



DrumBeat: July 24, 2008

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Topic: [Miscellaneous](#)

[Don't take a flier on airlines](#): *\$130-a-barrel oil won't save the airlines — travelers must save themselves*

Why the irrational aeronautic exuberance? Last week's unprecedented decline in the price of oil, which plummeted more than \$16 and closed around \$130 a barrel. With fuel now accounting for about 40 percent of the airlines' costs, sharply lower oil prices surely looked like good news to the markets.

But irrational exuberance is nothing if not irrational. The biggest airlines — American, United, Delta, Northwest, Continental and US Airways — can't make money at \$130 a barrel. They can't make money at \$100 a barrel, either. Nor can their smaller competitors. Even the double-digit cuts in passenger capacity and triple-digit aircraft retirements planned for the fall probably won't restore profitability unless oil drops to about \$80.

...“Don't you dare rain on my parade,” an airline executive snapped at me Friday evening. “I want one weekend this summer when I can fantasize about not being in bankruptcy next year.”

[Russia's military conducts test flights near North Pole](#)

MOSCOW: Russia's navy conducted test flights near the North Pole on Thursday, boosting its military presence in an area believed to contain vast quantities of oil and natural gas.

[Russia, China to hold energy talks amid oil demand](#)

BEIJING - A top Russian official will visit China this weekend for high-level talks on energy policy, coming amid surging Chinese demand for oil.

[Oil masks Canada's 'export recession'](#)

OTTAWA -- Oil prices will continue falling and dip below \$100 a barrel by the end of

this year, unmasking an "export recession" in Canada that will result in anemic growth, a government export agency said on Thursday.

[Japan: 3 major gas firms to hike monthly charges in Oct.](#)

Major gas companies will raise their monthly charges in October, with Tokyo Gas Co. expected to hike its monthly fee for a typical household of four people by about 120 yen to about 5,680 yen, sources said Thursday.

[Middle class: 'On the edge'](#)

Adjusted for inflation, median household income dropped by \$1,175 between 2000 and 2007, said Elizabeth Warren, professor at Harvard Law School, in written testimony before the Joint Economic Committee.

At the same time, the average family is spending \$4,655 more on basic expenses, such as gas, housing, food and health insurance. Gas alone costs \$2,195 more for a family making the same commute in May 2008 as it did eight years earlier.

[Hunger is S. Florida's dirty little secret](#)

The high price of food has sparked a secondary market where smashed canned goods or food that's about to expire are sold instead of donated to the food banks; dollar donations are shrinking; the cost of gas makes distribution more difficult; and government surpluses of farm products are gone.

"In 17 years, I have never seen the shortage of food we are seeing today," noted Patricia Robbins, founder of Farm Share in Homestead. ``While we are not turning people away, each person gets less food."

[UK: Land in demand to grow produce](#)

More land for allotments is needed in Shrewsbury to meet the demands of a growing band of cost-cutting, green-fingered "yummy mummies".

With living costs increasing by the day through rising food and fuel bills, more and more people feeling the pinch of economic pressures are resorting to growing their own fresh, organic fruit and vegetables.

[Ammunition prices squeeze law enforcement budgets](#)

A global shortage of precious metals has created an unpleasant reality for gun owners - higher ammunition prices.

For recreational owners, that means fewer hunting trips and days at the shooting range.

But for Whatcom County law enforcement agencies, it means reconsidering how they train officers and balance their budgets.

[Sceptics say oil supply may not improve in 2009](#)

"It worries me that everyone is projecting this relatively strong growth in non-OPEC output," said Julian Lee, senior analyst at the Centre for Global Energy Studies, a London-based forecaster.

"This leads to a sense of complacency that everything will be okay and that OPEC doesn't need to increase production."

[Russia oil output seen up at 10.3 mbpd in 2010](#)

MOSCOW (Reuters) - Russia expects its oil output will rise by 4.6 percent in 2010 compared to 2007, an energy ministry document showed on Wednesday, stopping short of making predictions for 2008-09.

[Up to 100,000 B/D Brazil Tupi Field Output By 2011](#)

A 50,000 to 100,000 barrel of oil equivalent a day pilot production scheme on Brazil's offshore Tupi field is planned to begin in 2011, the chief executive of BG Group PLC Frank Chapman said Thursday.

