



## DrumBeat: August 22, 2008

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Topic: [Miscellaneous](#)

### [Geologist: In Terms of Supply and Demand, the Oil Peak Is Past](#)

Jeffrey Brown is an independent petroleum geologist and analyst, who also manages an exploration program in West Texas. He has a major interest in the subject of "Peak Oil" and has used mathematical models to project a very grim future for the world's oil supply. We caught up with Jeffrey at his office outside Dallas.

**Eli Neusner, reporter, HardAssetsInvestor.com (HAI):** *You've published some controversial research in the past. What is the gist of your analysis?*

**Jeffrey Brown, petroleum geologist (Brown):** The basic thrust of my research is that the world has already arrived at Peak Oil - which is a condition in which the worldwide supply of oil cannot keep up with demand. We have used proven mathematical models to show that the top five net oil-exporting countries - which are Saudi Arabia, Russia, Norway, Iran and the United Arab Emirates, and which account for one-half of current world net oil exports - are showing an ongoing decline in net oil exports, continuing a trend that began in 2006. To give you an idea of where we're headed, Mexico - another former top producer - will see its oil exports hit zero in 2010.

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### [Protests in India threaten world's cheapest car](#)

NEW DELHI - The chairman of the Tata Group threatened Friday to move an important auto factory out of India's West Bengal state because of violent farmer protests and strong political opposition, a move that could delay the debut of the world's cheapest car.

The pint-sized Nano, priced at \$2,500, was scheduled to go on sale by the end of the year, but if Tata pulls the Nano factory out of West Bengal, the much-anticipated car would likely be delayed.

### [Ecuador a moderate in Andean oil nationalizations](#)

QUITO (Reuters) - Ecuadorean President Rafael Correa is steering away from the energy nationalizations of leftist allies, Venezuela and Bolivia, in a show of moderation

that could help him keep oil output steady this year.

Correa spooked investors last year by hiking a sweeping windfall tax and ordering companies to rework contracts, but in recent weeks he secured deals with investors that analysts say will help stabilize weak output after he shunned calls for more aggressive oil field takeovers.

### [Oil sands visit was not a shopping trip, says Buffett](#)

CALGARY, Alta -- Warren Buffett toured Canada's oil sands with his friend Bill Gates this week to understand how the resources are developed, but the billionaire investor said on Friday he had no plan to buy into the sector.

### [Libya trims oil output slightly after tank fire](#)

LONDON (Reuters) - Libya has lowered its oil output "a little bit" due to a fire in a crude storage tank at its oil refining and petrochemical site Ras Lanuf, the country's top oil official said on Friday.

Shokri Ghanem, chairman of Libya's National Oil Corporation, also told Reuters that the fire, which broke out on Tuesday during maintenance work, was not out yet. He added that force majeure had not been declared on exports.

### [Americans skip Labor Day trips as costs rise](#)

KANSAS CITY, Mo. - After missing out on summer vacations because of high fuel prices and a weakening economy, many Americans won't be going anywhere over the Labor Day weekend either.

The number of people traveling 50 miles or more will drop by 0.9 percent this Labor Day weekend compared with last year, the biggest drop in at least eight years, according to travel and auto group AAA.

### [Cost of flying jumped 7.5 percent in July](#)

NEW YORK - The average cost to fly one mile in the U.S. on a commercial airliner rose 7.5 percent in July compared to the same month last year.

The Air Transport Association of America, which represents most passenger and cargo carriers in the U.S., said late Wednesday that passenger yield — the average price a passenger pays to fly one mile, excluding government taxes and fees — was 15.7 cents last month.

Year-to-date passengers paid 7.1 percent more per mile than in the same period of 2007.

### [DNC will give solar industry a chance to shine](#)

For the nation's fledgling solar power industry, the Democratic National Convention's pursuit of a green event is a huge chance to showcase the industry's abilities and potential to delegates and decision makers from across the United States.

"It's a coming-out party for the solar industry," said Rhone Resch, president of the Solar Energy Industries Association in Washington, D.C.

### [Greer: The tempo of change](#)

One of the lessons of history is that change, no matter how drastic it appears on the pages of history books, is rarely anything like so sudden for those who live through it. Read an account of the French Revolution, for example, and events seem to follow one another like bangs from a string of firecrackers from the final crisis of the Ancien Régime straight through to the fall of Napoleon. For the man or woman in the French street, though, these happenings were scattered threads in a fabric of months and years woven from the plainer cordage of ordinary life.

