



DrumBeat: July 7, 2008

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Topic: [Miscellaneous](#)

[TIPS Flunk Inflation Test as Fuel, Food Overtake CPI](#)

(Bloomberg) -- Treasury Inflation Protected Securities aren't living up to their name for bond investors who say they can't trust the way the U.S. government calculates the rising cost of consumer goods.

Morgan Stanley, the second-biggest securities firm, and FTN Financial, a unit of Tennessee's largest bank, are telling clients to pare holdings of TIPS, whose principal amount rises with the Labor Department's consumer price index. Morgan Stanley says derivatives tied to inflation expectations are a better bet, while FTN recommends corporate and agency bonds because the index doesn't reflect the actual rate of U.S. inflation.

[Diesel Demand May Be Driving Oil Price](#)

(Bloomberg) -- Soaring fuel prices are damaging the U.S. economy, and the government should be doing whatever it can to slow or stop their astonishing ascent.

Demand for diesel, according to energy economist Philip K. Verleger, may be driving much of the run-up in crude oil, which reached \$145 per barrel on July 3. Truckers and other users of ultra-low-sulfur diesel fuel -- the newly improved, cleaner version of the gasoline alternative -- are being hit particularly hard by rising prices at the pump.

It's becoming clear the U.S. should dip into its Strategic Petroleum Reserve for the light, low-sulfur crude that is most efficiently turned into diesel.

[Help workers lower gas costs](#)

At last, high gas prices are forcing more creative solutions. Take the city of Birmingham in Alabama. Squeezed by fuel costs and unable to grant raises, it has offered employees a four-day workweek. Why are workers jumping at it? They, too, save -- in gasoline for commuting.

Birmingham is just one of many cities, counties, and states turning to "flex-time" to help

employees cope with \$4-a-gallon gas. It's not a new concept, but if public and private employers made adjustable schedules more widely available – along with telecommuting, mass-transit benefits, and bike facilities – the payoff would go far beyond fuel-cost relief.

[Power Failures](#)

U.S. energy policy is seriously behind the rest of the industrial world. What President Bush should do to catch up.

[GM looking at job cuts, sale of brands](#)

DETROIT - General Motors Corp. may get rid of some brands, speed the introduction of small cars from other markets and make further white-collar job cuts as it tries to deal with a shrinking U.S. auto market.

A person familiar with the company's discussions said Monday all the options are being considered as GM tries to cope with the dramatic shift in consumer buying habits from trucks to cars and crossover vehicles.

[Don't envy us, Saudis say, as inflation leaves them feeling poorer despite huge oil boom](#)

RIYADH, Saudi Arabia: Sultan al-Mazeen recently stopped at a gas station to fill up his SUV, paying 45 cents a gallon — a price Americans could only dream of as they pay nearly 10 times that at the pump.

But cheap gas and the record wealth pouring into Saudi Arabia's coffers from high oil prices are little relief for al-Mazeen. The 36-year-old Saudi technician and many other Saudis say they're only feeling poorer amid the oil boom because of inflation that has hit 30-year highs in the kingdom.

"I tell the Americans, don't feel envious because gas is cheaper here," said al-Mazeen. "We're worse off than before."

[Shell Extends of Gulf of Mexico Oilfield With Water Injection](#)

(Bloomberg) -- Royal Dutch Shell Plc, Europe's biggest oil company, said it extended the life of its Gulf of Mexico oilfield by 10 years after injecting water to push out displaced crude.

Water is being pumped from the Ursa rig in the Ursa-Mars basin, about 100 miles (160 kilometers) off the U.S. coast, to flush out oil from the Ursa and Princess fields, Shell said

in a statement posted on its Web site today.

[ANALYSIS-Rising oil threatens to damage emerging markets](#)

LONDON (Reuters) - Most emerging economies beyond a handful of crude producers are suffering from record oil and food prices, with Asian markets in general and China's in particular likely to be notable losers.

