



DrumBeat: August 4, 2008

Posted by [Leanan](#) on August 4, 2008 - 8:32am

Topic: [Miscellaneous](#)

[Falling oil prices: The downside](#)

NEW YORK (Fortune) -- Oil prices are falling sharply, and that's good news. But not nearly as good as you might think.

No doubt the drop, down to \$120 by mid-day Monday, gives strapped consumers relief at the gas pump. Prices have dropped below \$4 a gallon and could be headed toward \$3.50, going by trading in wholesale futures markets. Any decline will be welcomed by Americans struggling under the burden of falling house prices, rising layoffs and stagnant wages.

But falling oil prices also suggest that the recession the U.S. has so far avoided is well on its way, as consumers pull back from the spending spree that drove economic growth earlier this decade. A weakening economy will mean more layoffs, further pressuring already reduced spending.

[U.S. Gulf Independence Hub gas platform still shut](#)

NEW YORK (Reuters) - The huge Independence Hub natural gas production platform in the Gulf of Mexico remained shut on Monday after planned maintenance work on an associated pipeline was delayed due to a storm, the platform's majority owner Enterprise Products Partners LP said Monday.

[Energy operations buckle down ahead of storm](#)

Energy companies with Gulf Coast operations were rushing this morning to prepare for Tropical Storm Edouard after the surprise storm drifted closer to the Texas and Louisiana coastline.

Oil companies including Shell, BP and Chevron said they were evacuating workers from offshore platforms in the western and central Gulf of Mexico but did not expect the moves to affect production.

[Oil falls to 3-month low as OPEC output rises](#)

NEW YORK (Reuters) - Oil fell to a three-month low on Monday, pressured by evidence of rising OPEC output in the midst of declining demand in the United States and Europe.

The losses extended a steep slide from the mid-July peak above \$147 a barrel and came despite a storm in the Gulf of Mexico that was curbing oil output, shipping and refining.

"Crude futures are down despite a brewing storm and that shows you how momentum has shifted in this market," said Phil Flynn, analyst at Alaron Trading in Chicago.

[Venezuela navy to explore for oil and gas](#)

PDVSA will buy two seismic and three oceanographic exploration ships for the Venezuelan navy, giving the armed forces the ability to seek out offshore oil and gas.

[Brazil oil workers nix strike plans](#)

Oil workers in Brazil's Campos basin have called off plans to strike at Petrobras facilities after the state-run energy company agreed to renegotiate contracts for its staff at offshore platforms, a union official said.

[The problematic future of U. S. energy investment](#)

Can the current financial system in America help us make the energy infrastructure investment we need for a transition away from fossil fuels?

First, let's look at how things are going right now. As investors have watched like deer in headlights while their stock portfolios melted down in recent months, the many flaws of America's peculiar form of cowboy capitalism have been revealed. Perhaps most telling is that we now know that the swashbuckling traders and bankers of America's new era financial system are not the rugged individualists they purported to be. Instead, they are pampered members of America's ruling teenager class who, having received no ethical guidance or discipline during the boom years, are now being coddled by regulators and bailed out by the country's central bank and the U. S. Treasury Department. All this comes after they have gambled away investors' money on what amounts to a Ponzi scheme in mortgages.

[Noble Evacuating Two Rigs Off Louisiana Coast Ahead of Storm](#)

(Bloomberg) -- Noble Corp., the third-largest U.S. offshore oil driller, said it's evacuating two jack-up rigs in shallow water off the coast of Louisiana because of the threat of Tropical Storm Edouard.

[BP's Russian venture rocked by financial chief's resignation](#)

The turmoil at the top of BP's Russian joint venture intensified today when James Owen, the chief financial officer at TNK-BP, resigned without warning.

[U.S. Oil, Imported Workers](#)

Oil staffing and service companies are accused of illegally employing non-U.S. workers on rigs in the Gulf of Mexico -- and displacing American workers.

