



DrumBeat: July 25, 2008

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Topic: [Miscellaneous](#)

[Current Oil Price 'Not Expensive,' Petrobras's Gabrielli Says](#)

(Bloomberg) -- Crude oil at \$126 a barrel is ``not expensive," considering production costs and rising demand, said Jose Sergio Gabrielli, chief executive officer of Brazil's government-controlled oil company, Petroleo Brasileiro SA.

``Oil is an exhaustible resource," Gabrielli said in an interview today in Rio de Janeiro. ``In order to produce new oil to replace the barrel you just used, you have to find oil that's much more expensive than what you already produced."

[Oil prices drop to 124 dollars in New York](#)

LONDON (AFP) - Oil prices headed south again on Friday, cutting short a brief rally amid a drop in fuel demand across the United States, the world's biggest consumer of energy.

Crude futures had risen earlier Friday and on Thursday in what traders described as a technical rebound following two days of heavy falls.

New York's main contract, light sweet crude for September delivery, shed 1.49 dollars to 124 dollars a barrel in pit trading.

Brent North Sea crude for September dropped 1.41 dollars to 125.02 dollars in electronic deals.

[Worst over for drivers as pump prices slide: AAA](#)

NEW YORK (Reuters) - U.S. retail gasoline prices have fallen more than 10 cents per gallon in a week and could fall another 25 cents by the end of summer, a sign the worst is over for U.S. motorists this vacation season.

[Venezuela agrees to sell Spain oil at 100 dollars a barrel](#)

MADRID (AFP) - OPEC member Venezuela agreed Friday to sell Spain 10,000 barrels of oil per day at 100 dollars a barrel in exchange for medicine and other goods, a Spanish government source told AFP.

[Venezuelan president wants oil to stabilize at 100 dollars per barrel](#)

MADRID (AFP) - The price of oil should stabilise at around 100 dollars per barrel, Venezuelan President Hugo Chavez said Friday during a visit to Spain.

"The price of oil needs to stabilise. The price according to our interpretation should be lower and stabilize at around 100 dollars per barrel," the head of the OPEC member state told a joint news conference with Spanish Prime Minister Jose Luis Rodriguez Zapatero.

"No one, no one, no one thought that oil could come near 150 dollars a barrel in such a short time. It was unthinkable six months ago, now it should stabilize," he added.

[Fuel deal for new HECO plant challenged](#)

Hawaiian Electric Co. is a year away from switching on a new power plant that will run exclusively on clean-burning biofuel, but getting the fuel delivered is turning into a challenge that may cost utility customers more than expected.

The Seattle-based company that was supposed to build a \$90 million biodiesel processing plant to supply the fuel for HECO's new facility at Campbell Industrial Park has put its plans on hold.

[Device could help stretch a gallon of gas](#)

CHICAGO - A new, highly efficient material that converts heat into electricity may one day help cars get the most out of a gallon of gas, U.S. researchers said on Thursday.

[Amish also feel strain of high fuel costs](#)

The Amish, widely known for their horse-drawn buggies and a lifestyle that shuns many modern conveniences, are as susceptible to the sting of rising oil prices as anyone else.

From the diesel fuel for tools used in milking cows, building cabinets and sawing timber, to the gasoline used to power washing machines and freezers, the pinch is real.

Amish are banned from driving cars and trucks because Amish leaders worry that faster transportation could "pull the community apart." The prohibition, however, does not extend to fuel-powered motors and engines such as those used to run power tools and

washing machines, says Donald Kraybill, a scholar on the Amish at Elizabethtown College in Elizabethtown, Pa.

[An old misconception](#)

The UK has around 60 million people; but the average British citizen creates nearly 10 times more carbon dioxide emissions than the average Indian, and 166 times more than the typical Ethiopian. So the best way to deal with climate change is not for Ethiopia to curb its (runaway) population growth, but for the British and others in the west to reduce their greenhouse gas emissions. Since most of the population in 2050 will be in the poorest countries with the smallest carbon footprints, birth control will do little on global warming. For the British to limit themselves to two children per family, as the BMJ piece argues, is besides the point: birth rates in the UK are just 1.7 children per couple. The authors of the BMJ piece are associates of the Optimum Population Trust. That group believes the UK should only have 17 million people; which 17 million it does not say.

