



## DrumBeat: August 5, 2008

Posted by [Leanan](#) on August 5, 2008 - 8:40am

Topic: [Miscellaneous](#)

### [Oil Prices and the Media: Why the Blackout on Peak Oil](#)

If the peak oil folks are correct -- and I'm not saying they are, but their predictions seem to be coming to pass, so they deserve a decent hearing in the world media -- it constitutes a story of immense importance.

The world runs on oil. The prosperity of the middle classes of the industrialized world was built on it. So was the green revolution that allowed world population to increase from two billion to six and a half billion. So was globalization, which allows the flow of goods from everywhere to everywhere on a magic carpet of cheap oil. So was air travel and mass tourism. The list goes on and on.

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### [IEA says oil price still high even after falling](#)

BANGKOK: Oil consumption in the US and OECD nations is weakening but China and India have yet to show signs of falling demand, making it unclear if the price fall below \$120 is a turning point, the IEA's chief said.

### [GAO: Iraq Has Third Highest Oil Reserves](#)

A U.S. government report finds Iraq has the third largest oil reserve in the world and generated \$96 billion in oil revenue from 2005-07.

### [GAO: Iraq's oil profits huge as U.S. shoulders reconstruction](#)

WASHINGTON — Iraq has benefited handsomely from this year's surge in oil prices and is well-positioned financially to shoulder a greater share of its own economic and security needs, the U.S. government's accounting watchdog concluded in a report released Tuesday.

### [Oil pricey, but Latin America hooked on cheap fuel](#)

CARACAS (Reuters) - Latin American states from energy-starved Chile to oil powerhouse Venezuela are growing dependent on expensive fuel subsidies that could lead to future economic shocks if countries are forced to raise prices.

Drivers in Latin America's traffic-choked capitals can buy fuel for as little as 12 cents a gallon thanks to government handouts costing billions of dollars per year, even as high fuel prices spark protests and political fallout around the world.

The subsidies are boosting global oil demand and stalling investments that would increase much-needed fuel efficiency as crude prices hover near \$120 per barrel and tight supplies have left countries scouring the globe in search of energy.

"Latin American countries' dependence on subsidies has left them short of options -- they are going to avoid dealing with the problem for as long as they can," said independent consultant Roger Tissot, who specializes in Latin American energy issues.

### [Valero Says Three Texas Refineries Running at Reduced Rates](#)

(Bloomberg) -- Valero Energy Corp., the largest U.S. refiner, said its Texas refineries in Texas City, Houston and Port Arthur, are operating at reduced rates because of Tropical Storm Edouard.

The refineries "continue to operate at slightly reduced rates," spokeswoman Teri Levy said today in an e-mailed statement. "Feedstock supply in Texas City is tight due to port closures. We do not anticipate production to be materially affected at any of our refineries."

### [Marathon's Texas City Refinery Remains Shut by Tropical Storm](#)

(Bloomberg) -- Marathon Oil Corp., the largest refiner in the U.S. Midwest, said its Texas City, Texas, refinery remained shuttered because of rain from a tropical storm.

### [Petro-Canada begins shutting Edmonton refinery](#)

CALGARY, Alberta (Reuters) - Petro-Canada said on Tuesday it has begun closing down its 125,000 barrel per day refinery in Edmonton, Alberta, ramping up to a full closure over the next week, as it launches a planned 60-day maintenance shutdown to tie in new equipment.

### [Recycling booming as Americans seek cash](#)

Two factors are leading to the national rush to recycle: Skyrocketing metal prices caused by a demand in developing countries, such as China and India, and rapidly rising food

and fuel costs that are stretching paychecks to the limit.

### [Turkey, Iran gas deal likely soon](#)

ISTANBUL, Turkey: Turkey and Iran will probably sign a natural gas deal during Iranian President Mahmoud Ahmadinejad's expected visit to the Turkish capital, Ankara, an Iranian official in Turkey said Tuesday. Turkish officials have yet to confirm the deal.

### [More AIDS risked as poor women trade sex for food](#)

"Food is such a basic need that you can see people really going to great lengths," said Fadzai Mukonoweshuro of the U.N.'s Food and Agriculture Organization in southern Africa.

Climbing food prices -- due to increased use of biofuels, the growing demand for grains to feed a booming Asia, droughts and market speculation -- caused 50 million more people to go hungry last year compared to the year before, the United Nations said.