[Iran Tests Anti-Ship Weapon, Repeats Stance on Hormuz](#)

(Bloomberg) -- Iran's military tested a new anti-ship weapon, the commander of the Islamic Revolutionary Guards Corps said as he repeated a warning that his forces could respond to any attack by closing the Strait of Hormuz, an oil transit point.

The weapon relies on technology that hasn't been used by other nations, Brigadier General Mohammad-Ali Jafari said today in comments carried by state-run news services including Press TV and the Islamic Republic News Agency. The weapon has a range of more than 300 kilometers (185 miles), IRNA said without giving details of the type of armament tested.

[June consumer spending falls as prices surge](#)

WASHINGTON - Consumer spending, after adjusting for inflation, fell in June as shoppers were hit with the biggest increase in prices in nearly three decades.

The Commerce Department reported Monday that consumer spending dipped by 0.2 percent in June, after removing the effects of higher prices, the poorest showing since a similar drop in February. The higher prices reflected a big surge in gasoline costs and helped to drive an inflation gauge tied to consumer spending up by 0.8 percent in June, the biggest increase since a 1 percent rise in February 1981.

[Nissan readies fuel-saving gas pedal](#)

TOKYO (AP) -- Nissan Motor Co. will soon sell cars that push back when drivers try to put the pedal to the metal.

The Japanese carmaker Monday announced its new "ECO Pedal" system, which makes the gas pedal press upward when it senses motorists are speeding up too quickly.

[Can You Give Up Your Car?: New auto-sharing services bet that you can](#)

When Sherri Fuselier recently learned she was losing her job as a paralegal, she realized she had to cut the family budget--fast. One excessive expense seemed ripe: the \$700 a month she and her husband spends filling up their pickup truck and SUV. But living in suburban Atlanta 30 miles away from work left Fuselier with few options. That is until she ran into a marketing exec from Zipcar, an eight-year-old car-sharing service that rents wheels by the hour. He offered her a free trial membership if she would try to give up her car as part of Zipcar's "low-car diet" promotion.

[Organic food becomes latest casualty of the credit crunch](#)

Dairy farmers are turning their backs on Britain's organic milk market as economic pessimism dents consumers' previously buoyant demand for organic produce. The organic goods market at large is being "credit crunched", particularly among new products like organic ready meals and home-delivery vegetable boxes.

Figures show there has been a dramatic reversal in the numbers of dairy farmers converting to organic farming from conventional methods.

[Pickens, Gore Sidestep Differences in Alternative-Energy Quest](#)

(Bloomberg) -- The most unlikely alliance in this election year hasn't come out of any political campaign. It's in the convergence of interests between billionaire oilman and Republican Party backer T. Boone Pickens and former vice president turned environmentalist Al Gore.

[Obama unveils energy plan, new attacks on McCain](#)

(CNN) -- Barack Obama's campaign released a television ad Monday that calls for a windfall profits tax and accuses John McCain of being in the pocket of big oil.

The ad charges that major oil companies have donated \$2 million to McCain's campaign and says that "after one president in the pocket of big oil, we can't afford another."

[The final countdown](#)

If you shout "fire" in a crowded theatre, when there is none, you understand that you might be arrested for irresponsible behaviour and breach of the peace. But from today, I smell smoke, I see flames and I think it is time to shout. I don't want you to panic, but I

do think it would be a good idea to form an orderly queue to leave the building.

Because in just 100 months' time, if we are lucky, and based on a quite conservative estimate, we could reach a tipping point for the beginnings of runaway climate change. That said, among people working on global warming, there are countless models, scenarios, and different iterations of all those models and scenarios. So, let us be clear from the outset about exactly what we mean.

[Global warming - myth, threat or opportunity](#)

The most critical problem we now confront is not global warming or how to tax emissions, but providing enough affordable fuel to avoid severe recession before alternative energy can become reality.

