



## DrumBeat: August 16, 2008

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Topic: [Miscellaneous](#)

### [Brown calls California a model for energy efficiency; Calls for R&D tax breaks](#)

SACRAMENTO, Calif. (Legal Newsline)--California Attorney General Jerry Brown told Legal Newsline he believes America needs an efficiency expert.

In a wide-ranging interview Friday, Brown said the United States must reduce its dependency on foreign oil, which would save billions of dollars through increasing energy efficiencies.

...When asked how much stock he put into Peak Oil theories - a belief that the world has reached the peak of its oil production and will soon face severe shortages - Brown said it's better to think ahead than remain skeptical.

"(Peak Oil) is certainly is a risk," Brown said. "If you totally ignore it you'll be caught with your pants down it will be pretty bad. So you have to pay attention. Oil is going to get harder to get and more expensive. That's a fact."

### [OPEC official says output cuts may be needed](#)

SAN FRANCISCO (MarketWatch) -- An Iranian official in the Organization of Petroleum Exporting Countries said Saturday that the producers group is considering leaving oil production levels unchanged or perhaps even trimming them to shore up flagging prices and defend market share.

"The market is oversupplied by at least 1 million barrels a day. If OPEC would like to remove this additional oil out of the market, then OPEC has to cut some production," OPEC governor Mohammad Ali Khatibi told Dow Jones in a telephone interview.

### [Shell: Pulling workers due Fay; no output shut](#)

HOUSTON (Reuters) - Shell Oil Co said it was pulling 200 workers from the eastern Gulf of Mexico ahead of Tropical Storm Fay, but no offshore production was shut as of Saturday morning.

The workers are not essential to Shell's offshore operations, the company said in a statement.

### [Ecuador says to meet Chevron over \\$16 bln lawsuit](#)

QUITO (Reuters) - Ecuadorean President Rafael Correa said on Saturday he plans to meet with Chevron Corp officials and lawyers for 30,000 jungle residents who are suing the U.S. oil giant for up to \$16 billion over environmental damages.

### [Disaster Goes Global](#)

The eruption in 1600 of a seemingly quiet volcano in Peru changed global climate and triggered famine as far away as Russia.

### [A Bull on Energy, A Bear on Nearly Everything Else](#) - Interview with Eric Sprott, CEO, Sprott Asset Management

**Barron's: You're a believer in the peak-oil thesis, which says that global oil production has topped out. How much time do we have left before the supply dries up?**

Sprott: We aren't going to run out of oil in the next 100 years, but it will keep getting harder and more expensive to obtain. ...We spend more every year and get no more net production. And the list of countries whose oil production has peaked keeps growing, including Russia, which for eight consecutive months has had year-over-year declines. Companies have the same problem. The latest results from Exxon showed that its production was down about 3%.

**Barron's: But don't all the new oil-finding and drilling technologies help?**

Sprott: We've made great strides in technology; it's true. Every year, there's something new. We see people get some stripper oil well to go from seven barrels a day to 15, by using sonic-resonance or water-flow technology or nitrogen injection, or whatever. But technology can simply speed up the depletion rate. A big fear is that the largest oil field in the world, Saudi Arabia's Gomar, which brings us just above 4 million barrels a day -- 5% of global oil -- is being depleted. They put 6 million to 7 million barrels of water into the formation every day. Oil floats in water, so as the water level moves up, the oil rises to the top. Someday, the water level will go above where they are producing the oil, and they'll just get water. There's not going to be a slow decline rate at Gomar. When it finally goes, there's going to be a very quick decline.

### [Bracing for Inflation](#)

Growing evidence suggests American consumers, businesspeople, and political leaders should all be bracing for double-digit inflation, probably as early as 2009.

...The skyrocketing price of oil is obviously a central element in the accelerating price spiral. But a sea change in China's role is beginning to have a huge impact as well.

### [Poll: Government mistrusted on energy](#)

Lindsley found that 74 percent of those polled thought Pickens' plan could work, but 65.7 percent of them said Congress would never allow the initiative to succeed, and would instead pass laws and regulations to block it.

Only 28.4 percent believe Congress would help the plan succeed by passing supportive legislation.