(The article that spurred this response is [here](#).)

[Canada: Food for thought](#)

"There could be a food shortage in Canada in time."

...He said irrigation costs have doubled because some equipment used to pump water into fields uses up to 23 litres of fuel per hour.

"It's like having your bank account attached to a fuel line; just draining the money out of it," Mr. Evans said.

Farmers are also facing steep increases in the cost of fertilizer, packaging materials and labour.

"We are going to lose farmers," he said.

[Qatar seeks solution to food crisis](#)

Tariq Ali Faraj Al Ansari, a First Secretary at Doha's UN mission, told the General Assembly that skyrocketing food prices have reached "emergency proportions" that only "radical solutions" will overcome.

The Qatari diplomat spoke during a two-day debate at the UN headquarters in New York that assessed whether slashing subsidies and lifting trade barriers would stimulate food production and help Africa's one million smallholder farmers.

"The time of easy access to food is long gone — the world is today witnessing

unprecedented increases in food prices in global markets," Al Ansari told the 192-member body on Monday.

[Charcoal, agriculture and climate change](#)

Slash and Burn agriculture is practiced by 300 to 500 million people on one third of the 1500 million hectares of arable land on the planet. Yet pressures remain high for clearing of natural habitat in order to expand agriculture. This is because of the expanding population, countries need for export market income and American and EU demand for biomass fuels. In Brazil alone carbon emissions from annual forest clearing amounts to 20% of the total released in the country.

There is another type of tropical agriculture called slash and char which would promote soil fertility, allow for shorter rotation periods and also reduce dependence on chemical fertilizers. This farming technique was formerly practiced by the Amerindian people 500 to 2500 years ago and was discovered independently in Asia. It is quite a simple concept actually, as these native Amazon Rainforest farmers had only stone tools and felling the forest for fresh, fertile ground was very difficult. Instead, they conducted a smothered combustion of agricultural debris, and supplemented this with domestic manure and household debris. This charcoal built up in the soil over time and became a durable substitute for soil organic matter. This black carbon lasts for ten's of thousands of years in the soil as opposed to a few seasons at best. The result is a soil with chemical and biological properties that convert unproductive tropical oxisols to fertile soils that are still farmed even 1000 years after the original people have disappeared.

[Fuel-toting border crossers draw ire in Juarez](#)

The cross-border commerce is raising the ire of some Mexican fuel consumers in Juarez; they don't like the idea of U.S. consumers taking advantage of fuel prices kept artificially low courtesy of their own tax dollars.

[Crude and oily: Energy reform in Mexico](#)

All parties agree that things look bad. There is also some consensus that deepwater exploration of the type that has been so successful in Brazil is now necessary. But there is no agreement on how to fund it, or where to get the technical expertise for deepwater drilling from. This wrangling reveals much about Mexico's underlying thinking about the respective roles of the state and the private sector.

[Power, diesel crises hit industry hard](#)

BANGALORE: The acute shortage of diesel and interrupted power supply have adversely impacted the workflow and productivity of businesses across domains in the

city. The scenario has compelled some large IT, BPO firms to cut their pickup/drop cab frequency and almost all industrial units in Peenya to sign on a "staggered holiday" policy. The city has a tech/BPO population of around 10 lakh, who need over a lakh cabs and own vehicles to reach workplace and back.

In fact, the current power and diesel scenario is eating into the mindshare of company heads. Every day they are uncertain about how many of their employees get to work.

[China Holds Meeting on Coking Coal, Steel Price Caps](#)

(Bloomberg) -- China's National Development and Reform Commission, the country's top planner, held a meeting to discuss imposing price caps on steel, coking coal and coke to help manufacturers cope with rising costs, two officials said.

[The oil speculator sideshow](#)

NEW YORK (Fortune) -- Watch out, speculators: The Commodity Futures Trading Commission is getting tough on crime. But since, as the CFTC has said, speculation hasn't pushed up prices, the crackdown will benefit its image more than the economy.

