



DrumBeat: August 6, 2008

Posted by [Leanan](#) on August 6, 2008 - 8:23am

Topic: [Miscellaneous](#)

[In rural Alaska, fuel costs now matter of survival](#)

BARROW, Alaska - A gallon of unleaded gasoline: \$10. Heating fuel: \$9.10 a gallon. Electricity: \$1.17 per kilowatt hour — 11 times the national average.

Some heavily taxed European nation or a time in the future when global fossil fuels have grown dangerously sparse?

Try right now in the most remote villages of America's 49th state.

Soaring oil prices that swelled Alaska's treasury have come back to slam the state, particularly its 170 rural villages.

Gov. Sarah Palin has proposed checks of \$1,200 for each resident to help relieve some of the burden using a surplus from the oil-rich state treasury. Lawmakers are debating that proposal right now.

But in far-flung villages, the people expect things to get much worse. The seasonal barge shipments of fuel have yet to arrive, meaning villages are still paying last year's prices, already a minimum of 60 cents higher than the U.S. average.

[Surviving the Apocalypse, On Two Wheels](#)

Why did Igor Kenk keep over 2,800 bikes in storage?

That was the question posed by [last Saturday's front-page National Post article](#). Buried within the article was a possible answer: preparation for the apocalypse. "Det.-Const. Dennis says 'Mr. Kenk told him 'the apocalypse is coming.' In the future when we have run out of oil, we will all need bikes to get around, the logic goes, and Mr. Kenk will have a few in storage to offer us."

The alleged bike thief has captured the attention of the Canadian press since July 16th, when police claimed to have observed him directing a thief to steal a bike for him. As the investigation spiraled out, more and more bikes were discovered in rented warehouses across Toronto.

...Clearly, the charismatic Slovenian immigrant makes for a good story. There are

questions about his sanity, and the *National Post* reports that the lead investigator wants him “to get looked at.” However, the constable who arrested him says that “he’s all there.”

What if Igor Kenk isn’t mad?

[BP Learns Not To Mess With Russia](#) (audio)

Oil company BP appears to be getting run out of Russia. The CEO of BP Russia is now running the company from an undisclosed location in Eastern Europe. He's afraid of being harassed inside the country. This isn't the first time that a foreign company has been muscled out.

Alex Chadwick speaks with Hermitage fund director Bill Browder. He found his visa cancelled and his office ransacked after he looked a little too closely at the records of some big Russian companies.

[Chevron to Begin \\$2.8 Billion Brazil Field in March](#)

(Bloomberg) -- Chevron Corp., the second-largest U.S. oil company, plans to start pumping crude from a \$2.8 billion offshore project in Brazil early next year to help stem declines in production.

[Exxon says restoring output to pre-storm levels](#)

HOUSTON (Reuters) - Exxon Mobil said on Wednesday it was restoring its offshore production after inspections of Gulf of Mexico production facilities found no damage from Tropical Storm Edouard.

All workers have been returned to the offshore, Exxon said in a statement.

[Attacked Nigerian oil pipelines repaired - minister](#)

ABUJA (Reuters) - Oil companies have repaired two major Nigerian pipelines damaged in militant attacks last week, allowing some production to resume in the restive Niger Delta, the oil minister told Reuters on Wednesday.

"All of the pipelines have been repaired. It has beefed up production slightly," Odein Ajumogobia said in an interview.

[North Dakota's real-life Jed Clampett](#)

Stanley, North Dakota, might seem an unlikely boomtown located in the northwest part of the state about 50 miles from the Canadian border. But the town is teeming with activity -- all thanks to rich oil deposits sitting deep below the surface.

[As oil falls, Valero should rise](#)

The bottom line is that the profit margin for Valero and for all oil refiners has widened significantly, yet Valero's stock price doesn't reflect that. Since July 2007, Valero's stock has cratered from \$77 to \$32 a share.

[Kuwait chides Iran over threat to shut Hormuz](#)

KUWAIT CITY (Thomson Financial) - Kuwait's foreign minister said on Wednesday that an Iranian threat to close the Strait of Hormuz, the crucial Gulf oil supply route, amounted to a 'punishment' of its Arab neighbours.

'By making such remarks, the Iranian officials are hinting at punishing the Gulf Cooperation Council countries,' Sheikh Mohammed Sabah al-Salem al-Sabah was quoted as saying by leading Kuwaiti newspaper Al-Qabas.

[What life will be like in 2050 for a middle-class Irish family](#)

Here is my question: what will life be like for an educated, middle-class family in the mid-21st century in Ireland? What trends can be reasonably relied upon to hold their magnitudes and directions this far forward into the future?