...I've met far too many people who don't know enough about plant care to keep a potted petunia healthy, and have very likely never put in an eight-hour day of hard physical labor in their lives – most middle class Americans haven't, after all – and yet who nonetheless talk enthusiastically about the life they expect to lead in a self-sufficient rural lifeboat ecovillage as industrial civilization crashes into ruin a comfortable distance away. It's all very reminiscent of the aftermath of the Sixties, when a great many people headed back to the land with equally high hopes; the vast majority of them straggled back to the cities a few months or years later with their hopes in shreds, having discovered that fantasies of the good life in nature's lap make poor preparation for the hard work, unremitting discipline, and relative poverty of life as a subsistence farmer.

### [Raymond James Says State of Russian Oil 'Much Worse than We Would Have Imagined 6 Months Ago'](#)

Asked to comment, independent Texas-based petroleum geologist Jeffrey Brown said he expects that the decline in Russian oil production "will be pretty steep," noting, "The Russians are highly dependent on old oil fields, with rising water cuts." (The older a well, the more likely water is being pumped in so as to force the remaining crude to the surface.)

### [Alcoa 'Optimistic' Aluminum Prices Will Rise on Power Shortage](#)

(Bloomberg) -- Alcoa Inc. Chief Executive Officer Klaus Kleinfeld said he's ``very optimistic" aluminum prices will rise in the next five years as producers encounter difficulty finding enough power to meet demand for the metal.

### [TNK-BP CEO Lodges Complaint with Russian Govt. Over Ban](#)

The banned chief executive of BP's Russian oil venture TNK-BP has lodged an official complaint with Russian authorities over treatment of the firm in a letter, a copy of which was obtained by Reuters on Friday.

### [Henan tightens CNG supply to save gas for public utilities](#)

INTERFAX-CHINA - Northern China's Henan Province, which is in the midst of a severe gas shortage, has tightened control over the amount of compressed natural gas (CNG) used by gas stations and has restricted the number of cars modified to use CNG so as to guarantee sufficient supply for public utilities, the Henan Development & Reform Commission (HDRC) announced on Aug. 20.

### [Airline fuel surcharges stay sky high](#)

Airlines are failing to pass on savings from recent oil price reductions and are cashing in on fuel surcharges, travel companies say. Agents and tour operators are calling on British Airways, Virgin and other airlines to cut higher prices attributed to fuel to reflect a drop in the price of a barrel of crude oil from a peak of about \$147 in mid-July to \$114 earlier this week.

### [Petrobras sees sub-salt lifting costs economical](#)

RIO DE JANEIRO (Reuters) - Brazil's state-controlled oil giant Petrobras said on Friday that per-barrel lifting costs for sub-salt oil reserves off the coast of Brazil would be "extremely economical."

### [Natural Gas Fund Is Flaming Out](#)

You see, unfortunately, there is really no practical way for a fund to invest in a commodity at the spot price unless it is able to actually buy and sell the physical commodity and store it in between. In the case of natural gas that would be really difficult. Therefore, these funds invest in the next best thing, which is the front month futures contract for the commodity, and as those contracts approach settlement they

roll them over to the next month's contract.

### [America's Oil Debate Heats Up Alaska's Frozen Tundra](#)

A fact-finding trip to a remote, oil-bearing chunk of Alaska had Republicans and Democrats clashing over one of the country's hottest topics last week.

U.S. Rep. Marilyn Musgrave, R-Fort Morgan, joined a contingent of Congressional Republicans, led by Minority Leader John Boehner, R-Ohio, to visit the Arctic National Wildlife Refuge.

### [Hunger in our midst](#)

She used to donate to the food pantry at St. Ignatius of Loyola. Now she gets 95 percent of her food from it.

### [Running dry](#)

Everyone knows industry needs oil. Now people are worrying about water, too.

### [San Francisco Ponders: Could Bike Lanes Cause Pollution?](#)

SAN FRANCISCO -- New York is wooing cyclists with chartreuse bike lanes. Chicago is spending nearly \$1 million for double-decker bicycle parking.

San Francisco can't even install new bike racks.

Blame Rob Anderson. At a time when most other cities are encouraging biking as green transport, the 65-year-old local gadfly has stymied cycling-support efforts here by arguing that urban bicycle boosting could actually be bad for the environment. That's put the brakes on everything from new bike lanes to bike racks while the city works on an environmental-impact report.

### [6 Home heating alternatives](#)

Staying warm this winter could get expensive. While there's not much homeowners can do about energy prices, there are some ways to reduce your dependence on traditional fuels.

