



DrumBeat: September 1, 2008

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Topic: [Miscellaneous](#)

[Oil Prices and the Mayflower Problem](#)

Do oil prices really tell the market what it needs to know when it needs to know it?

In a parallel universe far, far away where neoclassical economists run everything and conditions allow for perfect markets and perfect information, finite energy resources gradually climb in price as they are depleted. This encourages the development of substitutes over time and results in a smooth transition from one energy system to another.

Back on Earth events in the energy markets are moving along a trajectory quite different from that of our doppelganger universe. This is much to the chagrin of earthbound neoclassical economists who, as it turns out, run practically everything here when it comes to government economic policy and corporate management. Until recently the real prices of oil and natural gas had been declining for more than a century, and the neoclassical economists took this as an indication that technology was expanding the resource base by making more and more of these fossil fuels extractable.

[BP PLC Long-Term Rating Cut To 'AA' On Performance And Benchmarking; Outlook Stable](#)

Standard & Poor's Ratings Services said today that it lowered its corporate credit ratings on international oil and gas supermajor BP PLC and its U.S. and U.K. affiliates, including Jupiter Insurance Ltd., to 'AA' from 'AA+'. We also lowered the long-term corporate credit rating on BP Finance PLC to 'AA-' from 'AA'. The downgrades follow our review of the company's business and financial performance and comparison with those of other major integrated oil companies.

[Venezuela's Chavez threatens to expel US ambassador](#)

CARACAS (Reuters) - Venezuelan President Hugo Chavez threatened to expel the U.S. ambassador in a dispute over drug-trafficking that could worsen already frayed ties between the South American nation and its biggest oil customer.

Chavez, who spars with the United States over everything from oil prices and free trade to democracy, has made similar threats before without following through on them.

[Mexico's Cantarell Field loses production at a rate equal to 30% of Shell's Perdido project, in just one month!](#)

PEMEX recently announced that Cantarell Field produced just 1,010,000 barrels of oil per day in July, versus 1,050,000 barrels per day in June. That's a drop of 40,000 barrels per day, in just one month. Now, an oilfield's production does fluctuate month-to-month, but to put this into perspective, a loss of 40,000 barrels per day is equal to 30% of the estimated peak production rate from Shell's Perdido project, which is being constructed in 8000' of water near the international boundary with Mexico!

[Libyans to get oil cash directly - Gaddafi](#)

Libyan leader Muammar Gaddafi has promised to distribute oil revenues to all citizens as part of sweeping economic and political reforms.

[China raises, extends fertiliser export duties](#)

SHANGHAI (Reuters) - China will raise export duties on nitrogenous fertilisers to 150 percent by the end of the year to curb outflows, the official Xinhua news agency reported on Saturday, as the country seeks to control agricultural costs.

The increase, which will also apply to synthetic ammonia, will be in effect from Sept. 1 until Dec. 31, while a 100 percent duty on other fertilisers will be extended for an extra two months to Dec. 31, the report said.

China, the world's largest fertiliser market, slapped an extra 100 percent duty on fertiliser exports in April, with effect to Sept. 30, lifting tariffs as high as 135 percent for some products such as urea to keep more production at home.

[Keeping Iraqi gas stations legitimate is a full-time job](#)

BAGHDAD — While \$4 a gallon gas is causing headaches at U.S. stations, Iraqis here are relieved when it only costs them \$12 a gallon.

That's because while the government-mandated price of gasoline is 4,500 dinar a liter, purchasing fuel often involves illegal pumping fees, black-market mark-ups and straight-up bribes to unscrupulous station managers.

[Kenya: KPLC lures consumers to night-time electricity](#)

Homes and businesses currently buckling under high electricity bills face the promise of some relief following a decision by KPLC to cut by a third the cost of night-time electricity, opening the door to lower bills for those who can find ways of switching to overnight consumption.

The new tariff scheme, which KPLC has decided to pilot with a few manufacturers in Nairobi would open the door to cheaper electricity between 10 p.m and 6 a.m, allowing families to run washing machines or ovens overnight.

[Review: 'The Long Descent' by John Michael Greer](#)

The Internet writings of John Michael Greer—beyond any doubt the greatest peak oil historian in the English language—have finally made their way into print. Greer's searingly perceptive blog entries on peak oil, which for the past several years have enjoyed a robust online following, have now been incorporated into a single bound volume from New Society Publishers titled The Long Descent.