The results are somewhat surprising, Lindsley said, in that they show Americans are optimistic about the solvability of the energy crisis, but pessimistic about their government.

"People see a solution out there, but they don't expect Congress to do anything about it," he said.

### [Changing of the Guard: Pemex Production to Come from New Fields](#)

Mexican oil production will fall to 2.7 million to 2.8 million barrels a day next year as the country's main oil field continues to decline rapidly, Carlos Morales, the head of exploration and production at Petroleos Mexicanos, said Thursday.

Mexican output has slid by 20% since peaking in 2004, and officials warn that the country will see exports completely dry up over the next decade unless Pemex accelerates oil exploration in new areas such as the deep waters of the Gulf of Mexico.

The 2009 estimate is the latest in a series of downward revisions by Pemex. Last year the company planned to keep output above 3 million barrels a day for the next few years. Now Pemex expects average output of 2.85 million barrels a day this year, with more declines in 2009.

### [Shell: No Progress Fixing Nigeria Oil Pipeline](#)

Repairs to a damaged oil pipeline in Nigeria have been struggling to make significant progress, Royal Dutch Shell said on Friday.

Shell's Nembe Creek trunkline, located at Kula in Rivers state in the restive Niger Delta, was sabotaged in late-July.

The Anglo-Dutch oil major declared force majeure on Bonny Light crude exports to free itself from meeting its contractual obligations through to September.

"Repair work is not progressing as much as we want due to some security concerns. No real progress," a Shell spokesman said.

### [Nigeria: Vandals Rupture Agip Oil Pipeline in Delta](#)

SUSPECTED pipeline vandals have ruptured Nigeria Agip Oil Company (NAOC) pipelines in Burutu Local Government Area of Delta State but unfortunately for them, they could not accomplish their mission of carting away the oil pipes.

Saturday Vanguard learnt that the vandals, thinking that there was no oil in the pipeline, tampered with the pipeline at three points, only for oil to start gushing out.

"Because their mission was to dismember and steal the pipes, they took to their heels on seeing that oil was flowing everywhere. However, they have seriously polluted Okontu community and the neighbouring communities by their criminal action", a source told this reporter.

### [Why car drivers should be grateful to bus passengers](#)

The bus is the unsung hero of Welsh transport. It carries around 119 million passenger journeys every year.

If those people shifted to car, we'd have at least 50 million more car journeys adding to traffic jams, pollution and the shortage of parking.

Even if you never use the bus, you should be grateful it's there.

### [Hamis reportedly takes gas from cabbies](#)

GAZA (UPI) -- Taxi drivers in Gaza complain that the Hamas government has been confiscating their gas tanks to get cooking fuel for Ramadan.

"Hamas police stopped me and confiscated my gas tank," one driver told the Israeli news agency Ynetnews.com. "They told me the gas is required for Ramadan now."

The driver said he would be unable to buy food if he could not make a living.

### [UAE: Life is a misery for 'married bachelors'](#)

With the sky-rocketing rents and cost of living they cannot afford to bring their families here. Unfortunately, the rising cost of living has not yet reflected in the wage levels of the expatriates in the region. And with the growing travel expenditure, frequent travels to home have been curtailed.

According to recent reports, a survey by Arabian Business indicated that nearly 60 per cent of the expatriate population in the Gulf region are contemplating moving away from the region in the wake of the rising cost of living here.

### [Gas down 35 cents in 30 days](#)

NEW YORK (CNNMoney.com) -- Another penny came off the national average price of gasoline Saturday, the 30th straight daily decline, bringing the total drop in the period to more than 35 cents a gallon.

### [Think flying stinks? It may get worse](#)

NEW YORK (CNNMoney.com) -- Jet setters, get ready for more fare hikes and fewer flights.

Industry experts say that embattled airlines, despite a recent downturn in oil prices, are likely to keep raising ticket prices, adding fees and reducing service.

### [Sri Lanka power demand slowing: expert](#)

(LBO) - Sri Lanka faces no immediate threat of blackouts with growth in demand for electricity slowing down as industries grapple with the highest power costs in Asia, an energy expert said.