[The Scientific Case for Modern Anthropogenic Global Warming](#)

Most climate scientists believe that the human contribution to today's global warming is important, and cannot by any means be dismissed as negligible. The consequences of global warming are potentially very dangerous. In view of the importance of the issue, and in view of Cockburn's prominent (and well-deserved) role as a left intellectual and his formidable powers of persuasion, it is worthwhile restating the scientific case for modern anthropogenic global warming.

[Louisiana Offshore Oil Port Shuts Because of Tropical Storm](#)

(Bloomberg) -- The Louisiana Offshore Oil Port, the biggest U.S. oil import terminal, suspended marine operations late yesterday as Tropical Storm Edouard strengthened in the Gulf of Mexico.

``We're not offloading any tanker at this time," said Barb Hestermann, a spokeswoman for the LOOP, as the port is known. ``We are continuing to make pipeline deliveries to our customers. We don't anticipate being shut down very long. As soon as sea conditions improve, we will start offloading."

[Valero says storm shipping halts may affect output](#)

HOUSTON (Reuters) - Leading U.S. refiner Valero Energy Corp said Monday that interruptions to shipping along the Houston Ship Channel and the Sabine Pass ship channel serving Port Arthur, Texas, may affect production at its refineries.

[Reduction of diesel quota will not affect supply to fishermen'](#)

The 10 per cent reduction in diesel quota has not led to fishermen in Kuala Perlis facing supply problems, Perlis agricultural committee secretary Sabry Ahmad said today.

[Colombian Army Rescues 5 Kidnapped Oil Workers](#)

A total of five Colombian oil workers, kidnapped earlier this week by leftist rebels in a northeastern province, were rescued Saturday safe and sound in an army operation, a high-ranking military chief announced.

Gen. Paulino Coronado, commander of the army's 30th Brigade, confirmed the freeing of five oil workers including an engineer and two topographers, and said that it was the result of "a commando operation."

[India: Diesel shortage spawns kerosene crisis](#)

NAGPUR: The unofficial rationing of diesel by public sector oil companies is now giving rise to another crisis — shortage and blackmarketing of kerosene. With its official sale price kept artificially low, kerosene has always been a favourite fuel of adulterators and blackmarketers.

[S. Korea May Boost Energy Efforts in Disputed Area](#)

South Korea is likely to step up efforts to develop energy resources near a cluster of rocks at the center of a diplomatic dispute between Seoul and Tokyo, Seoul's energy ministry said on Friday.

The move could heighten tensions over the islands, called Dokdo in Korean and Takeshima in Japanese, which lie about halfway between the two countries' mainlands.

[Gas shortage rocks WA wine vintage](#)

In the midst of bottling its 2008 whites, the Western Australian wine industry was sideswiped by a gas crisis, leaving local wineries short of gas for tanks and bottles.

A pipeline failure and explosion at the Varanus Island gas processing plant in the north of the state in early June resulted in total loss of supply from the source.

[Richard Heinberg: Coal and Climate](#)

Since coal is the most significant source of human-generated greenhouse gas emissions,

releasing about twice as much carbon dioxide per unit of energy produced as natural gas, the news that there may be much less coal available to be burned than commonly thought should be heartening to climate scientists and environmental activists, and to policy makers and citizens concerned about the fate of the planet. Reduced estimates of future coal supplies should be factored into climate models—which typically assume that there is enough coal available to permit continued expansion of usage well into the next century.

At the same time, because global warming has emerged as the central environmental issue of our era, climate concerns will inevitably impact how much coal we continue to burn and how we burn it—whether these concerns come to be expressed through caps on emissions, carbon taxes, cancellation of orders for new coal-fired power plants, or the promotion of new carbon sequestration technologies. In any case, the coal industry will be—indeed, already is being—forced to change.

These two trends are surely destined to interact, and the uncertain result will shape climate and energy policy in the years to come.