Greer fans will recognize many of the book's passages from previous essays, but will be delighted to see them fleshed out here with additional examples and analysis. Casual bookstore browsers with no prior knowledge of Greer's work, for their part, will happily find themselves in possession of as fine a treatise on peak oil, or introduction to Greer's ideas, as one could possibly desire.

[What my congressman does \(and does not\) know about energy](#)

Last week I participated in an energy forum sponsored by a congressional candidate from my district. In preparation I thought it would be useful to understand the positions of his opponent, the incumbent, on energy issues. Fortunately, the incumbent had done a lengthy interview with our local National Public Radio station earlier in the summer.

I confess that my expectations about energy literacy among most people are quite low. And, I wouldn't expect most members of Congress to understand energy very well either unless they serve on committees that deal with energy issues. But my congressman, Fred Upton of Michigan, is the ranking Republican member on the Subcommittee on Energy and Air Quality. So, I expected that he would have a pretty good handle on basic information about energy, at least in the United States.

[County Public Works avoids possible road oil shortage](#)

McPherson, Kan. - As other counties scurry to move-up road maintenance in anticipation of a possible decline in the supply of road and base oil, McPherson County Public Works Director Tom Kramer breathes a slight sigh of relief.

In July, Tulsa-based crude-oil marketer SemGroup filed for bankruptcy, throwing the

oil industry and its subsidiaries into a tailspin.

Many Kansas counties contracted with SemGroup for base oil, the oil used in road repair and maintenance, and the company's Halstead plant gave counties quick access without additional transportation costs.

SemGroup's bankruptcy resulted in some counties' road oil orders being cut or amended.

[A geopolitical tsunami: Beyond oil in world civilization clash](#)

Oil as the cheap energy source has stoked industrial society for a century. However, ominous signs of oil depletion are beginning to appear, in fulfillment of M. King Hubbert's "Peak Oil" theory. The implications of increasingly scarce oil supplies are catastrophic for the maintenance of industrial societies' economic development. Even more, the anticipated economic development of the less developed countries is critically threatened. These less developed countries have set their will towards becoming industrialized, similar to that of the Western more developed countries. However, the stark facts of oil depletion herald considerable barriers to thwart the universalization of economic development to the less developed nations as oil prices skyrocket. This may all come together to facilitate civilization clash, as each political bloc frantically strives to secure the world's oil resources, or at least the reliable supply of oil at the best price. Cohering nations may forge continent-wide civilization superpowers, for self advantage in the imminent new worldwide post-oil era, when abundant and cheap supplies of oil cannot be taken for granted. This may prove to be a contest of how the newly formed superpowers will cooperatively work together or aggressively compete with each other.

[Cold winter fear grips Turkey](#)

With a looming energy crisis on the horizon with Russia, Turkey has started looking for alternative suppliers for its energy needs, especially in natural gas. Turkey's balanced approach to Russian-Georgian conflict has been put under increasing strain with Russia beginning to utilize economic tools to pressure Turkey.

[Electricity crisis in Kosovo gets worse](#)

PRIŠTINA -- Power supply in Kosovo has deteriorated with a failure of a power plant yesterday, reports say.

The Kosovo energy corporation announced that one of the blocks of Power Plant Kosovo has been shut down last night. The repairs that are underway are expected to last until this evening.

The shutdown has led to a near collapse of the already poor power supply system in the province.

[Mexico's energy integration ambitions](#)

Whether it's gas pipelines or power lines, Mexico is taking more and more steps toward energy integration with its neighbors.

[Australia: Food prices to soar under Rudd made pressure](#)

The Shadow Minister for Water Security, John Cobb said after only nine months in office Prime Minister Rudd has already conceded defeat and has claimed there is nothing he can do about escalating food prices – despite promising cheaper groceries and fuel before the last election.

[Dominican drivers, homemakers again face propane gas shortage](#)

SANTO DOMINGO - As of today Monday the country will face a new round of shortages of propane gas (GLP), which began Saturday in the stations in the National District, and there's concern that hundreds of public passenger vehicles that use it as fuel won't be able to provide service.

[Mandatory national speed limit faces scrutiny](#)

Some legislators are pushing for a national speed limit of 55 mph reminiscent of the 1970s to promote better fuel efficiency and more safety on the roadways, but the idea is catching scrutiny.

Many agree that, although a mandatory national speed limit may be a bandage for the energy crisis, it is not the best option.