South Africa and Turkey also stand out as being vulnerable, while Russia and the Gulf States, which should be the main beneficiaries as crude prices soar, will still struggle with high inflation and the risk of economic overheating.

Emerging markets have proved largely "decoupled" from the Western credit crunch but inflation is proving a global problem.

[Canada businesses feel inflation pressure: BoC poll](#)

OTTAWA (Reuters) - Rising prices of oil and other commodities have driven up costs for Canadian businesses, and many plan to pass on those costs to consumers, a Bank of Canada second-quarter business survey showed on Monday.

[Climate change makes island kids bony, stunted](#)

Maria is fighting to live, wasting away in her remote village where aid officials say climate change has brought on a severe drought in recent years. It's nearly impossible for residents to live off the land like they have for generations.

"It's hard to feed her," her mother says. "Some are good days, some are bad. Sometimes she eats a whole plate, sometimes nothing."

[Oil's Rapid Rise Stirs Talk of \\$200 a Barrel This Year](#)

Oil's historic ascent from \$100 to nearly \$150 a barrel in just six months is lending weight to a far grimmer prediction: Crude could reach \$200 a barrel by the end of the year.

Oil at that price would wreak deeper havoc on the world's airlines and automobile industries.

[Talk of \\$200 oil casts shadow over G8 summit](#)

TOYAKO, Japan (Reuters) - Italy on Monday proposed increasing margin requirements on futures markets to deter speculative buying of oil, which Prime Minister Silvio Berlusconi said could reach \$200 a barrel.

[U.S. holds navy exercise after Iran comments on Gulf](#)

DUBAI (Reuters) - The U.S. Navy said on Monday it was carrying out an exercise in the Gulf, days after vowing that Iran will not be allowed to block the waterway which carries crude from the world's largest oil-exporting region.

"The aim of Exercise Stake Net is to practice the tactics and procedures of protecting maritime infrastructure such as gas and oil installations," Commodore Peter Hudson said in a U.S. Fifth Fleet statement.

[Gas Stations Hit Skids](#)

A sign advertising gasoline for only \$3 a gallon -- almost a dollar less than at nearby gas stations -- lures drivers into an Exxon station in a busy commercial strip in this prosperous town north of Dallas.

But when they pull in, they find the station's doors chained shut and its pumps dead. It is one of the many stations across the country that have gone out of business recently, all victims of gasoline prices that have soared almost 40% in the past year.

[With Gas Over \\$4, Cities Explore Whether It's Smart to Be Dense](#)

For decades, backers of "smart-growth" planning principles have preached the benefit of clustering the places where people live more closely with the businesses where they work and shop. Less travel would mean less fuel consumption and less air pollution. Several communities built from scratch upon those principles, such as Celebration in Florida, sprouted across the country. But they were often isolated experiments, connected to their surroundings mainly by car. So, as gasoline remained cheap, the rest of the country continued its inexorable march toward bigger houses and longer commutes.

Now, smart-growth fans see a chance to reverse that.

[Nigeria cancels oil leases granted to Indian firms](#)

LAGOS: Nigeria has cancelled three lucrative oil concessions awarded to two Indian firms during a controversial round of bids last year, a newspaper said Monday.

[Which future should we prepare for, industrial or agrarian?](#)

The more Harrison Brown talks about the future of industrial society, the more unlikely it seems that it has a future. Brown is the author of a seminal book entitled "The Challenge of Man's Future" which outlines the ecological predicament we find ourselves in today. Perhaps the most remarkable thing about Brown's book is that it was published in 1954 long before our predicament had taken its full shape and when there were only about 2.6 billion people on Earth. (The current world population is estimated to be 6.7 billion.)

Brown's aim was to limn out the obstacles that lay ahead for industrial society and to suggest a course for navigating them. He concluded that the most likely trajectory for industrial society was a reversion back to agrarian society. Only by maneuvering ever so carefully through the narrow passage to sustainability would industrial society be able to continue for an extended period, say, many centuries or millennia.