### [10 easy ways to green your home](#)

Some of the smartest green ideas are decidedly low-tech. Fact is, the sustainable homes of the future look a lot like those of the past.

### [Trading Places: The demographic inversion of the American city](#)

In the past three decades, Chicago has undergone changes that are routinely described as gentrification, but are in fact more complicated and more profound than the process that term suggests. A better description would be "demographic inversion." Chicago is gradually coming to resemble a traditional European city--Vienna or Paris in the nineteenth century, or, for that matter, Paris today. The poor and the newcomers are living on the outskirts. The people who live near the center--some of them black or Hispanic but most of them white--are those who can afford to do so.

### [Rice's Energy Crisis: The Quest for Light...](#)

Though Houston may be a good city for concerts, multi-ethnic cuisine and shopping, it is not for cheap energy. At the end of fiscal year 2007-'08, which ended in June, Rice's total energy costs rose \$4 million, from \$12 million to \$16 million. Director of Sustainability Richard Johnson (Will Rice '92) said this jump is attributed to the rising costs of energy and not to increased consumption. For students, this jump in energy prices may show up in future on-campus housing costs, Johnson said.

Energy includes electricity; chilled water, for air conditioning; and steam, for heat, which service most of the buildings on campus. Johnson said Rice is not using any more energy per square foot than it has in the past, though due to the rising energy costs the school is under more pressure to reduce its energy consumption.

### [Former Shell president is the man with a plan](#)

During an appearance on CNBC early in the summer, John Hofmeister made a startling statement: "Oil isn't a free market."

Soon after he said it, the show cut to a commercial and someone handed Hofmeister, who was about to retire as president of Shell Oil Co., a piece of paper. It was a message from Shell's headquarters in the Netherlands telling him he couldn't say that. He crumpled up the note, went back on the air, and repeated his statement.

...Hofmeister, who showed up wearing the official uniform of retirement — Hawaiian shirt, khaki shorts, black tennis shoes and white socks — spent his final years at Shell trying to explain the nation's looming energy crisis to the public. He feels that despite "town hall meetings" in more than 50 cities, he largely failed.

Now he's trying again.



### [LNG project delays may cut 100 million tons of supply](#)

SINGAPORE (Bloomberg) -- Delays in liquefied natural gas ventures led by Exxon Mobil Corp. and Chevron Corp. may pare global supplies by 100 million metric tons, more than the annual demand of South Korea and Japan, the world's biggest importers.

Projects in Australia, Nigeria, Algeria and the Baltics have been shelved or postponed, prompting the capacity shortfall by 2013, said Ian Angell, vice president of gas and power at Wood Mackenzie Consultants Ltd. The deficit, enough to power 250 million homes, will cause spot LNG prices to trade at parity or at a premium to oil, he said.

### [Golden image of corn-based ethanol shows some erosion](#)

Industry supporters say opponents are overstating the impact of ethanol on food prices and ignoring other factors in driving up food costs — high oil prices and bad weather in exporting nations, for example. But they acknowledge that corn-based ethanol is not seen as the long-term solution to greater energy independence, but rather a transition to more efficient biofuels that may not benefit those farmers fueling current ethanol plants.

They also acknowledge that the explosive growth of the ethanol sector has contributed to increasing volatility in grain markets and in farming generally. The industry took off at the same time the world began consuming more grain than it was producing and oil prices surged. The result: tight supplies, high prices and unpredictable markets as food prices now are linked to energy demand.

### [Kindling new US energy resources](#)

Barnaby Phillips, Al Jazeera's Europe correspondent, travelled across the US to find out what ordinary Americans feel about five key electoral issues.

In the final part of American Challenge, he looks at how US citizens and businesses are beginning to address the nation's energy crisis.

### [Who revived the electric car?](#)

Hobby clubs are watching their membership rolls swell as environmentalists and business types join long-suffering aficionados.

### [Slow burn for a cash crop](#)

But tobacco is also one of the most expensive crops to produce. Worried farmers say those costs are going up fast, raising concerns that they will not be able to fend off developers' bulldozers much longer.

The energy crisis has sent the price of diesel fuel for their tractors soaring. Propane gas used to help dry the leaves in the long tobacco sheds is way up, and organic fertilizer prices have nearly doubled in a year's time.

### [China warns on winter energy supply](#)

BEIJING (Reuters) - China warned on Thursday that its energy supply problems were likely to last into winter as it struggles to ensure stable sources of coal, oil and power, the People's Daily reported, citing a senior official.