### [Russia: Oil Industry Still Losing Height](#)

The crude oil production, export and prices are declining in Russia. According to the July statistics of TsDU TEK, nearly all indicators of this branch are going down in the country. The prices for petroleum are shedding as well, which is generally attributed to the government's policy. At the same time, the duties on oil export are going up, similar to the prices for Ai-95 gasoline, which shortage is blamed on breakdown and rebuilding of Russia's refineries.

Central Dispatcher's Supervisory Department of Fuel and Energy Complex (TsDU TEK) released yesterday the latest data on export and production of oil in Russia. The seven-month output was 283.664 million tons, i.e. 0.5 percent down on year. With the oil transit taken into account, the overseas export sank 4.6 percent on year to 19.341 million tons in July of 2008.

### [Gazprom confirms Belarus paid off gas debt for 1H08](#)

MOSCOW (RIA Novosti) - Belarus has paid in full its natural gas debt for the first half of 2008, Russian gas monopoly Gazprom said Tuesday.

"The debts for gas consumed by Belarus in the first half [of 2008] and for transit services over the period have been paid in full," the company said in a press release after a meeting between Gazprom board deputy chairman Valery Golubev, Belarusian Deputy Energy Minister Rimma Filimonova and Vladimir Mayorov, the general director

of the Belarusian pipeline monopoly Beltransgaz.

### [Nepal: Charikot locals seize fuel tanker](#)

DOLAKHA - Locals of Charikot on Monday seized a tanker with diesel, on the charge that the fuel was being sold to other vehicles when police intervened. The tanker was supposed to drop the fuel at Dolakha and Ramechhap districts, but was confiscated on the way.

Alleging that tankers ferrying petroleum products to Ramechhap are involved in fuel black marketing, locals seized the tanker, along with 12000 liters of diesel, and began selling it at Charikot Oil Store.

### [Uganda: \\$500m spent on petroleum imports](#)

Bataringaya said the petroleum expenditure takes a sizeable portion of Uganda's export earnings.

He said the Government was supporting petroleum exploration with an aim of diversifying the energy supply mix.

### [Food for thought](#)

Soaring food and fuel prices - and a slowing economy - are just part of the picture. Children are out of school, and away from the subsidized breakfast and lunch programs that help poor families meet nutritional needs during the school year. Unfortunately, local pantries and coalitions report, summer is when donations dry up. Scout troops, other civic-minded groups and religious groups aren't holding as many food drives. The free turkeys passed on from supermarket giveaways during Thanksgiving and Christmas aren't there.

The region's unemployment rate grows, and those with jobs face stagnant salaries. Property taxes go up, even as home values drop. And people still have to feed their families.

### [GM finds surprising success in China](#)

What would Chairman Mao think? Six decades after the communist revolution, China has become the hottest capitalist engine on earth. And ironically, some of the most revered symbols of success in today's China are Cadillac, Buick and Chevrolet.

General Motors may be struggling at home, but it is thriving in China. In 2007, GM sold nearly twice as many Buicks in China as it did in the United States — more than 330,000. In this part of the world, your grandfather's stodgy old car is actually hip.

### [North Korea Says Torrential Rains Damaging Crops, Economy](#)

The worst food shortage in a decade for Kim Jong Il's regime may continue until next year's harvest as a lack of fuel and fertilizer threatens to lower production this season, Jean- Pierre de Margerie, the United Nations World Food Programme's country representative for North Korea, said last week.

### [Coal's future is safe - but what about the climate?](#)

LONDON (Reuters) - Does coal have a future? Climate change protesters and coal traders alike say it's a daft question, but agreement ends there.

For protesters, the shiny black lumps of fossilised wood and plants are contributing to drastic climate change. For traders, coal is an energy no-brainer which offers a ray of hope for 1.6 billion people living without electricity.

They're probably both right.

### [Winter's heating oil costs climb](#)

SPRINGFIELD - The cost of heating an average home with oil for a year is expected to top \$3,000 in 2009, according to a study released Monday by The Donahue Institute at the University of Massachusetts.

"It's going to be a pretty serious problem this winter," said Michael D. Goodman, director of economic and public policy research for the institute. The report covers the calendar year of Jan. 1, 2009, to Dec. 31, 2009.

The institute predicts that the price of oil will rise 10.75 percent from 2008 to 2009.