[Affordable stores too far? Veggie vans offer aid - States, nonprofits finding ways to get low-cost produce to 'food deserts'](#)

ALBANY, N.Y. - For years, Mel Williams rarely ate fruit and vegetables — unless it came out of a can.

Fresh produce was too expensive or too far away until the state-funded "Veggie Mobile" started bringing the fruits and vegetables to him at a lower price.

[Oil speculation: Why we don't have answers](#)

(Fortune) -- The debate over whether oil prices are being driven by speculators in the futures market or by the fundamentals of supply and demand for the physical product slides right on by a central point. The question Congress and regulators should be focusing on isn't who is driving prices, but how prices are being driven.

And the truth is, there's an awful lot we don't know.

[Carmakers' plug-in plans](#)

Americas top-selling car companies have plans to bring plug-in technology mainstream. Here's what they're working on.

[Supply woes stall hybrid SUVs](#)

Ford Motor Co., which featured its Ford Escape Hybrid in TV ads alongside a singing Kermit, can't seem to pump out enough of the compact SUVs to meet demand.

General Motors Corp. ran into troubles with the battery for last year's Saturn Vue hybrid SUVs, which has slowed production for 2008 models.

And GM's other hybrid trucks, the full-size Chevrolet Tahoe and GMC Yukon, are hard to find, in part because about half of the automakers' dealers opted not to sell them. Also, GM so far has produced the vehicles in limited numbers.

[Chile's energy plan may include cactus](#)

Codelco, the world's largest copper supplier, plans to use a fruit-bearing cactus to help ease a shortage of natural gas in Chile.

[Pemex Cantarell Output Drops Most Since 1995 on Spending Limits](#)

(Bloomberg) -- Crude output from Mexico's Cantarell, the world's third-largest oil field, is falling at the fastest pace in 12 years as investment limits keep state-owned Petroleos Mexicanos from fully exploiting deposits and finding new ones.

Production at the Gulf of Mexico development dropped 34 percent in May from a year earlier, the biggest decline since October 1995, according to data compiled by the government and Bloomberg. That was when Hurricane Roxanne's 131 miles-per-hour (114-knot) winds shut down offshore wells for a week.

[India: Crisis looms as global gas supplies dry up](#)

India faces a new energy crisis — unavailability of gas in the international market — that could worsen power supplies and impact a wide range of industries.

[Is it Safe Now to Admit Jimmy Carter Was Right?](#)

Now we are in the exact bind that Jimmy Carter tried to prevent three decades ago, when we were reeling from the concussive effects of oil supply disruptions in 1973 and 1979. Acting with promptness difficult to fathom today, our elected leaders then enacted year-around Daylight Savings Time, dropped the speed limit to 55, and established government price controls. And, oh so fleetingly, we downsized what we drove. All gone.

[Fill 'er up — with husks](#)

Perfecting the alchemy of turning whiffy manure, waste water and dry corn husks into fuel and biogas that can run vehicles and heat homes isn't every scientist's idea of a wild time. But Premier Dalton McGuinty made a smart, climate-friendly investment this week by giving the University of Western Ontario and the Stanton Farms biogas project \$7.5 million to create energy from agricultural by-products

[With Cars, Some Technology Is Smarter Than Others](#)

Here's the problem: Brilliant engineers in Detroit, Toyota City, and Stuttgart have spent millions of man hours coming up with better ways to deploy a side air bag or hold a coffee cup. But what is becoming increasingly apparent is that they should also have been spending more time and money devising technology to improve fuel-efficiency in a car people actually want to buy.

[Economy 2008, part III: Precious metals still strong](#)

It appears that international buyers and sellers of commodities are indeed turning their eyes away from demand fundamentals, and increasingly focusing on supply. In this case, reality trumped perception. The uncertainty of supply has far outweighed possible demand destruction from a slowdown in the BRIC economies. In other words: "Peak Oil" is here. This is still a phenomenon that is apparently new to market pundits and politicians who seem to have no idea as to why prices are rising.