The pressure to secure raw materials will be "considerable", according to the report, which quoted an unnamed official of the National Development and Reform Commission (NDRC), the top government planning agency.

The NDRC did not offer a reason for the persistent tightness in supplies, but China is only now beginning to emerge from several months of its worst summer power supply crisis in four years, after surging coal prices turned power company margins negative, prompting many to curb supplies.

It has also battled sporadic shortages of refined fuels as cheap domestic pump prices and soaring global crude oil costs deter refiners from fully meeting demand.

### [China's oil thirst hits new high](#)

China's oil demand growth hit a two-year high in July but the pre-Olympic spurt will likely fall off in the autumn, undermined by high prices, global economic woes and the end of official pressure to stockpile for the games.

Implied consumption rocketed 9.5% from a year earlier as the impact of a huge pump price rise filtered through to refinery output and oil companies made record fuel imports to prevent shortages while the world's eyes were on China for the Olympics.

But oil product purchases abroad will drop sharply after the end of the Games, industry sources told Reuters, as the government eases pressure on its energy players to guarantee supplies.

### [Are Oil Prices Rigged?](#)

We've all read that speculators are driving oil prices artificially high — a claim that gets more interesting in light of oil's recent fall below \$115. But maybe we're looking at it



from the wrong perspective. Suppose that major suppliers in the oil industry are these manipulative speculators.

Is it possible that oil prices are rigged? You bet. Here's how...

### [OPEC output rising in August - petrologistics](#)

LONDON (Reuters) - OPEC oil output is expected to rise in August by 450,000 barrels per day (bpd) due to higher supply from Iran and Angola, industry consultant Petrologistics said on Friday.

The estimate indicates the Organization of the Petroleum Exporting Countries is pumping almost 1 million bpd more than its target and comes as some members are voicing concern that world oil markets are oversupplied.

### [Gazprom Falls as Analysts 'Shocked' by Spending Plan](#)

(Bloomberg) -- OAO Gazprom, the world's biggest natural-gas producer, fell in Moscow trading after analysts said they were ``shocked" by the company's plans to raise its investment budget to more than \$40 billion this year.

### [Petrobras Buys Equipment for Pre-Salt Oil Fields, Globo Says](#)

(Bloomberg) -- Petroleo Brasileiro SA, Brazil's state-controlled oil company, has started to buy and lease equipment to be used in the country's pre-salt oil fields, O Globo said, without saying where it got the information.

Petrobras is closing contracts to buy and lease drill rigs, boats and offshore oil rigs, Globo said.

### [Oil price hike shuts down 100,000 Mexican firms](#)

MEXICO CITY: At least 100,000 small companies have been shut down in Mexico due to the soaring oil prices and new tax laws, the Latin American Organization of Small and Medium Companies (Alampyme) has said.

### [Duke passing on high fuel costs](#)

Duke Energy Carolinas customers in North Carolina will see their bills rise as much as 8% on Sept. 1 because of increasing fuel costs. And S.C. customers can expect steeper

hikes Oct. 1.

### [Buffett, Gates, mutant fish frame oil sands debate](#)

CALGARY, Alberta (Reuters) - In the high-stakes battle between the oil industry and environmentalists over the image of Canada's oil sands, it appears a pair of multibillionaires beats a two-mouthed fish.

### [‘A Whole New World’](#)

For decades, tiny Barrow, Alaska, has been largely unknown and unnoticed. But with increasing global activity in the Arctic--especially from oil speculators--things are changing ... fast.

### [Russians dig in despite promised Georgia pullout](#)

POTI, Georgia (AP) — Russian troops manned checkpoints and controlled traffic on major highways across Georgia on Friday, Russian military trucks roamed the roads freely and Russian military helicopters buzzed overhead.

Despite Russian President Dmitry Medvedev's promise to have his troops out by now, Friday appeared to be yet another day of a Russian occupation with no clear end in sight.

### [Russia Values Oil More Than War](#)

One counterintuitive feature of the five-day war between Russia and Georgia is its minimal impact on the energy flows from the Caspian to world markets. There is always a legion of experts who would confidently assert that "It's all about oil," and no amount of hard evidence would shake this petro-geopolitical article of faith. There were indeed reports about airstrikes on the Baku-Tbilisi-Ceyhan, or BTC, pipeline, eagerly circulated by The Wall Street Journal, but those turned out to be just products of the desperate Georgian war propaganda. Traffic involving small tankers from Poti and Supsa was interrupted, but these ports have never had any strategic significance on the European energy map since the supertankers carrying Caspian oil to Europe are loaded in the deepwater terminal in Ceyhan. The fact that Russia did not try to completely shut down the South Caucasus energy corridor invites a re-evaluation of risks and longer-term consequences.