### [Phil Flynn: The Day the Demand Died](#)

A long, long, time ago, I can still remember how the oil demand used to make me smile. And I knew if it had a chance it would make the oil dance and the bulls would be happy for a while. But the housing crisis made me shiver, with every buy order I delivered. Bad news on the doorstep, I couldn't take one more step. I can't remember if I cried when my Bear Stearns stock just got fried. But something touched me deep inside the day the de-mand died.

So bye, bye Miss American pie parked the Chevy by the levy because the fuel tank was dry. And good old boys were drinking whiskey and rye singing this is where the SUV dies. This is where the SUV dies.

## [Crude Oil: Supply and Demand Prospects](#)

Despite the high prevailing prices, demand in 2008 is expected to total 86.9 million barrels compared to 85.96 mb/d in 2007. For 2009, global oil demand is expected to reach 87.7 mb/d.

## [Rationing was way of life in city during war years](#)

The middle of the Second World War, the year that steel pennies replaced copper ones, the year canned food, meat, fat, cheese and shoes were added to ration lists, the year Toronto ran out of coal and the fuel comptrollers insisted that everyone keep their homes at 65 F (18 C) to help conserve energy.

## [Mileage increases appeal of scooters](#)

Nationally, The Motorcycle Industry Council in Irvine, Calif., estimated 131,000 new scooters were sold in the United States in 2007, nearly double the 70,000 sold in 2002 and triple the 42,000 new units sold in 2000. Meanwhile, U.S. sales of new scooter units were up 24 percent for the first quarter of 2008 compared with the same period a year ago, Mike Mount, Motorcycle Industry Council spokesman, said.

"With the economy the way it is, everyone is looking to save where they can, and the gas pump is a pretty tangible place to do that," Mount said.

## [Petropolitics at heart of Russia-Georgia clash](#)

The 1,100-mile Baku-Tbilisi-Ceyhan (BTC) pipeline provides only about 1 percent of the global demand for oil. But, as Prof. Michael Klare of Amherst College notes: "There's not a lot of spare [crude oil] capacity" in the world.

In the long-running struggle for control of Caspian oil and gas and influence in the ex-Soviet states of that region, the clash has been a blow to US clout.

"The Russians come out of this as winning this round," says Professor Klare. "They are the power brokers in this part of the world.... But there will be more skirmishes to come."

## [Russia-Georgia Conflict Fueled by Rush to Control Caspian Energy Resources](#) (audio, video, and transcript)

Human Rights Watch has accused both Russian and Georgian forces of killing and injuring civilians through indiscriminate attacks over the past week of fighting. Professor

and author Michael Klare joins us to talk about how the Russian-Georgian conflict is largely an energy war over who has access to the vast oil and natural gas reserves in the Caspian region.

### [Iran gambles over Georgia's crisis](#)

Georgia is one of Iran's "near neighbors" and as a result of geographical proximity and important political and geostrategic considerations, the current Russia-Georgia conflict is closely watched by Tehran, itself under threat of military action by the US and or Israel, which may now feel less constrained about attacking Iran in light of Russia's war with Georgia.

### [The Russian empire strikes back](#)

For the first time in 30 years, Russia has initiated a war beyond its borders. For the first time in 20 years, an elected democratic regime is being threatened by force. For the first time in 20 years, the West is standing exposed and helpless, with its stock exchanges, galloping euro, flourishing economy and highfalutin talk of human rights. The planes and tanks in Georgia have returned to Russia its status of superpower.

In a twist on Fukuyama's "end of history" hypothesis, former Israeli ambassador to Washington Itamar Rabinovich asserted that this week it seemed as though "history is returning in a big way, and America has to cope with a new reality." According to Rabinovich, "The Russians' power play succeeded and is likely to have a great many implications."

### [Southern Africa: China's Thirst for Oil Exposes Gap in Regional Naval Policy](#)

EXPERTS are calling on SA to lead the African Union in formulating a China policy to determine strategies that will protect the security of Chinese oil supplies from west Africa that are transported via the Cape.

### [Pennsylvania: King wants state to regulate heating oil](#)

State Rep. Chris King, D-142, wants the state to regulate the heating oil industry, a move he believes will help homeowners suffering from skyrocketing heating bills.