[Ending Poverty in a Carbon Constrained World](#)

We can learn a lot from the mere fact that island communities like this survived for so long on remote shards of land, exposed to the full force and vagaries of nature To do so, first they had to respect their obvious environmental limits. Next they evolved resilient local economies that helped them cope with extreme and unpredictable weather. These were, of necessity, based on reciprocity, sharing and co-operation, and not unlimited growth fed by individualistic, beggar-thy-neighbour competition.

[Living the ideal Golden Years](#)

What puts me at odds about luxurious retirement is the enormous gulf between resource-intensive leisure and real world issues, namely climate change and peak oil. Full-time adult play comes with a high price, especially when it involves constant travel.

Retirees defend the right to squander by saying they worked for it, they saved for it, and they earned it. It is their right to live out their hopes and dreams, many of which are defined by material gratification. The only problem is that the world has changed since those coveted nest eggs began to accumulate.

[A Field Guide to the New Environmentalists](#)

Lord knows we have tried, Al Gore has tried, so may have tried to sell climate change as the big issue of the day. Unfortunately, poll after poll now shows that the price and availability of fuel has taken over. Peak Oil, Peak Food, Peak Everything are immediate concerns, while the climate crisis is sometime in the future. So how do we convey a message to people who care more about other things? Who are we talking to out there?

[Storm over Cape Cod](#)

As she put the finishing touch to a watercolour outside the gated community of Oyster Harbours, Nancy Walton wrinkled her nose at the thought of America's first offshore wind farm popping up on the horizon of Nantucket Sound. "I believe in wind power," she said, "but these will be higher than the Statue of Liberty. There are so precious few places on earth as unspoilt as this. Why can't they just put them somewhere else?"

[Energy: Shell's future scenarios – Staring into energy's black hole](#)

Between now and 2050, world population is set to grow from six to nine billion people, who will all want access to transport and electricity. This means the era of easy oil and gas is over, according to van der Veer. "We have only seen the beginning" of carbon dioxide emissions problems, he said.

These are the hard truths about the future of energy supply and demand that Shell says the world needs to tackle, somehow, in the next few years. The company believes that there is no way that CO2 concentrations can be stabilised at 450 parts per million (ppm) – a concentration accepted by many as the tipping point towards catastrophic climate change – while providing what van der Veer calls "reasonable welfare" for the planet's growing population. Even the mass capture and storage of CO2, on land or under the seabed, will not be enough to steady levels of the gas at this critical concentration level, he says.

The Shell boss, rumoured to be stepping down next year, also has a hard truth for governments. If companies are to have incentives to invest in green technology, international standards on politically sensitive areas such as fuel consumption and buildings insulation will need to be consistent around the globe.

[Allianz predicts oil price of \\$200 a barrel in next 2 years](#)

BERLIN (AFP) -- German insurance giant Allianz expects the oil price to hit \$200 a barrel in the next two years, according to a press report to be published Monday.

"I cannot imagine that post-2010 we will have an oil price of below \$200 a barrel in the long term," Allianz board member Joachim Faber told Monday's edition of Der

Tagesspiegel newspaper.

[GCC urged to reconsider dollar policy](#)

The Government of Abu Dhabi has called for a “rethink” of monetary policy across the GCC, including the US dollar peg, amid rising inflation, record oil prices and fading prospects for a single currency by 2010.

[Oil price shock means China is at risk of blowing up](#)

The great oil shock of 2008 is bad enough for us. It poses a mortal threat to the whole economic strategy of emerging Asia.

The manufacturing revolution of China and her satellites has been built on cheap transport over the past decade. At a stroke, the trade model looks obsolete.

