all, they're straining under the weight of crushing medical costs.

[For many, golden years mean less travel, more work](#)

When Lynda and Don Perdew retired, they sold their home in Southern California and used the money to buy a 37-foot recreational vehicle. Then they set out to see the country.

That was 10 years ago, and the Perdews are still on the road. But now they're taking shorter trips and staying longer in each place. Now parked at a campground near Mount Rushmore, they'd like to visit Bryce Canyon National Park in Utah this summer. But with gas prices topping \$4 a gallon, they aren't sure it's affordable anymore.

[Some Americans will drive trucks, no matter cost](#)

LAWRENCEBURG, Indiana (Reuters) - Seven women pile out of a massive white Chevrolet Suburban and unload the vacuums, mops and buckets of their trade. Gasoline may cost \$4 a gallon, but the Chevy's driver and business owner Leesa Baldwin has no intention of downsizing to a smaller vehicle.

"I love my Suburban. I don't like paying for the gas, but it simplifies my life," said Baldwin, who bought the used 7,000-pound SUV two years ago for her cleaning business and hasn't looked back.

As many Americans abandon SUVs and light trucks for more fuel-efficient vehicles, analysts and automakers alike are scrambling to gauge how low ownership will go -- and just who will remain die-hard drivers of SUVs, pickups and minivans.

[Gas prices change views on energy](#)

WASHINGTON - High gasoline prices have dramatically changed Americans' views on energy and the environment with more people now viewing oil drilling and new power plants as a greater priority than energy conservation than they did five months ago, according to a new survey.

The poll released Tuesday by the Pew Research Center shows nearly half of those surveyed — or 47 percent — now rate energy exploration, drilling and building new power plants as the top priority, compared with 35 percent who believed that five months ago.

[Appetite for Arctic oil rises in line with crude prices](#)

MADRID (AFP) - The appetite for Arctic oil has surged in line with rocketing crude prices but environmental concerns and a diplomatic stalemate stand in the way of exploration, experts say.

At a time when supplies are struggling to keep pace with surging demand from developing countries, the industry is increasingly looking to new frontiers in its search for new reserves, with the Arctic clearly in the sights.

[Saudi Arabia says no oil production boost](#)

In an interview with CNN, Saudi Oil Minister Ali al-Naimi said he was troubled by the current high levels of petroleum prices, but added, "We have nothing to do with prices where they are today."

He denied the problem is one of immediate oil supply.

Asked whether Saudi Arabia, OPEC's leading producer, would open its taps to its reported maximum capacity of 11 million barrels a day, al-Naimi did not dispute the figure but asked rhetorically, "Where is the buyer?"

[Exxon Mobil Japan group refinery shut after fire](#)

TOKYO (Reuters) - Exxon Mobil Japan group oil refiner TonenGeneral Sekiyu's 156,000 barrels per day Sakai refinery in western Japan has been ordered shut since Tuesday evening after a fire, the local fire department said on Wednesday.

[Natural Gas to Converge With Oil Price, Exporters Say](#)

(Bloomberg) -- Natural gas, trading at a 40 percent discount to crude, may rise to reach the record price of oil as demand for cleaner-burning fuels increases, according to energy ministers from Qatar, Algeria and Iran.

[Iran says any attack would provoke fierce reaction](#)

MADRID, Spain - An attack on Iran would provoke a fierce response, the country's oil minister warned Wednesday at the World Petroleum Congress in Madrid.

Minister Gholam Hossein Nozari, however, said Tehran would not cut oil deliveries and would continue supplying the market even if struck by Israel or the United States.

Tehran "is not going to be quiet," if attacked, Nozari told reporters. It's "going to react fiercely, and nobody can imagine what would be the reaction of Iran," he added.

[BP execs get work permits to stay in Russia](#)

MOSCOW — Russia's migration service said on Wednesday it had approved working permits for key managers of BP's Russian oil venture TNK-BP, easing fears of a temporary exodus of foreign staff amid a corporate conflict.

Controversy over visas and work permits for international staff is the latest issue to impact TNK-BP, which is the focus of a bitter dispute over strategy and management tactics between the British oil major and its partners, four Russian or Russian-born billionaires.