[Last night's TV](#)

Still, I can't help thinking *Burn Up* is issue-led, rather than story-led. The overall feeling is of an environmental message, with a drama shoehorned into it (dramaganda?). Obviously it's an important message; I'm just not sure this is the best place to get it across. A bit crude, then, as opposed to refined.

[Higher prices, wider waistlines](#): *Unless the cost of food is reined in, expect to see obesity levels continue to climb*

In many parts of the world, the huge jumps in food prices have added to the millions who go hungry. Even in the U.S., food price increases have driven many more to seek out food banks and pantries that are already being squeezed by higher costs and greater demand. Although one might think that higher food prices would decrease obesity by decreasing food consumption, the reality is that one can expect higher food prices to increase rather than decrease obesity.

...Using biofuels to address the energy crisis is turning out to be a cure that may be worse than the disease. Burning food in gas tanks while hundreds of millions around the world face starvation is a horrific prospect. But it's not just a problem for poor countries. The inevitable increases in obesity from high prices of food and fuel will be costly in human suffering and healthcare dollars here as well. Along with hunger, rising obesity, diabetes and heart disease will take their toll on the poor and middle-income -- while agribusiness literally makes a killing.

[Energy Is Top Economic Issue for Voters](#)

WASHINGTON -- Congress will likely break for the summer without passing legislation to curb high gasoline prices. But Americans are fashioning their own energy policy, founded on conservation and support for more production.

A new Wall Street Journal/NBC news poll finds that energy -- including gasoline and utility costs -- ranks as the economic issue that voters say affects them the most personally.

[Some Reality, Please](#)

If the Senate could summon some wisdom, it would interrupt its mud wrestling over partisan placebos for the gas crisis long enough to debate something real: emergency help for the nation's poorest families who face skyrocketing home heating costs this winter.

[FACTBOX: Dolly's impact on Gulf of Mexico oil sector](#)

(Reuters) - Companies begin returning workers to U.S. Gulf of Mexico oil and gas platforms and restoring oil and gas output shut due to Tropical Storm Dolly. Shut-in gas was down to 5.5 percent of Gulf output, down from 7.9 percent July 23, and shut-in oil was down to 1.4 percent of Gulf output, down from 4.5 July 23.

[Even Southwest's outlook is uneasy for 4th quarter](#)

Buffeted by stubbornly high fuel prices and a soft economy, U.S. airlines are facing such a tough outlook next quarter that even Southwest Airlines' (LUV) 17-year string of quarterly profits could come to an end.

[Australia: Food supplies to be halted by rogue truck drivers](#)

Truck drivers are planning a nationwide two-week strike that could limit the supply of food and fuel.

Requesting better pay and conditions, the organisers, led by the Australian Long Distance Owners' and Drivers' Association, are asking truck drivers to strike for two weeks from July 28.

[Gas crisis 'to push building costs up'](#)

Perth is the 10th most expensive city in the world in which to build and prices are predicted to rise over the next year because of the State's gas crisis, figures compiled by a leading global property and construction company have revealed.

[Post Carbon Institute Releases Plan for Al Gore's Generational Challenge to Repower America: 10 Steps in 10 Years to 100% Renewable Energy](#)

Post Carbon Institute today announced a comprehensive 10-point plan to achieve Vice President Al Gore's goal of 100% renewable energy in 10 years:

1. Reduce 2. Share 3. Diversify 4. Distribute 5. Store 6. Reinvest 7. Relocalize 8. Reengineer 9. Reskill 10. Remobilize

A detailed framework has been released online at <http://www.postcarbon.org> to serve as a guide for policy makers, citizens, and businesses.

[Oil group warns against attack on Iran](#)

A peak-oil lobby group has warned against an attack on Iran, saying it could cripple Australian transport.

Tensions between Iran and the US are high because of Tehran's continuing nuclear program.

"A conflagration in the Persian Gulf could make a 30 per cent reduction in petrol and diesel supplies, similar to Western Australia's gas shortage, but with much more severe and widespread consequences," the Australian Association for the Study of Peak Oil and Gas said in a statement.