Speaking in a conference call he said an extended well test, with production in the range 10,000 to 20,000 barrels of oil equivalent a day, will begin on Tupi later this year in advance of the pilot program.

[Guangdong plans 2 oil storages to ease shortage](#)

South China's Guangdong Province, the largest oil consumer and importer in the country, is planning an investment totaling 6 billion yuan (\$880 million) to build two strategic crude oil and oil product reserve bases, which was listed in the province's top 10 new projects mapped by Guangdong's provincial economic planning body, according to the Caijing.

[China oil use soars in 1H despite high world prices](#)

BEIJING (Xinhua) -- Soaring world prices don't seem to have crimped China's oil use, with statistics released on Thursday by an industry group indicating that first-half consumption of oil and refined oil products set records.

The China Petroleum and Chemical Industry Association (CPCIA) said that "apparent consumption" of refined products -- gasoline, diesel and kerosene -- rose 14.6 percent year-on-year to 106 million tonnes, while crude oil use rose 6.3 percent to 183.3 million tonnes.

[PetroChina to control fuel exports to ease shortages](#)

BEIJING (Bloomberg) -- PetroChina Co. will extend its "strict control" on fuel exports into the second half of the year as China, the world's fifth-biggest oil producer, seeks to ease a domestic gasoline and diesel shortage.

[Chile says rains ease electrical rationing fears](#)

A severe drought, which the government described as the worst in decades, had forced power providers to rely on expensive-to-run diesel generators. Compounding the problem, neighboring Argentina restricted natural gas exports to Chile.

"The probability of rationing has fallen considerably," Tokman told reporters in the Chilean capital, Santiago.

[Supply lines: Is the Czech Republic too dependent on Russian oil?](#)

Whatever the reason for the supply reduction, the current situation made it clear that depending too much on Russia for oil could prove too much of a risk in the future. Is the country prepared for the possibility of long-term shortages of Russian oil?

[Boss of BP Russia venture leaves](#)

BP has said the chief executive of its Russian joint venture TNK-BP has temporarily left Russia because of "sustained harassment".

[Could it be...?](#)

BANGALORE/MANGALORE, July 24, 2008: The power crisis which currently the state is experiencing could be an engineered shortage? This is being discussed in every

corners of the seat of power Vidhana Soudha. Doubts are being raised and apprehensions are being aired about the "people behind" the power crisis that the state was undergoing.

Could it be that the Karnataka is being targeted as a state to demonstrate what could be life without energy, could it be that some forces want to show the politicians and people in charge of the government what energy deficient could look like. Could it be that Karnataka is a pawn in the global design of power politics?

[Post-Peak Politics](#)

The politics of peak oil form one of the most explosive and least often understood dimensions of the emerging crisis of industrial civilization. Too often, when questions of politics enter the peak oil discourse, they focus on the belief that the problem of peak oil can be solved by throwing one set of scoundrels out of power so that another set of scoundrels can take their place. This seems hopelessly misguided to me.

[New York: Council Members Push Pedal To Add Taxi Fuel Surcharge](#)

Fifteen City Council members are calling for taxi fares to be increased, saying they are ready to risk constituents' ire to prevent cabbies from leaving the streets.

[Everything you need to know, in order](#)

A student in my class asked me for a list of skills we need to get ready for peak oil, prioritized. I admit, it took me about a day after she asked to stop thinking "Holy Crap, how do I figure that all out!" But it is an interesting question. And while it isn't all just about food preservation, I thought I'd take a shot at it. I will, of course, be relying on my fearless readership to point out gaps in my thinking.

[Chop, chop: Firewood dealers struggle to meet demand](#)

Rising heating oil prices, a shortage of loggers and increased demand for wood by the paper industry have driven up the cost. In addition, residents who used to wait until fall to order their firewood started buying it up in May or June this year.

[Building a green collar workforce, one apprentice at a time](#)

The tradition of apprenticeship – a craft master teaching trade skills to craft entrants – is one of the oldest and most effective methods of learning. That tradition continues in Minnesota today, and may be the key to growing a sustainable green collar economy.