[Caspian pipelines ease Russia's grip](#)

New prospects for a Trans-Caspian Gas Pipeline (TCGP) from Turkmenistan to Azerbaijan have been receiving deserved attention in recent months. However, another project to pipe energy resources from the western to the eastern shore of the Caspian Sea also demands attention, with implications that loom as large as those of the TCGP. This is an overland oil pipeline that Kazakhstan intends to build from the Tengiz field, in the northwest of the country, to the port of Aqtau in the southwest.

[BP rebuts oligarch attack before Russian vote](#)

BP today rejected claims that it has treated its Russian partners as "subjects, not equals", just hours ahead of a vote that could oust the man running TNK-BP, its crisis-riven joint venture.

The UK oil giant dismissed allegations made by Mikhail Fridman in an opinion piece in today's edition of the Financial Times. He is one of the four oligarchs demanding sweeping changes at TNK-BP.

[Oil's Wakeup Call](#)

If you want to dream about oil prices long term, the go-to guy is Matt Simmons, chairman of Simmons and Company International. Simmons' thesis called "the Peak Oil Thesis" is awesomely simplistic: The elephantine oil fields of Saudi Arabia peak out in a

few years. Unfortunately, this is only a working hypothesis.

Saudi Aramco technocrats won't let Simmons near their reservoirs or seismic research data. They claim a reserve margin of several million barrels a day. Simmons' competition, Cambridge Energy Research Associates in Massachusetts takes the Saudi side of the argument, but the market these days is siding with the bears on net worldwide incremental production possibilities.

[Practical Tools To Speed Up the Transition Away from Petroleum](#)

Efforts to conserve should involve the provision of incentives to use public transportation, carpools, vanpools and car-sharing. Organizations should also encourage telecommuting, computer-based training, Internet conferencing tools, as well as adopt policies that discourage business travel unless it's absolutely necessary.

Organizations should also encourage workers to move closer to the workplace and bike and/or walk to work. In addition, organizations should adopt staggered working hours to allow workers to avoid traffic jams where fuel would be consumed needlessly. A compressed workweek should also be encouraged to reduce the total number of miles driven.

[Airlines shed weight as fuel costs soar](#)

TOKYO (AFP) -- Next time you take to the skies you may find there are fewer pages in your in-flight magazine, your fork is slimmer and your plate feels different. Blame it on soaring oil prices.

The seat you are sitting on may be lighter. Perhaps there's less water on board for the bathroom faucets and toilets. The drinks trolley coming your way probably weighs less too.

It's all part of efforts by airlines to shed weight and conserve fuel, running in tandem with more radical steps such as cutting routes and capacity.

[New cars will skimp on fuel but not on amenities](#)

DETROIT — Automakers are working as fast as they can to meet a new consumer landscape: Buyers want not just fuel-efficient cars but also the same amenities they had in their hulking SUVs.

[Prius to get solar-powered air conditioning, newspaper says](#)

TOKYO — Toyota's ecological Prius gas-electric hybrid will become even greener next year with solar-powered air conditioning on some high-end models, *The Nikkei* newspaper of Japan reported Monday.

The solar panels on the roof of the new Prius model will provide 2 to 5 kilowatts of electricity, the major Japanese business daily said in a report without citing sources.

[Brown urges Britons to cut food waste](#)

Britons will today be urged to make saving food as important as saving energy, with the publication of a government report which reveals that more than 4m tonnes of food are wasted each year at a cost of hundreds of pounds per household.

[UN chief says US must take lead on climate change](#)

SAPPORO, Japan (AFP) - UN Secretary General Ban Ki-moon said Monday that the United States must take the lead in fighting climate change as he opened talks with the world's most powerful leaders.

... "I hope the US ultimately should take all this leadership role. This is what the whole international community expects of the United States," Ban said in an interview with AFP on his plane to a Group of Eight summit in Japan.

The United States is the only major industrial nation to shun the Kyoto Protocol as it pushes for more commitment from developing nations such as China and India.



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