[The FDRs of Green explain the gentle art of planet saving](#)

A "triple crunch" of financial crisis, climate change and soaring oil prices threatens the world with a new Great Depression so, 'drawing inspiration from FDR' the Green New Deal Group proposes "a modernised version" of the solution. FDR himself being unhappily unavailable, we have the newly-formed group and its eponymous report instead. And frankly, it goes downhill from there.

[Oil Drillers' Lies Are Too Damaging To Be Ignored](#)

But all the tea in Houston can't undo the clear words of the U.S. Energy Information

Agency's "Energy Outlook 2007" report: "The projections in the Outer Continental Shelf access case indicate that access to the Pacific, Atlantic and eastern Gulf regions would not have a significant impact on domestic crude oil and natural gas production or prices before 2030."

In the case of the oil industry's Holy Grail, permission to drill Alaska's Arctic Wildlife Refuge, the EIA finds that such a boondoggle would lower the price of gasoline by approximately 78 cents per barrel – or four cents a gallon – in 2027.

Anyone casually familiar with the concepts of global warming and peak oil and gas (see www.energybulletin.net/primer) already knows that if the world is still that dependent on petroleum use by either 2027 or 2030, it's all over anyway.

[India: Opec's got us over a barrel, let's play our cartel right](#)

Finance minister P. Chidambaram made an eloquent plea in Jeddah for the adoption of an oil price band mechanism in which consuming countries guarantee that prices would not fall below an agreed level while producing countries undertake that prices would not rise above a guaranteed level. How feasible is this idea? The assumption is that oil producers like Saudi Arabia have the say in price fixation. Not surprisingly, he also asked them to reassert leadership in price formation from speculators.

[Arctic oil is no Texas tea](#)

"This report supports my view that the era of cheap oil is probably over, and that the peak oil theory may be premature in its dire forecasts," he said in a note to clients. "So do we sell energy stocks now and buy property in Greenland? No and yes, in my opinion. If oil prices continue to tumble, we can count on OPEC to say, 'See we told you so. The oil market has been well supplied.' We can also count on OPEC to cut production."

[Congress out of gear on oil plans](#)

As the nation's consumers and businesses suffer from sky-high petroleum prices, both parties blamed the other for playing political games — a refrain that is becoming increasingly frustrating to a public that gives Congress an approval rating of just 11 percent.

[Byron King: A View from the Peak of the Global Economy](#)

What seems pretty clear is that at \$140, a lot of things in this world just don't work anymore. Airlines are, obviously, one business not built around highly priced oil. Worldwide, 24 airlines have gone bankrupt so far this year.

But there are other parts of the transport system, the food system and the economy that are cratering with the oil run-up.

Sure, a lot of things don't work well even with oil at \$130, \$120 or \$110. But that's not the point. It seems that above \$140, the developing world just stops developing. We saw pain at \$100 and above. We were beginning to see true demand destruction above \$140. So oil pulled back, and perhaps for a while.

[Record prices put Arctic oil within reach](#)

WASHINGTON -- Global warming and record high oil prices could put Arctic oil and gas into play much sooner than many people think, analysts and industry officials say.

The significance of this week's groundbreaking U.S. Geological Survey report on the Far North's untapped potential is that it stretches the bounds of just how much crude may still be out there, said Kevin Book, an analyst at FBR Capital Markets in Arlington, Va.

"Everything is now in play," Mr. Book said. "That should give any peak oil person bad heartburn, if not outright anxiety."

[The Real Question: Should Oil Be Cheap?](#)

Expensive energy, in many ways, is good. Why? When the price of oil goes up, people will use less, find substitutes, and develop new supplies. Those effects are just basic economics. Things are so painful now, many economists say, because of the past two decades of cheap oil. Prices stayed low in part because they didn't reflect the full cost of extras such as pollution, so there was little incentive to use energy more wisely. If those extras had been counted, the country would be better prepared for both today's soaring prices and the day that global oil production begins to decline.

[Oil majors' profits to soar on record crude](#)

LONDON (Reuters) - The world's five largest fully publicly traded oil companies are expected to, yet again, report record profits next week, thanks to high oil prices, even as investors fret over the recent pullback in crude.