### [If Congress Lifts the Offshore Oil Drilling Moratorium, What Happens Next?](#)

If Congress bows to pressure from Republicans and decides to lift its restrictions on offshore oil drilling, it is unclear exactly what would happen next. Such a move would take the country into uncharted waters, and there is no guarantee that a substantial

amount of new drilling would take place at all.

### [Saudi Arabia to build oil refinery in Turkmenistan](#)

Turkmen president Gurbanguly Berdimuhamedov received a member of Saudi Arabia's royal family Prince Saud ben Meshal ben Abdulaziz Al Saud, August 14. The meeting was also attended by Development Specialist of the Saudi ARAMCO company Abdullah Mohammed Al Subyani, and Executive Vice President of Dharhan Global oil and gas company Adel Mohammed Al Gosaybi.

The sides discussed prospects of cooperation and implementation of joint projects, including the construction of oil and gas refinery, the Ashgabat correspondent of Turkmenistan.ru reports.

### [Kuwait eyes Asian food supply, agri investments](#)

Kuwait is talking with Asian countries about securing food supplies and investing in agriculture as the Gulf state looks to diversify its sources of food, state news agency Kuna reported on Saturday.

It said food imports was a key topic on a trip by prime minister Shiekh Nasser Al-Mohammad Al-Sabah to eight Asian countries to boost trade ties.

### [Report: Climate change to fuel wildfires in West](#)

Wildfires are projected to burn twice as much land across the West by late this century if the climate warms as expected, a conservation group said in a report.

Warmer springs and longer summers since the mid-1980s already have resulted in a fourfold increase in the number of wildfires and a sixfold increase in the amount of land burned compared with the period between 1970 and 1986, according to the National Wildlife Federation report.

"I see these fires as part of an ecological transition," said Steven Running, a professor of ecology at the University of Montana.

### [Hurdles to blending more ethanol remain](#)

The Energy Independence and Security Act of 2007 will require the nation's oil industry to blend 36 billion gallons of ethanol into the fuel supply by 2022. If federal incentives bring the necessary research breakthroughs, more than half of that will come from cellulosic ethanol made from wood, corn cobs, switchgrass and other plant materials.



Some 15 billion gallons will be from corn ethanol.

There's just one problem.

If most of the cars on the road can burn only E-10 (gasoline with 10% ethanol), there won't be anyplace to go with all that ethanol. The Department of Energy estimates that by 2013, or even earlier, the market for E-10 in the U.S. will be saturated.

### [GM to finish electric car design by mid-September](#)

TRAVERSE CITY, Michigan (Reuters) - General Motors Corp said on Thursday it would finalize the design of the all-electric Chevy Volt by mid-September and aims to have 50 prototypes with production-ready parts by the end of 2008.

GM has been racing to finish development of the Volt in time for its planned launch in 2010. The Volt is the centerpiece of GM's effort to move away from large SUVs, as truck sales tumble and gasoline prices remain high.

### [Who's laughing now? Murti's detractors eat crow](#)

We are not returning to an era of cheap energy.

It was three years ago, an eternity in the foggy world of commodities trading, when Arjun Murti, a New Jersey native and analyst at Goldman Sachs, published a research note that competitors charged was riddled with irresponsible conjecture.

On a day when oil was trading at \$55 (all U.S. figures) per barrel, Murti projected a "super spike" in which a barrel of crude could fetch \$105 in the next few years.

Kevin Kerr, owner of the New York commodities research firm that bears his name, branded Murti's report "nothing more than hot air." An investors' blog suggested darkly that Murti was involved in a conspiracy to jack up the value of his firm's oil investments.

Today, Murti's projection seems almost timid.

### [Oil touches 3-month low on stronger US dollar](#)

NEW YORK - Oil fell to its lowest price in three months Friday, briefly touching the \$111 level after the dollar muscled higher and OPEC predicted the world's thirst for fuel next year will fall to its lowest point since 2002.

Light, sweet crude for September delivery fell \$1.24 to settle at \$113.77 a barrel on the New York Mercantile Exchange after falling to \$111.34, its lowest price since May 2 and more than \$35 — or 24 percent — below its July 11 trading record above \$147.

As high energy costs force countries around the globe to cut back on consumption, crude prices have plummeted and are now within striking distance of \$100 a barrel, a level first reached Feb. 19.