[Shell Says World Needs More Gas Supply Capacity](#)

(Bloomberg) -- Royal Dutch Shell Plc, the biggest non-government producer of liquefied natural gas, called for an increase in gas production capacity to meet worldwide demand.

``Clearly, global demand for natural gas is racing ahead," Linda Cook, executive director of gas and power at Shell, said at the World Petroleum Congress today in Madrid. ``The question is whether supply can keep pace," she added. Costs that have ``skyrocketed" and a lack of access because of local government rules are keeping productivity down, she added.

[Hunting for oil villains](#)

The story of the Hunt brothers, who cornered the market on silver in the 1970s, shows

why speculators aren't driving up oil prices.

[The End Of Civilization](#)

The one thing that has enabled the human population to grow to the immense dimensions we see today is oil, the resource facing the greatest challenge from depletion. As the oil supply diminishes, in the absence of herculean efforts to use oil more efficiently and fairly, large numbers of human beings will die off. Before then, soaring prices for oil will probably destroy the economies of the countries most dependent on the stuff, if not the entire intricately linked world economy. This is what I mean by the end of civilization. Of course life will go on. But it won't be anything like what we've been accustomed to. Life will be more like that of the Middle Ages, in which a few wealthy lords controlled all the resources and possessed all the power, and the rest of the people – the lucky ones, anyway – were veritable slaves under these lords. In many ways that state of affairs exists today, but it's unseen by all but the most observant individuals. The future I'm talking about, though, is considerably more spartan than what the worker bees enjoy today.

[Oil dreams](#)

A greater degree of smart socialization will be required. Regardless what the ultimate fate of the oil-automobile-infrastructure may be, the rising costs of fossil-fuel-based energy will require big public investments in mass transit and light rail soon, long before any emerging technology can be significantly deployed. Nearly as big investments will be needed to support the much denser housing solutions that will be required. But in addition, preservation and enhancement of quality of life depends on investments in shared services and green space, strong and smart public zoning and development commissions. Education, health care and retirement services will all be powerfully affected.

Even with our best efforts, we may still fall prey to the potential volatility of the oil crisis. Now that energy is also linked to rising food prices, other profound external shocks from world instability and security nightmares are not unlikely.

[Energy crisis: Turning-point of humanity](#)

After more than 150 years of increasing availability of energy and explosive growth of the world population, we are now entering an era of ever decreasing energy availability. The world population will shrink. For this new era, novel economic principles are needed to maintain prosperity. Part of this is a bank-reform that members of Parliament can adopt if they want to.

[Poor countries should set climate targets: Brazil leader](#)

TOKYO (AFP) - Brazilian President Luiz Inacio Lula da Silva has urged developing countries, including his own, to join rich nations in setting targets to reduce emissions blamed for global warming.

[Eco-tourism: Carbon 'offsets', a good idea that's not working](#)

PARIS (AFP) - Top airlines and tour operators keen to shore up their green credentials nowadays offer customers carbon "offsets" to compensate holiday pollution.

The problem is that few tourists seem eager to write off their green guilt.

[Norwegians fume as new 'climate tax' on fuel takes effect](#)

OSLO (AFP) - Norway, which already has some of the highest fuel prices in the world, on Tuesday introduced a new tax on petrol and diesel aimed at curbing climate change.

Although the new charge was no more than 0.05 kroner (0.6 euro cents, 1.0 dollar cent) per litre of petrol and 0.10 kroner per litre of diesel, it outraged many Norwegians, who are already concerned about runaway prices at the pump.

[IEA to push G8 leaders to commit to energy efficiency: director](#)

MADRID (AFP) - The head of the International Energy Agency said Tuesday he would press G8 leaders at a summit next week to adopt commitments to energy efficiency measures as part of the fight against climate change.

"We are recommending that energy efficiency is one of most cost-effective ways for consumer countries," IEA executive director Nobuo Tanaka told AFP on Tuesday on the sidelines of the World Petroleum Congress in Madrid.

[Carbon capture: pipe dream or climate change weapon?](#)

MADRID (AFP) - Carbon capture and storage (CSS) is fast becoming the oil industry's favourite solution to the climate crisis but the seductive simplicity of the idea masks a series of doubts about its viability.



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