In addition to earnings, investors will also be watching for news on controversial, long-delayed service agreements with Iraq and for signs soaring costs are easing.

[China's coal price caps could worsen shortages - Morgan Stanley](#)

BEIJING (XFN-ASIA) - China's attempts to cap coal prices in order to encourage power

generators to maintain full output could be counterproductive, with private miners likely to cease operations until the caps expire, said Morgan Stanley.

In a note to investors, it said that 'given the inelastic coal demand, we believe the incentives for coal mines, especially privately owned mines, to ask for higher prices remains high.'

[Spotlight on a 'Dark Market'](#)

Lawmakers have leveled some scathing adjectives at the IntercontinentalExchange, known as the ICE, a technology company whose electronic markets are at the center of fierce debates about commodity speculation raging in Congress recently. It has been called shadowy, conspiratorial, unregulated and opaque. There have been hints, too, of links to market manipulation and even the Enron scandal.

[House proposal to tap strategic oil reserves fails](#)

WASHINGTON - The House of Representatives on Thursday failed to pass legislation intended to cool off gasoline prices by requiring the government to sell 70 million barrels of light sweet crude oil from the Strategic Petroleum Reserve, the national stockpile.

Democrats had pushed the legislation, hoping to lower surging oil prices by putting more of the reserve's light sweet crude, sought by refiners, on the market. Sweet crude is desirable because it has less sulphur and is more easily refined into gasoline, diesel fuel and other petroleum products.

[Billions needed to shore up nation's bridges](#)

States are fixing bridges that are in the worst shape, but long-term repairs and upkeep will still suffer unless funding increases, says Kent Harries, a University of Pittsburgh engineering professor.

"We will see more bridge collapses," says Harries, who specializes in bridge engineering.

Colorado has identified 125 major bridges in need of replacement or major repair at a cost of \$1.4 billion. Funding for repairs, though, fell from \$32 million in 2007 to \$18 million in 2009.

States are facing cuts in federal funding next year because of a projected \$3.2 billion shortfall in the Highway Trust Fund. The gap is expected to grow because Americans are driving less.

[Virgin Islands weighs gas pipeline to Puerto Rico](#)

CHARLOTTE AMALIE, U.S. Virgin Islands - The U.S. Virgin Islands may build a pipeline to replace diesel-generated power with natural gas brought in from a bigger grid in the nearby U.S. territory of Puerto Rico, the head of the islands' utility company said Thursday.

Engineers are looking to recalibrate oil-dependent generators to burn cheaper natural gas instead, Hugo Hodge Jr., chief of the U.S. Virgin Islands Water and Power Authority, known as WAPA, told an annual meeting of the utility's board.

[State highway patrols struggle with big gas bills](#)

HELENA, Mont. - In big, wide-open Montana, a state trooper might have to drive more than 100 miles to answer an emergency call, and routinely puts several hundred miles on the odometer in a day.

With gasoline at \$4 a gallon, all that driving is tearing up the Highway Patrol's budget.

It is the same story elsewhere around the country, especially in big, sparsely populated Western states with vast stretches of highway. State police agencies nationwide are scrambling to reduce gasoline use and find the money to cover their costs. Some are beginning to worry that they will have to cut back on hiring officers.

[The Insanity of Drive-55 Laws](#)

It didn't seem possible that politicians could think up a sillier energy proposal than Barack Obama's windfall profits tax on oil companies, but Republican Sen. John Warner of Virginia has done just that.

Earlier this month, Mr. Warner suggested a return to the federal 55-mile-per-hour speed limit on America's highways, as a way to save on national gasoline consumption.

[Gazprom counts on Western lobby to soothe EU fears](#)

MOSCOW (Reuters) - Russia's Gazprom is working on turning its Western partners into a lobby network to try to overcome the European Union's worries about its aggressive expansion plans.

[EDF lifts gas and electricity bills for millions](#)

Millions of households will see their fuel bills increase by 20pc from today after EDF Energy said it could no longer cope with soaring global gas and oil prices without passing

on the costs to its customers.