[Can \\$4 Gasoline Drive McCain Campaign?](#)

The conventional wisdom is that \$4 gasoline raises the odds that Sen. Barack Obama will become the nation's next president.

This may well turn out to be the case, since history suggests an ailing economy, in this case hurt by high energy prices, works to the advantage of the political party that does not hold the White House.

Yet, the American people are undergoing a change of opinion when it comes to all things energy that might actually provide a useful campaign opportunity for Sen. John McCain.

[How to Get the Biggest Bang for \\$10 Billion -- II](#)

The notion that Washington can spend its way out of any problem does not pass what I call "the straight-face test." Rather than parceling taxpayer dollars out to fund a laundry list of government programs that will only paper over the problems facing our nation and the world, let the American people keep the \$10 billion. They can use it far more wisely than Congress. Instead, let's unleash America's ingenuity to address the world's challenges and improve the quality of life for every American, as we have throughout our history. And to do that, let's begin by unlocking America's vast energy resources -- from our natural resources like coal, oil and gas to emerging technologies like alternative and renewable fuels.

[Losing Focus on High Speed Rail](#)

The loss of cheap oil and the shortage of cheap credit together will lessen sprawl

dramatically in the coming decades. I fully support land use changes to further kill off sprawl, but it's not worth holding HSR hostage to produce the changes that need to happen anyway at the state and local level.

[Hawaii fluorescent bulb sales fall](#)

The popularity of the heavily marketed compact fluorescent light bulbs appears to have dropped dramatically this year on O'ahu — at least by one measure — even as energy customers face higher monthly bills.

[Beware 'Peak Price Oil'](#)

Rationing by price has its limits. Oil demand is only partly elastic — beyond a certain level, cutbacks are impossible. If war or terrorism make oil and gas unattainable for the average consumer (by price or availability), will our global economy collapse? For those 3 billion people living on one or two dollars a day, will they be able to afford to eat?

Peak Oil has been much discussed, but it is a gradual process, only known for certain in the rearview mirror. By contrast, Peak Price Oil occurs without warning and can't be controlled. Our economic system may be far more fragile and vulnerable, and less resilient than we thought. Think of Peak Oil as a struggle with shortages, supply disruptions and price volatility; as a race for new energy alternatives. By contrast, Peak Price Oil is a sudden crippling or killing blow, price shocks threatening our way of life.

[Moving to a Trans-Industrial Paradigm: Depression..or Collapse of Industrial System?](#)

What is happening to the economy is not a 'depression' and it is not the 'end of the world.' It is a major generational, historic shift from an industrial economy to a post-industrial economy. The industrial economy is not sustainable, and it is collapsing. Post-industrial life will flourish more and more as the industrial world collapses.

[Form an orderly line here for your rent-free cardboard box](#)

In housing-poor Australia, flogging the house wouldn't be a problem for the bank, not with new immigrants driving up our housing prices.

But in the US, with its huge population and huger housing stock, selling the millions of houses that have suddenly come on the market is a problem. And so is the reason for all those defaulters: peak oil.

[Obama, McCain Differ On Energy Policy](#)

Even people in the oil industry say drilling won't ease the oil pinch. Matthew Simmons is head of Simmons and Company, among the largest banks investing in energy. "We basically wasted away 20 years," he said. "Now, basically, it's a terrific idea, but we ran out the clock. It's really misleading to hold that out as a panacea. It won't work. It might work for our grandchildren."

[The "Consumer Economy" Was Always a Mockery](#)

At a speech in Vancouver, James Kunstler seemed positively delighted. Finally, gasoline over \$4 a gallon was going to do what generations of artistic scorn could not - destroy Fannie and Freddie's collateral. Kunstler's critique of American suburban vernacular architecture is that its products are not real houses at all - but "cartoon houses." They have porches that look like real porches from a distance, but they are too narrow to sit on. They have shutters too - nailed to the wall, making them completely useless. They may have "picture" windows...looking out on nothing...or no windows at all. And they wouldn't exist at all were it not for cheap credit and cheap gasoline.