[UK's Chatham House surveyed 12 hydrocarbon-exporting countries and concluded on growth of their dependence on oil revenues](#)

UK's Chatham House has completed its project - Resource Depletion, Dependence and Development. The project was funded by the Asian Development Bank, the Norwegian Ministry of Petroleum and Energy and BP.

The report oriented for period until 2030 looks at Algeria, Angola, Azerbaijan, Indonesia, Iran, Kazakhstan, Kuwait, Malaysia, Nigeria, Norway, Saudi Arabia and Timor Leste.

Petroleum-fuelled prosperity is masking the challenge of oil depletion and removing the sense of urgency that is desperately needed to promote diversification in oil-exporting states. All eyes are on supply-demand dynamics instead of how these countries' economies - so linked to our own - can be sustained as oil and gas resources deplete.

A new report by Chatham House says today's oil-price boom may be raising the global profile and financial clout of oil-exporting countries but their dependence on oil, (and gas) revenues has increased. This cannot continue: production will level off and eventually fall; rising energy consumption at home will reduce the amount available for export. For these countries to continue to grow, dependence on oil revenues must be reduced.

[Entergy chief explains rising costs](#)

"We are in a national energy crisis, and the culprit is natural gas," he said. "The sharp increase in costs is unprecedented. We've seen spikes before, but never seen these sustained increases. Natural gas is up in price 85 percent from January."

[Fuel costs will rise under any future president, experts say](#)

WASHINGTON -- No matter which one is elected president in November, the energy policies proposed by Sens. John McCain and Barack Obama would increase costs for the average American, but other changes may not be as readily visible, experts say.

While the candidates' policies are distinct, several energy policy experts agree that both want long-term changes that will not immediately address the high gas prices and energy bills seen today.

[Americans must diet to save their economy](#)

Want to save the US economy? Go on a diet.

That's the message ecologists are trying to get across this week. They say the

apparently looming energy crisis could be averted if US residents cut their calorie intake.

David Pimentel of Cornell University and colleagues have drawn on an extensive body of existing studies to highlight the wastage in the US food production chain. To bring their point home, they have estimated how much energy could be saved by making a few relatively simple changes to the way corn is produced.

[Ethanol pipeline places the cart before the horse](#)

Iowa Sen. Tom Harkin and Indiana Sen. Richard Lugar have proposed the construction of a pipeline able to bring Midwestern ethanol to the East Coast, where demand is high. However, given ethanol's current lack of overall cost-efficiency, much of the project's benefits will simply be accrued by the ethanol industry itself. But then again, as long as it's carrying ethanol, Midwestern politicians have always been happy to put the cart before the horse.

[Pemex plans Ku-Maloob-Zaap fields subsea pipelines](#)

LOS ANGELES -- Petroleos Mexicanos plans to start building two new pipelines—one oil and one natural gas—in October at the Ku-Maloob-Zaap group of offshore oil and gas fields.

[Saudi Arabia: Diesel shortage worsens for farmers](#)

BURAIDAH – Rural areas of the Kingdom are facing an increasing problem of diesel shortage which is threatening their ability to produce and irrigate crops properly. The problem originally confined to the Taif region has now spread to Al-Jouf and Hail regions.

Saleh Al-Shayea Al-Krei', owner of an agricultural project in Al-Jouf, said the filling station in Al-Jouf is unable to supply diesel distributors with sufficient quantities, as it has decreased the quantities granted to farmers by 60%.

[The coming gas supply shock in the Gulf](#)

IT IS ironic that the Arabian Gulf, which contains two thirds of the world's proven oil reserves and is the epicentre of the energy business, faces a regular gas shortage, possibly as high as 7 billion cubic feet in the next decade. This is going to have a seismic impact on the GCC's oil production, consumption and exports, a major factor in crude oil prices.

[Electricity Expert Scotto: U.S. Power Rates to Double Over Next 5 Years Due Primarily To Lack of Supply \(Part 2 of 4\)](#)

Leading Wall Street electric utility analyst Dan Scotto predicted U.S. electric rates will double within five years due primarily to lack of supply. The increase will be on top of a 25% rate rise Americans have had to endure over the last few years, he said.