Well, first, they won't have an oil problem the way we have one. By 2040, there is general agreement we won't have enough oil to power the world's needs. Something else will have taken its place, most likely a combination of nuclear power and cleaner, greener energy sources.

[Two Types of Speculation: One Harmful, One Not](#)

The kind of speculation we should worry about is "bandwagon behavior." This is speculation that is disconnected from fundamentals. For example, suppose that people become convinced that offshore drilling will have a large impact on future prices. Even though this isn't true, suppose people become convinced that it is true through some sort of misleading information campaign, perhaps abetted by a media more interested in hyping controversy than in informing people of the facts.

This is the opposite of an expected supply disruption. It's an expected increase in future

supply (based upon false information), so the expected future price would be lower. That would cause speculators to release stored oil - it's not as valuable in the future as it was before - driving the price down today, and this validates the markets anticipation that price would fall.

[Mexico's Calderon closer to energy reform deal](#)

MEXICO CITY (Reuters) - President Felipe Calderon is closing in on an energy reform that could give a shot in the arm to Mexico's struggling oil industry, but it is not clear if oil majors will be lured into crucial deep-water projects.

[Nepal: Poor suffering most from oil crisis](#)

KATHMANDU - As the government has failed to get its priorities right regarding the petroleum sector, low-end consumers - for whose sake the country suffered oil losses of over Rs 18 billion over the last four years - have been left to suffer the most from the deepening oil crisis.

According to Nepal Oil Corporation's (NOC's) sales records and distribution priority, it distributed a mere 36 percent of the required amount of kerosene - the cooking and lighting fuel of the poor - during the last two years.

[Russia Transneft oil shipping fee seen up 10-12 pct](#)

MOSCOW (Reuters) - Russia's decision to raise an oil shipping fee component will increase costs of oil deliveries by pipelines by 10-12 percent and further spur Russia's runaway inflation, analysts said on Wednesday.

[China's Aluminum Smelters Cut Output, Exceed Target](#)

(Bloomberg) -- China's aluminum smelters, the largest in the world, cut production by more than 10 percent and will limit output until the end of the year because of power shortages and weak export demand, an industry official said.

[Cathay Pacific Posts First Loss in Five Years on Fuel](#)

(Bloomberg) -- Cathay Pacific Airways Ltd., Asia's third-biggest carrier by market value, unexpectedly posted the first loss in five years after fuel costs almost doubled and it set aside funds to cover a U.S. price-fixing fine.

[Ryanair may 'buy up to 400 aircraft' - report](#)

Europe's largest low-cost carrier last month said first-quarter net profit slumped 85 per cent as its fuel costs soared, and warned it may post a full-year loss of up to €60 million if oil prices remain high.

“But the price will fall below \$100 again because demand is declining,” Mr O’Leary told Sueddeutsche . “There is no oil shortage.”

[Nissan shows test models of electric car, hybrid](#)

YOKOSUKA, Japan - Nissan showed on Wednesday a spiffy electric car packed with a battery developed by the Japanese automaker to deliver more power than the type common in today’s hybrids.

The electric vehicle, set for sale in 2010, carried a 300 kilogram (660 pounds) lithium-ion battery and still zipped around a Nissan Motor Co. test course, accelerating more quickly than comparable gas-engine cars.

[McCain, Obama promote nuclear energy plans](#)

WASHINGTON — John McCain's visit to a Michigan nuclear plant Tuesday revives a debate over the promise and safety of nuclear energy.

[Oblivion becomes the oblivious](#)

AS THE price of oil skyrockets there is evidence that the US is blindly bumbling into superpower oblivion; that the American century is passing before our eyes. An empire built on oil is losing supremacy and, indeed, internal coherence.

The US will remain, but the superpower period is passing, just as did the USSR. There is no wall to fall as there was with the Soviet Empire but the sole superpower can be no more.

No other great power in history became as dependent on one single substance for projection and protection as America on oil - America's precious bodily fluid.

[The Fiasco of Suburbia, Its Implications, and Its Destiny](#)

For centuries, a countryside chateau was the dream and ambition of wealthy families throughout Europe. And then, about 600 years after peasants hauled the first granite stones to the site of the Chateau d'Agneaux, an American version of this dream began to

take shape across the fifty United States. Millions of Americans aspired to flee the grime of the cities for the splendor of the countryside...or at least, for the relative cleanliness of the suburbs.

But as James Howard Kunstler recently explained to the attendees of the Agora Investment Symposium in Vancouver, the American suburb is dying. It is a flawed concept that will not survive the onset of rising energy prices.