Of course, the same may be said of America's - and Britain's - entire economies during the last 20 years. The loose credit that built cartoon houses also constructed cartoon economies; they look like real economies, but they are essentially perverse, consuming wealth rather than creating it.

[GCC demand for gas growing faster than for oil](#)

GCC demand for gas is growing faster than the region's demand for oil, with projections that it could increase to the oil equivalent of more than 4 million bpd by 2010 and to 5.1 million bpd in 2015 and 6.4 million bpd to 2020.

[Aluminum's 12% Summer Swoon Masks Looming Shortage](#)

(Bloomberg) -- Aluminum, after plunging 12 percent in the past three weeks, may be poised to rebound.

Higher gas prices are curbing production that is already failing to keep pace with demand for the metal used in jetliners, drink cans and foil wrap. Abu Dhabi and Bahrain scuttled plans for smelters, and Chinese plants cut output by 10 percent. Alcoa Inc. plans to idle capacity in Texas, and 120,000 metric tons of production will be lost in southern Africa. Citigroup Inc. and Deutsche Bank AG predict a supply deficit through 2010. Barclays Capital estimates a 70 percent jump in the average aluminum price through 2009.

[OPEC output up for third month in July - survey](#)

LONDON (Reuters) - OPEC oil supply rose for a third consecutive month in July, mainly due to higher output from the world's top exporter Saudi Arabia, a Reuters survey showed on Monday.

Supply from the Organization of the Petroleum Exporting Countries climbed to 32.58 million barrels per day in July from 32.33 million bpd in June, according to the survey of oil firms, OPEC officials and analysts.

[Will fares go so high that only the rich can fly?](#)

Deregulation of the airline industry 30 years ago made air travel affordable to most Americans. Rising airfares threaten to again make flying a service for the affluent.

Airfares have risen this summer more than any year in the past quarter century, new studies by airfare experts show. The studies, done by Travelocity, FareCompare.com and Harrell Associates at USA TODAY's request, show that domestic fares this summer are up 12% to 15%, and on some routes, more than 200%.

[Iran able to close Strait of Hormuz easily](#)

TEHERAN - Iran would easily be able to close the key oil shipping route of Strait of Hormuz if the country were attacked over its nuclear programme, the head of the Revolutionary Guards was quoted as saying on Monday.

Iran has 'the possibility of closing the Strait of Hormuz easily and on an unlimited basis,' state radio quoted Revolutionary Guards commander-in-chief Mohammad Ali Jafari as telling a news conference.

[Iran war may prompt \\$300 oil](#)

American political analyst George Friedman says an attack on Iranian nuclear facilities would be 'cataclysmic to the global economy'.

The chances of a US or Israeli attack on Iran are remote because the risks to the world economy far outweigh potential benefits of such action, Friedman told Barron's on Sunday.

[Kuwait mulls oil storage plans to allay Iran threat](#)

KUWAIT, Aug 4 (Reuters) - Rising international tension between Iran and the West has prompted OPEC-member Kuwait to consider long-term plans to increase storage of its

oil abroad, oil industry sources and diplomats said.

[Weak dollar caused 30 percent of oil price rise: Iran](#)

COLOMBO (Reuters) - The falling value of the dollar is to blame for around a third of the rise in the price of oil, Iran's Foreign Minister Manouchehr Mottaki said on Saturday.

"Thirty percent of the increase (in the price) of oil is because of the decrease in the value of the dollar," he said on the sidelines of the South Asia Association for Regional Cooperation (SAARC) summit in the Sri Lankan capital Colombo.

['Psychology Of Shortage' Remains In Oil Markets](#) (audio)

Oil prices are down from record highs that they reached earlier this year. But there's still a "psychology of shortage" in the oil markets. Renee Montagne turns to Daniel Yergin, head of Cambridge Energy Research Associates, to talk more about this concept.