The report also shows that two-thirds of the households in the state that will be severely burdened by heating expenses next year are headed by someone older than 60.

### [Washington's Greater Fuel Theory, Part II](#)

Since the 2006 speech, Xethanol is down by 93% and Pacific Ethanol by 90%, with several ethanol plants shuttered due to poor economics, even as many more are under

construction. It is an echo of the early 1980s when many producers went bankrupt after President Jimmy Carter's "gasohol" push faded and subsidies failed to translate into a government bailout when the market turned. A big collapse in oil prices in the future might exacerbate the situation while the hoped-for efficiencies that would allow the cellulose of non-food crops to be turned into fuel remain elusive.

Even with subsidies and quotas, the numbers tell the story of a worsening glut. One hundred thirty-four U.S. ethanol plants have the capacity to produce 7.23 billion gallons and 77 under expansion or construction will add another 6.22 billion gallons, according to the Renewable Fuels Association.

### [McCain nuke visit shows pros, cons of technology](#)

RAPID CITY, S.D. (AP) — John McCain's visit to a nuclear power plant, the first in recent history by a presidential candidate, highlights the promise and peril of a technology that is a key component of his sweeping plan to help the country overcome its energy crisis.

The Enrico Fermi Nuclear Plant outside Detroit, named for the first physicist to split the atom, is home to both an operating power plant and another reactor that had a partial meltdown in the 1960s. It was decommissioned in 1972, while its successor continues to operate.

### [UK: We told you what privatisation of the nation's energy would bring!](#)

THE energy crisis seems to have taken by surprise politicians and media alike. What short memories they have.

In the 1980s those of us who campaigned against the privatisation of gas and electricity and the closure of coalmines predicted exactly what would happen.

### [Kurd president says Iraq vote bill a conspiracy](#)

ARBIL, Iraq - The president of Iraq's autonomous Kurdish region Massud Barzani has sharply criticised a provincial election law as a 'conspiracy', deepening a political rift over the oil-rich Kirkuk province.

"After the long talks we held it was clear for us that what happened on July 22 was a big conspiracy and very dangerous for the democratic and constitutional process of Iraq, in particular against the Kurds," Barzani said.

### [Food, energy crises hit Pakistan, India hard](#)

WASHINGTON: The current food and energy crisis bears serious strategic implications for India, Pakistan, and the region at large, according to a study.

### [Arroyo to look into plight of fishing vessel operators in Mindanao](#)

MANILA, Philippines - President Gloria Macapagal Arroyo on Tuesday ordered Energy Secretary Angelo Reyes to urge fishing vessel owners and operators in Mindanao to resume their operations to prevent possible adverse effects of their work stoppage in the supply of canned sardines.

Owners and operators of fishing vessels in Mindanao, where 80 percent of sardine canneries in the Philippines are located, have been on strike since Monday to protest the ever increasing prices of fuel.

### [China is no leading light in energy efficiency](#)

Energy efficiency in China is just a fifth of U.S. levels. The government has put a priority on improving that by closing hundreds of small, coal-fired power plants and steel mills, raising fuel economy standards and consumption taxes on gas-guzzling cars, and pushing stores and apartment owners to replace incandescent bulbs with green ones.

But energy policy made through government fiat will only take you so far. Even as Beijing issues decrees about reducing the amount of energy used, it still subsidizes gasoline and electricity, and it's falling short of its conservation targets.

### [Can Coal and Clean Air Coexist in China?](#)

CHONGQING—Coal powers China. In addition to producing about 75 percent of its electricity, the dirty, black rock is burned everywhere from industrial boilers to home stoves. More than 4,000 miners die every year digging up the fossil fuel, shortages abound forcing curbs in electricity use, and the country's transportation infrastructure creaks under the weight of distributing it across the country.

But the Chinese reliance on coal is most visible in the air. Smog cloaks cities, rendering them all but invisible from the sky, which in many spots is little more than a blue patch amid a blanket of haze. And it's not just confined to China: as the pollution builds it forms a brown cloud, visible from space, that takes about a week to cross the Pacific to the western U.S., where it accounts for as much as 15 percent of the air pollution.

### [Edible Cities: Havana](#)

With fuel prices and food shortages causing unrest and hunger across the world, many say the Cuban model should proliferate. 'There are certain issues where we think Cuba has a lot to teach the world. Urban agriculture is one of them,' said Beat Schmid, coordinator of Cuba programs for the charity Oxfam International.