...Energy experts, who had been expecting energy companies to increase their bills during the summer, were taken aback by the scale of the increases. Most had forecast an increase of 15pc at most.

[Schools eye four-day week to cut fuel costs](#)

NEW YORK (Reuters) - Facing a crippling increase in fuel costs, some rural U.S. schools are mulling a solution born of the '70s oil crisis: a four-day week.

Cutting out one day of school has been the key to preserving educational programs and staff in parts of Kentucky, New Mexico and Minnesota, outweighing some parents' concerns about finding day-care for the day off.

[FACTBOX - German electricity transmission grids](#)

(Reuters) - Vattenfall Europe is the latest big German power company to propose selling its high voltage grid to help unify the country's 1.7 million kilometre transmission networks amid tight regulation.

Policymakers have put pressure on dominant utilities to give new players access to former monopoly markets to help scale back soaring energy prices and increase pan-European integration.

[China oil giant says it will cut jobs](#)

BEIJING - China's biggest oil producer, China National Petroleum Corp., will reduce its workforce by 5 percent to control costs, the company said on its Web site Friday, amid a profit slump blamed on government price controls.

[Gunmen kidnap two oil engineers in Nigeria: sources](#)

PORT HARCOURT, Nigeria (Reuters) - More than a dozen gunmen in speedboats kidnapped two oil engineers, one from the Philippines and one Nigerian, in the main oil industry city of Port Harcourt on Friday, security sources said.

The men were working for Damas Oil and Marine Services, an offshore oil services firm, a private security contractor in the oil industry said. He said no ransom had yet been demanded and that the kidnappers were not known to the security forces.

[Controversial environmental author Paul Ehrlich talks biofuels, offshore drilling, peak oil \(video and transcript\)](#)

Forty years ago, author Paul Ehrlich stirred up controversy by predicting that the world's steady population growth would cause hundreds of millions of people to starve within a decade of publication of "The Population Bomb." Though his predictions were wrong, he is often credited with having had a major influence on the environmental movement in the '60s and '70s. During today's OnPoint, Paul Ehrlich, author of the new book "The Dominant Animal" and Bing professor of population studies and professor of biological sciences at Stanford University, gives his take on today's top energy and environment issues. He also responds to critics who have accused him of using scare tactics.

[Gassing Up With Garbage](#)

After years of false starts, a new industry selling motor fuel made from waste is getting a big push in the United States, with the first commercial sales possible within months.

[EPA chief won't explain climate choices](#)

WASHINGTON - Environmental Protection Agency chief Stephen Johnson has declined to explain before Congress how a conclusion he made last year that global warming put the public in danger could lead to a decision not to regulate greenhouse gases.

[EPA: Few volunteering to cut greenhouse gases](#)

WASHINGTON - Voluntary pollution-reduction programs touted by the Bush administration as part of the solution to global warming have "limited potential" to reduce greenhouse gases, according to an internal government watchdog.

The Environmental Protection Agency's Inspector General's Office said industry's unwillingness to participate and unreliable data that casts doubt on claimed reductions are hindering efforts to control some of the most potent greenhouse gases from aluminum smelters, landfills, coal mines and large farms.

[China: Melting glacier leaves world's worst polluter with no room for doubt](#)

Compared with the collapse of ice shelves in the Antarctic, the melting of the mountains in China's far west is one of the less spectacular phenomena of global warming, but it is a more immediate cause of concern and hope.

There is concern because this glacier - more than almost any other in China - is a

natural water regulator for millions of people downstream in the far western region of Xinjiang. In winter, it stores up snow and ice. In summer, it releases meltwater to provide drinking and irrigation supplies to one of the country's most arid regions. It brings hope because its rapid shrinkage is helping to set off climate-change alarm bells in a country that emits more greenhouse gases than any other.

[UK: Call to dub climate change 'a catastrophe'](#)

THE government should stop talking about global warming and start using the term "climate catastrophe", a leading scientist said yesterday. Dr Richard Pike, chief executive of the Royal Society of Chemistry, also called for a commitment to deliver a large-scale use of renewables and nuclear power, rather than encouraging "trivial solutions" such as washing clothes at low temperatures.



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