[ConocoPhillips Net Rises 13%, Beating Consensus Target](#)

NEW YORK (Dow Jones) -- ConocoPhillips on Wednesday said second-quarter net income rose 13% over its year-earlier adjusted profit, as the first of the three major U.S. oil giants to report financial results benefited from higher oil prices in its exploration-and-production business.

[Colorado, Wyoming battle Bush over oil shale](#)

SALT LAKE CITY - The Bush administration's push Tuesday to speed up development of oil shale in the Rocky Mountains runs headlong into Colorado and Wyoming leaders, who say the environmental costs are too high and the technology unproven.

[New contamination incident at French nuclear site](#)

PARIS (Reuters) - Around 100 staff at a nuclear power plant in southern France were contaminated with a low dose of radiation on Wednesday, power firm EDF said, the latest incident there after a case of uranium spillage two weeks ago.

[Where would America's renewable energy come from?](#)

According to the Energy Information Administration, the average American consumes about 920 kilowatt-hours of electricity per month.

So where, exactly, will all this energy come from? And how do we get it from there into our wall outlets?

[Gas Conservation Threatens Road Funding](#)

Conservation means less gas-tax revenue is going into the Highway Trust Fund, which Congress taps every year to send transportation funding back to the states. Current estimates indicate the trust fund will take in at least \$3 billion less than Congress planned to spend next year, and that deficit is expected to widen substantially in the years ahead.

[Libya halts oil shipments to Switzerland](#)

TRIPOLI (Reuters) - OPEC member Libya is halting oil shipments to Switzerland in protest at the arrest of a son of Libyan leader Muammar Gaddafi, workers of state-owned Maritime Transport National Corporation said on Thursday.

All ships carrying Swiss-made goods are barred from unloading their cargoes at Libyan ports, they added in a statement issued shortly after they staged a protest outside the Swiss embassy in Tripoli.

[Swiss Oil Industry Brushes Off Libya Threat](#)

"Libya would be punishing itself," the head of the Swiss Petroleum Association Rolf Hartel told AFP. "Economically it would make no sense."

He said Switzerland had four-and-half-months of reserves of gasoline, diesel and fuel oil and three months of kerosene, and could easily acquire oil products from other countries within days.

[Russian S-300 missiles 'would ensure Venezuela's oil security'](#)

MOSCOW (RIA Novosti) - Russian S-300 air-defense missile systems would enable Venezuela to fully ensure the security of its hydrocarbon resources, a Russian military expert said Thursday.

"Needless to say, should S-300s be delivered to Venezuela, they would effectively strengthen its defense capability, and it would not be easy for its possible adversaries to punish the country by striking at its oil fields," former Air Force commander Gen. Anatoly Kornukov said.

He added that as an oil-rich country Venezuela had to protect its natural resources.

[Iran boosts gasoline imports around 50 pct](#)

DUBAI/SINGAPORE - Iran is buying more gasoline and gas oil on international markets to boost stocks ahead of a heavy work schedule at oil refineries in the fourth quarter, trade sources said on Thursday,

"They've already started buying and it's being felt in the market," one trader said. "Gasoline imports are up around 60,000 barrels per day for August and September."

[Ford posts \\$8.7B loss, accelerates shift to small cars](#)

DEARBORN, Mich. — Ford said Thursday that it lost \$8.67 billion in the second quarter largely because of a reduction in the value of assets.

The company also announced that it will bring six European small-car models to North America by the end of 2012 as it deals with a market shift from trucks to cars brought on by high gasoline prices.

The company also will retool two more North American truck and sport-utility vehicle plants to build small, fuel-efficient vehicles.

[Scottish & Southern Energy warns on profits as fuel bills set to soar](#)

A fresh round of energy price rises looked inevitable today as Scottish & Southern Energy (SSE) issued a stark warning that its first-half profits would be substantially lower than the results achieved in previous years.

Ian Marchant, chief executive of SSE, said that it was becoming increasingly difficult to keep retail energy prices down, as wholesale prices soar.