### [Gas Prices Apply Brakes To Suburban Migration](#)

Cheap oil, which helped push the American Dream away from the city center, isn't so cheap anymore. As more and more families reconsider their dreams, land-use experts are beginning to ask whether \$4-a-gallon gas is enough to change the way Americans have thought for half a century about where they live.

"We've passed that tipping point," U.S. Transportation Secretary Mary Peters said.

Since the end of World War II, government policy has funded and encouraged the suburban lifestyle, subsidizing highways while starving mass transit and keeping gas taxes much lower than in some other countries.

Americans couldn't wait to trade in the cramped city apartments of the Kramdens and Ricardos for the lush lawns of the Bradys. Local land-use policies kept housing densities low, pushing development to the periphery of metropolitan regions and forcing families who wanted their dream house to accept long commutes and a lack of any real transportation choices other than getting behind the wheel.

Even the way the government pays for roads and transit is dependent on gas taxes, which is effective only if Americans keep driving.

### [Oil falls near \\$119 on demand concerns](#)

Oil prices fell \$2.18 a barrel Tuesday on expectations the economic downturn in the U.S. will erode consumer demand for crude products.

The U.S. dollar's gains against the euro also contributed to lower oil futures' prices.

By early afternoon in Europe, light, sweet crude for September delivery was down \$2.18 to \$119.23 a barrel in electronic trading on the New York Mercantile Exchange. The contract dropped \$3.69 overnight to settle at \$121.41 a barrel. Earlier Tuesday, it fell as low as \$118 a barrel before rebounding.

### [Expansion of Pipeline Stirs Concerns Over Safety](#)

America's natural-gas boom is driving the construction of thousands of miles of new pipelines, many of them crisscrossing heavily populated or environmentally sensitive areas.



## [GM May Hit \\$200 Before Oil Does](#)

I posted on July 17th that a historic reversal was at hand in Oil has Peaked, Banks have Bottomed, and that has proved prescient advice. Shorting commodities and resource stocks has been a great trade in the last few weeks, and one I have consistently recommended since late April, despite the continued hype and ludicrous price targets from many investment bank analysts, who have yet again revealed themselves to be glorified cheerleaders dancing around the latest momentum trade. The short banks/long energy trade was dangerously crowded, as evidenced by hedge funds suffering their worst month in years in July in a stampede for the exit.

## [Why the Energy Crisis Won't Solve Itself](#)

Will Wilkinson is optimistic about energy. Don't worry about peak oil, he says: as oil prices rise, alternative energy sources will become more attractive, and eventually innovation and competition in the alternative-energy space will drive alternative-energy prices down below the "historical trend" of oil prices. That's how we get to environmental nirvana: it's a natural consequence of fossil-fuel scarcity.

But the problem is that fossil fuels *aren't* scarce, and they *are* cheap -- coal, especially. There's still enormous amounts of coal left in the ground, and there's no sign that any alternative will be cheaper than coal for the foreseeable future. And even if we have reached peak oil, there's still a hell of a lot of oil left -- especially if you start including tar sands in Canada and Venezuela.

## [The long shadow of oil's rise](#)

Even with crude's record highs crashing down, high fuel costs have left a mark on consumer spending.

## [Hot thoughts in the dark](#)

Nothing quite focuses the mind on how dependent we are on air conditioning like the prospect of doing without it in August.

If you ask James Howard Kunstler, he'd say this is good for us. The author of *The Long Emergency* warns that we are at the beginning of a permanent energy shortage that will make the American way of life, as currently constructed, impossible.

It's going to hit Sun Belt regions like North Texas especially hard, he predicts.

## [OPEC Unlikely to Cut Output in September, Kuwait Says](#)

(Bloomberg) -- The Organization of Petroleum Exporting Countries is unlikely to cut production quotas at its next meeting, said Mohammed al-Olaim, the oil minister of Kuwait, OPEC's fourth- biggest producer.

"I think not much change will happen for the time being," al-Olaim said today in an interview in Al-Zour, southern Kuwait. Any changes to OPEC output limits will depend on "analysis" between now and September, he said.

### [Iraq Resumes Oil Exports to Turkey After Two-Day Halt](#)

(Bloomberg) -- The flow of crude oil from Kirkuk in Iraq to Turkey's Mediterranean port of Ceyhan resumed after a two-day halt, officials at Turkish pipeline operator Botas said.