[Rural America outgrows label: "There is no rural policy for the kind of rural we are"](#)

According to the report, the four rural Americas are:

- **Amenity-rich.** They're places like Aspen, Colo., or the Appalachian region around Asheville, N.C., where mountains, lakes, coastlines or forests draw vacationers, retirees and second-home owners. Challenges: Affordable housing for long-time residents and workers and controlling sprawl to protect the environment.
- **Declining resource-dependent.** They once thrived on agriculture, timber, mining and manufacturing — industries that have declined because of globalization and depleted resources. The middle class is disappearing and the population is aging and shrinking. The Great Plains is a prime example.
- **Chronically poor.** These are regions such as the Mississippi Delta where residents and the land have seen decades of dwindling resources.
- **In transition.** Traditional resource-based economies are in decline, but these areas have natural beauty that offers potential for growth in service economies and niche industries. These areas include parts of New England and the Pacific Northwest.

[Alaska: Purchase refinery to ease energy costs](#)

I suggest the state purchase the Flint Hills Refinery and sell the refined products at cost, plus a small margin, while using a portion of our state's royalty oil. Recently, the refinery owners indicated that a sale of the facility might occur and requested the state lower the cost of crude and let them off the hook regarding pending retroactive transportation costs. All told, it would appear that the administration is in an excellent position to bargain for a reasonable price. So, let's do it before it hits 50 below this winter. As I see it, none of the other options can provide significant relief within a shorter time frame.

[Federal Regulator Worked With Cheney's Secret Energy Task Force](#)

Few people are aware that Joseph Kelliher, the chairman of the Federal Energy Regulatory Commission, the agency that controls the country's natural gas industry, hydroelectric projects, electric utilities, and oil pipelines, and has played a critical role in the deregulation of those industries, was one of a handful of insiders who, as a member

of Vice President Dick Cheney's energy task force in early 2001, solicited executives at corporations like Enron to help write President Bush's National Energy Policy.

[Australia gas crisis eases after plant restart](#)

VARANUS ISLAND, Australia: A natural gas plant shut down by an explosion that wiped out nearly a third of the gas supply to Australia's west coast two months ago resumed partial operations Wednesday, the plant operator said.

[Thomas Homer-Dixon and Stewart Elgie: We must green the market](#)

Modern capitalist markets are among the most amazing institutions humankind has ever created. They are mighty engines of innovation and wealth. They allow societies to quickly adapt to a world full of disruptions and surprises. And by linking billions of producers and consumers every day, they generate price signals that help people around the world decide what to make and what to buy.

But when it comes to conserving Earth's natural environment, our markets are badly broken. For our planet's future - and for our future prosperity - we must fix them.

[The alternative energy bubble](#)

What do you get when you mix Al Gore, global warming, whacky environmentalists, skyrocketing oil prices, lots of venture funding, and irrational exuberance? An alternative energy bubble.

[Home Energy Prices Are Expected to Soar](#)

In a season of roller-coaster energy costs, the drop in oil and natural gas prices in recent days was greeted as good news. But they remain so high that experts are predicting that heating bills this winter will far exceed those of last year.

Even after a precipitous decline from its peak in early July, the price of natural gas is still 11 percent above where it was last winter.

Heating oil is 36 percent higher, with the government projecting that the costs of both fuels will stay high. Electricity prices are also up moderately.

Higher heating costs will hit particularly hard in the Northeast, where many people use heating oil.

Given how unpredictable energy markets have become, most fuel dealers are not offering their customers price protection plans, or locked rates, as they typically do at this time of the year, said Dan Gilligan, president of the Petroleum Marketers

Association of America, the biggest trade group for fuel retailers.

[Arctic Map shows dispute hotspots](#)

British scientists say they have drawn up the first detailed map to show areas in the Arctic that could become embroiled in future border disputes.

A team from Durham University compiled the outline of potential hotspots by basing the design on historical and ongoing arguments over ownership.

[Norway completes seismic scan in pristine Arctic](#)

OSLO (Reuters) - Norwegian energy authorities have completed a seismic survey of Arctic waters near the scenic Lofoten islands, which environmental groups say should be permanently out of bounds to oil and gas drilling.

[The Wind from Wall Street's Sails](#)

We must set aside all of the election-year rhetoric and demand better from our politicians, energy producers and even ourselves. We all have to take some responsibility if we hope to find solutions. Simply blaming one group of people is not going to work. The challenges of Peak Oil – if not Peak Everything – remain. Banning speculation means just losing a critical piece of the early warning system.

[On the downside of oil's peak](#)

Why are fuel prices rising? To a large extent the price is set by supply and demand. The following discussion is about supply. I became interested in the sustainability of crude oil supply about 30 years ago, when I began discussing this subject in geology classes I was teaching at Virginia Tech. At that time, analysis of oil production was a well-established field of study.

[Fuel costs pinch roadside rescue man](#)

High gas prices are forcing potential do-gooders of all kinds to stay home.