"The extent of the energy shock with which the entire global economy is having to contend has been well-documented, and its full impact on prices for electricity and gas in the UK has still to be felt. We are continuing to resist the pressure to put up prices for domestic customers, but doing so is becoming more difficult by the day," Mr Marchant said.

[Malaysia sweetens deal for independent power firms](#)

KUALA LUMPUR (Reuters) - Malaysia will allow exemption from windfall tax for independent power producers (IPPs) which agree to alter electricity sales terms with power utility Tenaga Nasional, the finance ministry said on Thursday.

The government last month proposed a windfall tax on the IPPs and other industries least affected by inflation to help curb price pressures.

[Can fuel hedges keep Southwest in the money?](#)

Using some simple and some complex investment strategies, Southwest has for a decade locked in the prices it pays for large amounts of jet fuel months and even years ahead of time. Its success at that has protected it from run-ups in crude oil prices and dramatically cut its fuel expenses. Since 1998, it has saved \$3.5 billion over what it

would have spent if it had paid the industry's average price for jet fuel. That's equal to about 83% of the company's profits over the last 9½ years.

[Who will solve the oil puzzle?](#)

What is the biggest news hogging the limelight in the media these days? It is crude oil prices. What is intriguing is that nobody has so far come up with an acceptable thesis on why it is defying gravity and going only upwards. All possible explanations have been put forward by pundits and forecasters. One team, led by Arjun Mistry of Morgan Stanley, forecast that crude prices would touch \$200 per barrel soon.

[Want floor time? First, get past Bartlett](#)

By his own count, Bartlett has given 48 hourlong floor addresses since March 14, 2005 — far more than anyone else, and almost all of them on peak oil, the notion that when oil production begins to decline, prices will skyrocket and bring the world economy to its knees.

With oil prices in the stratosphere, is it time to start listening to the House of Representatives' Chicken Little?

[As oil price rose, exporters cut shipments](#)

The world's top oil producers are currently proving unable to generate more barrels on demanding world markets, despite surging prices — a shift that defies traditional market logic and looks set to continue.

Fresh data from the U.S. Department of Energy show the amount of petroleum products shipped by the world's top oil exporters fell 2.5 percent in 2007, despite a 57 percent increase in prices, a trend that appears to hold true this year as well.

There are several reasons behind the net-export decline.

[Peak Oil as a Direct Result of Misallocation of Funds](#)

We have a paradigm shift. The misallocation of funds that are the result of Fractional Reserve Banking and creation of money out of thin air are the motor behind the actual and future shortage of liquid energy. Instead of allocating funds to new exploration, drilling and the modernization of refineries, the funds were used to fuel the worldwide bubbles in real estate. Because of an oversupply, real estate prices are going down...and ironically, because of an undersupply, oil and gas prices are going up.

[The myth that pushes oil prices up plays into the hands of speculators](#)

Something is wrong and it might just be that Peak Oil is the culprit. Take, for instance, the claim that the theory correctly forecast the 1965-70 'peak' in US oil output. This may well be true, but it proved correct only because of political intervention -- the US slapped a ban on exploration over wide swathes of sensitive territory and at the same time put limits on what could be produced from existing fields, part of its bid to establish a strategic reserve of home-produced oil. Little wonder then that oil output peaked when it did. Left to its own devices, the peak in US output would have been markedly different.

[Opposing Views Launches As A Debate Site Where Experts Go Head-To-Head](#)

Getting average know-nothings to create content for your site is easy enough and well understood by now. But how do you get experts to create in-depth topic pages about the hot-button issues of the day, complete with videos, links, and healthy commenting? Russell Fine is trying to do that with Opposing Views, a site that launched a few hours ago. It pits experts against each other on topics such as the economy, global warming, health issues, and politics. "We are trying to create a site where people can get well-informed on a topic quickly," says Fine.

(See [Have we reached peak oil?](#))

[Dengue cases in Philippines rise by 43 percent: government](#)

MANILA (AFP) - Global warming may have contributed to a 43 percent rise in the number of dengue cases in the Philippines for the first half of the year, the health secretary said Wednesday.

..."The increase in the number of dengue cases may be attributed to the constantly changing climate brought by global warming as well as congestion in urban areas," health secretary Francisco Duque said.



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