Flows were expected later today to reach normal levels of 300,000 to 400,000 barrels a day, said a Botas official in Ankara who declined to be identified by name, citing company policy. The stoppage was due to a lack of pressure in the pipeline, the official said.

### [Venezuela Pushing Trinidad Out of Oil Market, Reuters Says](#)

(Bloomberg) -- Venezuela's Petrocaribe initiative, which provides low-cost financing on Venezuelan oil sold to Caribbean nations, is pushing Trinidad out of the regional oil market, Reuters reported.

### [Inside Port Harcourt's 'ER' clinic](#)

Calm has returned to the Teme Hospital in Nigeria's oil capital Port Harcourt after a weekend of violence saw 15 men with gunshot wounds brought to their trauma clinic.

A turf war between gangs, known as "cultists", flared in the city's waterfront slums when armed men zoomed into the docks on boats late on Friday.

### [New toll lanes make drivers pay to avoid congestion](#)

Already facing \$4 a gallon at the pump, drivers in a growing number of states are tempted to pay even more for a quicker ride home.

Transportation agencies are increasingly looking to reduce congestion and make more use of sometimes under-utilized high-occupancy vehicle (HOV) lanes.

Some are developing plans to allow vehicles that don't have the required number of passengers to use the lanes if they are willing to pay.

### [Free fruit ditched as BP tightens its belt](#)

The company used to provide baskets of apples, bananas, oranges and grapes once a week as a healthy treat for workers.

But the scheme has been axed by bosses as part of a "general belt-tightening" across the firm which aims to slash £500 million from its overheads despite making £2 million per hour.

### [Why Oil Really Fell Today—and Could Keep Falling](#)

Oil slipped below \$120 at one point today and now overall is down nearly 20 percent from its July high of near \$150. But I don't think the drop had much to do with the usual suspects—a weak consumer spending report, less risk that Tropical Storm Edouard will smack the Gulf Coast—which will surely be mentioned in the financial pages tomorrow.

I think the drop had everything to do with reports this weekend that MIT chemist Daniel Nocera seems to have discovered a cheap—by a factor of 1,000—and easy way to separate hydrogen from water.

### [GM Executive Raises Natural Gas As Alternative To Gasoline](#)

DETROIT -(Dow Jones)- General Motors Corp. (GM) may add natural gas to the arsenal of energy alternatives it hopes will one day make gasoline a scarcity on U.S. roads.

GM's top researcher said in a recent blog posting that the auto maker considers natural gas an "enticing" alternative to petroleum, signaling a new interest in the fuel by GM as it struggles to combat the effects of soaring gasoline prices.

### [Measuring the Total Carbon Footprint of Biofuels Through Life-Cycle Analysis](#)

In recent years, lawmakers in the United States and the European Union have embraced biofuels as a key element of their respective strategies to combat climate change and promote energy independence. However, just as these two major markets are beginning to agree on technical standards for biofuels, as shown in the white paper on "Internationally Compatible Biofuel Standards" that the United States and EU lauded at the recent EU-U.S. Summit of 2008, controversy is emerging in both markets on the

tough question of how to show that biofuels represent life-cycle greenhouse-gas emissions savings as compared to traditional fossil fuels. The issue is sensitive because the greenhouse-gas emissions savings of different biofuels vary substantially.

### [Untouched forests store 3 times more carbon: study](#)

SYDNEY (Reuters) - Untouched natural forests store three times more carbon dioxide than previously estimated and 60 percent more than plantation forests, said a new Australian study of "green carbon" and its role in climate change.

### [European carbon hits 5-month low on oil, no buyers](#)

LONDON (Reuters) - European carbon emissions prices hit a 5-month low on Tuesday as weaker energy prices and sparse compliance buying put downward pressure on EU permits, traders said.

### [Monbiot: The stakes could not be higher. Everything hinges on stopping coal](#)

Everything now hinges on stopping coal. Whether we prevent runaway climate change largely depends on whether we keep using the most carbon-intensive fossil fuel. Unless we either leave it - or the carbon dioxide it produces - in the ground, human development will start spiralling backwards. The more coal is burnt, the smaller are our chances of future comfort and prosperity. The industrial revolution has gone into reverse.



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