### [U.S. sees much to fear in a hostile Russia](#)

The president of Syria spent two days in Russia this week with a shopping list of

sophisticated weapons he wanted to buy. The visit may prove a harbinger of things to come.

If the conflict in Georgia ushers in a sustained period of renewed animosity between Russia and the West, Washington fears that a newly emboldened but estranged Moscow could use its influence, money, energy resources, United Nations Security Council veto and, yes, its arms industry to undermine American interests around the world.

### [What Israel Lost in the Georgia War](#)

"Israel armed the Georgian army," grumbled General Anatoly Nogovitsyn, deputy chief of staff of the Russian military, at a press conference in Moscow earlier this week. An Israeli paper had, last weekend, quoted an unnamed official warning that Israel needed "to be very careful and sensitive these days. The Russians are selling many arms to Iran and Syria, and there is no need to offer them an excuse to sell even more advanced weapons." As if on cue, on Wednesday, Syrian President Bashar al-Assad arrived in Moscow hoping to persuade Russia to sell him sophisticated air-defense systems — and reportedly offering the Russian navy the use of one of its Mediterranean ports.

### [NATO ships enter Black Sea for exercises](#)

Three warships — from Spain, Germany and Poland — sailed into the Black Sea on Thursday. They are due to be joined by a U.S. frigate, the USS Taylor, later this week.

They are "conducting a pre-planned routine visit to the Black Sea region to interact and exercise with our NATO partners Romania and Bulgaria, which is an important feature of our routine planning," said Vice-Adm. Pim Bedet, deputy commander at allied maritime headquarters in Northwood, England.

However, the move risks increasing tensions with Russia which has deployed ships from its Black Sea fleet to the Georgian coast.

### [Iraq, China to ink Ahdab oil deal next week](#)

BAGHDAD - Iraq and China will sign a deal next week to develop the Ahdab oil field, restoring an agreement that was canceled after the 2003 U.S.-led invasion, an Iraqi spokesman said Thursday.

### [Wind firm seeks strategy shakeup](#)

One of Canada's up-and-coming wind power developers, EarthFirst Canada Inc. , has called in consultants to look for "strategic alternatives" after its key project in British Columbia was hit with cost overruns and a lowered estimate of potential energy

production.

EarthFirst's predicament underlines the precarious economics of the wind business - especially for small developers - even at a time of booming growth for the industry.

### [Toronto's mysterious bicycle thief](#)

Since Kenk's arrest, theories about his hoarding have proliferated. Because Kenk held a scrap metal dealer's license, Evans speculates that he was playing the commodities markets, waiting for another spike in metals prices before melting down the bicycles.

In the past, Kenk has said that he was accumulating bicycles in preparation for a severe oil shortage.

### [Making Terra Preta Soil: Ramona's Recipe for Home-Made Dirt](#)

Banging on charcoal early in the morning on Sunday is the reason that my recipe for terra preta calls for either very understanding or else hard-of-hearing neighbors. Think drums, but without the rhythm or resonance that give drums their redeeming social value. Fortunately for us, no one called the noise police. I can tell you, we would never have gotten away with that in Germany, where I lived for two years (very **\*\*quiet\*\*** years – well, mostly), and where folks deeply resent it when people raise an unholy ruckus on Sundays.

### ['Clock ticking' on global warming: UN climate chief](#)

ACCRA (AFP) - Time is running out in the fight against global warming, the UN's top climate change official warned as a new round of UN talks got started here Thursday.

"There is little time left to get a solid negotiating text on the table. Clearly the clock is ticking," said Yvo de Boer, executive secretary of the UN Framework Convention on Climate Change.

"People in a burning house cannot afford to lose time in an argument," he said, citing an Ashanti proverb.

### [Warming threatens crucial Himalayan water resources, forum told](#)

STOCKHOLM (AFP) - Climate change poses a serious threat to essential water resources in the Himalayan region putting the livelihoods of 1.3 billion people at risk, experts said Thursday.

The mountainous region, home to the world's largest glaciers and permafrost area outside the polar regions, has seen rapid glacial melting and dramatic changes in rainfall, experts at the World Water Week conference in Stockholm said.



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