[This theft at the pump is no myth](#)

The gas you pump is coming from an underground, double-walled tank that acts like a thermos.

Unfortunately, that gas starts warm at the refinery and stays warm until it's burned in your engine.

We say unfortunately because in California – whether you pump morning, afternoon or night – it means you likely are paying for 1 percent more gas than you are getting.

[Candidates' surrogates spar over drilling issue](#)

McCain surrogates contended on the Sunday news programs that the Arizona Republican's turn toward drilling, which he had once opposed, showed how McCain would respond decisively to a crisis. Obama's supporters argued that his willingness to consider a bipartisan proposal including more drilling showed how the Illinois Democrat would pursue compromise to achieve results.

[Who's to Blame for Oil Profits?](#)

Two years ago the online magazine Slate (a sister Washington Post publication) published a Michael Kinsley piece about taxing oil companies that touched on the

subject. Kinsley noted that oil wells that could be profitably operated at \$46 a barrel (the price a year before his column) could be even more profitably operated at \$70 a barrel. Kinsley wrote:

To get this windfall, the oil companies didn't have to conspire with the Bush administration to start a war in Iraq. They didn't have to conspire among themselves to raise prices at the pump. If you own oil anywhere in the world, you didn't have to do a damned thing. Just close your eyes, make a wish, open them, and - surprise - you're getting an extra \$25 a barrel.

Naturally, those same wells can be tapped more profitably still at \$120 or more a barrel today.

[Expert: Foreclosures forcing commuters from San Joaquin Valley back to Bay Area](#)

"We believe that there is going to be a tremendous shift back to urban areas, led by those who bought homes in the outlying areas who lose their homes to foreclosure. They will choose to rent near work to save money," wrote John Burns, a national real estate consultant in his July building market analysis.

"The high price of gas is playing a very important part in home buyer decisions. The phrase 'drive until you qualify' has less meaning these days as each mile becomes more expensive," Burns said.

[Deep Green: peak oil changes everything](#)

As the era of cheap liquid fuels draws to an end, everything about modern consumer society will change. Likewise, developing societies pursuing the benefits of globalization will struggle to grow economies in an era of scarce liquid fuels. The most localized, self-reliant communities will experience the least disruption.

[Experts clash over viability of biofuels, alternative energy](#)

Tad Patzek, an outspoken critic of the biofuels industry and a geo-engineering professor who's leaving Cal to take a post at the University of Texas at Austin, said biofuels are vastly overhyped. He asked the members of the audience to imagine themselves as proponents of the notion that $2+2=22$, rather than 4.

"That would make you biofuel enthusiasts," he said to laughter. "You have money and media access, and now everybody believes that $2+2=22$."

[More homeowners embracing conservation](#)

CHICAGO - The bathroom tiles are recycled wine bottles. The hardwood floors are sustainable bamboo. And the sprawling garden gets sprinkled with rainwater collected in 300-gallon barrels.

From its recycled plastic deck to its solar-paneled roof, everything in and about the 2,500-square-foot home on exhibit just outside of the Museum of Science and Industry has been designed to show the public how easy it can be to incorporate environmental sustainability into their own abodes.

[Thomas Friedman: The Iceman Cometh](#)

The change was so abrupt that it warmed the Northern Hemisphere over Greenland by 10 degrees Celsius in just 50 years — a dramatic increase.

“It shows that our climate system has the ability to make very abrupt changes all by itself,” said Dahl-Jensen.

Some climate-change deniers would say that this proves that mankind is not important in changing the climate. Climate change experts, like Dahl-Jensen, say it’s not so simple: The climate is always changing, sometimes very abruptly, so the last thing that mankind should be doing is adding its own forcing actions — like pumping unprecedented amounts of greenhouse gases into the atmosphere. Because you never know — *you never know* — what will tip the balance and send us hurtling into another abrupt change ... and into another era.



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