Meals on Wheels and other services that depend on volunteer drivers have had to scale back. In a June survey of US groups that serve the elderly, more than 70 percent said fuel costs had made it harder to recruit and retain volunteers.

[Seniors on fixed incomes face hardships as economy worsens, survey finds](#)

A recent report by AARP suggests that older Americans may be making some risky choices in the interest of saving money in tough times. The national telephone survey found that 59 percent of people 65 and older have found it more difficult in recent months to pay for essentials including food, gas and medicine. Nearly half said they have postponed paying their utility bills, and 10 percent said they have cut back on medications.

In the Sacramento region, older people also are suffering the effects of the state budget impasse. Some agencies that get funding from the state are shutting down or cutting back programs that serve the elderly.

[Blast halts Azeri oil pipeline through Turkey](#)

ANKARA/BAKU (Reuters) - An explosion on the Baku-Tbilisi-Ceyhan (BTC) pipeline on Tuesday night in eastern Turkey has halted the oil flow along the one million barrels per day pipeline, a senior Turkish Energy Ministry official said.

"The fire is under control, but we need 24 hours from now to extinguish it. After the fire is put out, we can look at the damage and say when it will be possible to reopen the line," the source said speaking on condition of anonymity.

[Russian gas price for Belarus to top \\$200 per 1,000 cu m in 2009](#)

MINSK (RIA Novosti) - The price of natural gas sold by Russia to Belarus will exceed \$200 per 1,000 cubic meters in 2009, Russia's ambassador in Minsk said on Wednesday.

Alexander Surikov said the price scheme for Belarus was based on that used for neighboring Poland.

[Petrobras to Spend \\$6.8 Billion on Its Refineries, Valor Says](#)

(Bloomberg) -- Petroleo Brasileiro SA, Brazil's state-controlled oil company, plans to invest \$6.8 billion until 2015 on expanding and modernizing its refineries, Valor Economico reported, citing the company.

Petrobras will increase its refining capacity in Brazil by 989,600 barrels a day through the expansion of its 10 biggest units, Valor said.

[Russian Oil Companies Miss Deadline in Price Probe](#)

(Bloomberg) -- Russia's biggest oil companies missed a deadline for supplying regulators with information as part of an antitrust probe of wholesale fuel prices, the Federal Anti-Monopoly Service said.

The agency requested information from OAO Gazprom Neft, OAO Lukoil, TNK-BP, OAO Rosneft and OAO Surgutneftegaz and only Surgut complied on time, the watchdog said in a statement today. The regulator opened cases against the oil producers in July, saying they set ``monopolistically high prices" on domestic diesel and jet fuel.

[U.S. warns of 'punitive' action on Iran](#)

BANGKOK, Thailand (CNN) -- Iran may face "punitive" measures because of its insufficient response to an incentives package offered in return for a cutback in its nuclear program, a senior White House official said Wednesday.

[Petrobras to Start Production at Pre-Salt Well, Estado Says](#)

(Bloomberg) -- Petroleo Brasileiro SA, Brazil's state-controlled oil company, plans to start production from an oil well in the so-called pre-salt area on Aug. 12, Estado de S. Paulo newspaper reported, citing unidentified people involved in the project.

[Oil Companies May 'Panic' on Tanker-Rate Outlook](#)

(Bloomberg) -- Oil-tanker rental rates may rise after last week's 46 percent slump spurred owners to slow their vessels, reducing supply and increasing costs for oil producers and refineries who hire the vessels.

Owners are telling captains to sail more slowly, according to three shipbrokers. The last time that happened, in the final months of 2007, rental rates posted the fastest two-month gain in at least 16 years, increasing costs for oil producers seeking to ship supplies to refineries.

[It's belt-tightening time as firms that deliver confront fuel costs](#)

When Sacramento's Buckhorn Grill purchased a Bajaj, a three-wheeled Indian-made vehicle, patrons thought it looked cute.

As gas prices climbed, the Bajaj just started to look smart: 90 mpg while being cute, to boot.

Higher gas prices mean smaller profit margins for businesses, especially the small businesses that depend on gas to do what they do: deliver.

[BP Puts \\$90 Million in Ethanol Venture](#)

BP, the British oil giant, is ponying up \$90 million to invest in Verenium, a U.S. producer of cellulosic ethanol, in a move that highlights the growing interest in next-generation ethanol, which is generated from nonfood feedstocks such as plant waste.

[Showdown looms for 'climate camp'](#)

Protesters are aiming to shut down Kingsnorth power station on the Medway estuary in Kent this weekend.

They oppose the decision of its owner, the energy company E.ON, to replace the ageing site with a brand-new coal-fired power station - the first such to be built in Britain for 30 years.



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