### [Nigeria's oil reserves hit 33.6 bln barrels](#)

ABUJA (AFP) - Crude oil reserves in Nigeria, the world's eighth largest exporter, have increased by 12 percent over the past year to 33.6 billion barrels, a top oil official said Friday.

"As at today, we have an oil reserve base of 33.6 billion barrels," Abubakar Yar'Adua chief of the state-run oil company, Nigerian National Petroleum Corporation (NNPC) told reporters.

The reserves in the OPEC member state stood at 30 billion barrels a year ago.

### [Russia is not as powerful as it looks](#)

Russia's Achilles heel is its economy. This has been growing fast, at over 7% a year. Wealth has spread out from the energy companies and the government, helping to create a prosperous middle class. But the economy remains dangerously dependent on energy and raw materials. Russia has very few high-tech industries, its record on innovation is appalling, it has too few small and medium-sized companies and its service industries are backward.

### [Storm Fay to become hurricane threat to Cuba and U.S.](#)

Despite the mountainous terrain of Haiti, which had been expected to hamper the storm's development, Fay held together quite well overnight, the Miami-based hurricane center said.

The storm's forecast track had also shifted a little to the south and west, meaning it would spend more time than initially expected over the warm waters that provide tropical cyclones with fuel, and it was now expected to strengthen into a hurricane as it approached the southern Cuban coast.

### [The Business Pundit Energy Plan: Electrification, flex power, and a smart grid](#)

Increase nuclear reactors? Run cars on natural gas? Burn trash for energy? Institute stringent speed limits and cap-and-trade programs?

Business Pundit sorted through a slew of reports, comments, and statistics to come up

with a plan that makes sense for both sustainability and the economy. This plan is a compilation of the ideas we found most pertinent and useful.

### [Review: Profit from the Peak Oil](#)

Is the end of a cheap fossil fuel era at hand? How will we make the transition from a world dependent on hydrocarbon energy to one powered by a mix of hydrocarbons and renewable energy, and can we profit from this coming shift?

### [Campaign 2008: Al Franken touts energy proposals](#)

“I like the idea of domestic oil,” says Franken, a former “Saturday Night Live” writer and actor and satirist. “But we need to get off of this technology, because we know that we’ve either reached or about to reach peak oil.”

The United States has 3 percent of the world’s oil reserves, but the nation uses 25 percent of the supply. In addition to energy sources other than oil, Franken said an energy policy must include energy efficiency.

“Energy efficiency means green buildings,” he said., adding that 40 percent of energy is used by buildings in electricity and heating and cooling.

### [Motorists are getting hosed](#)

The industry line was that for every \$1 hike in the price of crude, expect to pay a penny more at the pumps.

Well, what about the reverse?

### [OPEC Plays Oil Junkies for Suckers](#)

We finally were beginning to turn away from oil. How did OPEC, the beneficiary of one of the largest transfers of wealth in the history of mankind, respond?

Here's a dispatch from the Aug. 13 edition of the Financial Times: "OPEC pushed its oil production to the highest level in its 48-year history last month, even as demand was slipping in the United States and Europe, the International Energy Agency (IEA) said yesterday."

### [Where does the money go in a \\$116 barrel of oil?](#)

An economist from the American Petroleum Institute details the costs.

### [Cyclists should get share of federal infrastructure money: Ottawa MP](#)

Bike paths, lanes, bridges and cycling facilities are getting very little of the government investment in infrastructure, something that should change in light of rising gas prices and concerns over climate change, say an Ottawa member of Parliament and a group of local cycling activists.

Both a portion of the federal money already announced for infrastructure and funding in the next federal budget should be earmarked specifically for cycling infrastructure, said Paul Dewar, the NDP MP for Ottawa Centre, at a news conference Friday.

### [Farms in Brazil and India must adapt or roast in heat](#)

Farmers in Brazil and India may suffer less from climate change than previously assumed – if they can continue to adapt to hotter weather, a new study suggests.

Even so the devastation in these countries and other low-latitude countries is going to be much higher than in the northern regions of the rich west, says Robert Mendelsohn at the Yale School of Forestry and Environmental Studies.



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