[Russian gas oil, gasoline exports fall in Aug](#)

MOSCOW (Reuters) - Russian exports of gas oil and gasoline fell in August due to higher customs duties and increased demand for the fuels on the domestic market, data provided by the Energy Ministry showed.

Russian oil companies exported 86,219 tonnes per day of gas oil in the first 27 days of August, down by 5.7 percent from 91,390 tonnes per day in the first 30 days of July.

Exports of gasoline, which usually amount to just around 10 percent of total sales of the fuel, fell by 14.7 percent to 9,167 tonnes per day from 10,740 tonnes per day in July.

[Oil falls as Gustav shows no sign of strengthening](#)

LONDON (Reuters) - Oil fell on Monday as Hurricane Gustav showed no signs of picking up more strength as it barrelled toward the Louisiana coast after forcing the shutdown of nine refineries and nearly all U.S. Gulf of Mexico oil production.

[Angola: oil price fall proves supply was enough](#)

LUANDA (Reuters) - The fall in the price of oil from record highs proves that prices were being driven up by speculators and not because of a shortage of supply, Angola's Finance Minister was quoted as saying.

'Today, when I look at the correction in oil prices ... I feel perfectly comfortable with what The Organization of the Petroleum Exporting Countries (OPEC) said a few months ago,' Jornal de Economia e Financas quoted Jose Pedro de Morais as saying.

[Kazakh oil and gas worries: Georgian conflict may jeopardise Caucasus energy corridor](#)

The latest events in the Caucasus jeopardise many of Kazakhstan's plans with respect to transportation of its strategic goods – oil and gas – by the southern route. The Caucasian corridor that Kazakhstan considered until recently, as an alternative transport route may prove the most unreliable.

[Rocky Mountains facing oil threat](#)

A key issue in the US presidential campaign has been the United States' reliance on dwindling foreign oil supplies and the wisdom, or otherwise, of more drilling at home.

The Rocky Mountains in the US are said to contain about a tenth of the country's untapped oil and a third of its natural gas reserves.

[A Compelling Energy Ratio](#)

But whatever happens to the price of oil, the price of natural gas relative to oil is at historic lows as pointed out this week by Bespoke Investments. Given that cooler weather will begin to make itself felt in the weeks to come, the prognosis for natural gas looks promising. While oil has lost just over 20% of its value since the end of July, natural gas is down 42% from its peak.

[Tipping point in the oil crisis](#)

The depletion of the world's petroleum resources was first forecast in the 1950s by Dr M. King Hubbert. The point of maximum production (known as the Hubbert Peak) coincides with the midpoint of depletion – when half of all resources have been used. It is generally accepted that US oil reserves passed the Hubbert peak in the '70s.

Ignoring the warnings, America and the world continues to gorge itself on oil, turning isolated strips of desert into crudely conspicuous concentrations of egregious opulence. Oilman T. Boone Pickens calls this the largest transfer of wealth in human history – about \$700B a year, four times the cost of the Iraqi War.

[Move beyond oil, realistically](#)

In our national discussion about offshore oil exploration, there is a point that should be getting more notice. There are two robust global dynamics at work; in the long run one or the other will bring to an end our global dependence on fossil fuels. Civilization may endure, but it will not be running on oil.

One of these dynamics goes by the name of "peak oil." An oil field has a life cycle; after discovery, production begins and increases, it reaches a peak, then it starts to decline as the field plays out.

[Post Oil Solutions planning fall fundraising events](#) (Vermont)

Post Oil Solutions will sponsor three fundraisers this fall for its new Food Security Project. As part of its larger Regional Food Sustainability Campaign, the goal of which is to help the people of the Windham County region become increasingly food self-sufficient, the FSP is a multi-pronged effort at producing locally-produced food for low-income neighbors. Staffed by three VISTA volunteers and the POS community organizer, the project's major goals are to provide food for area food shelves, homeless shelters and soup kitchens through gleaning projects and community gardens; organize resident-run community gardens in low-income communities, including container gardens; sponsor workshops in low-income communities on gardening, canning, root cellaring and cooking; and initiate a major Independence (from fossil fuels) Garden campaign that would encourage everyone to have a garden -- by themselves, or collaboratively, with neighbors -- and to grow a row or two to share with others.

[Extreme and risky action the only way to tackle global warming, say scientists](#)

Political inaction on global warming has become so dire that nations must now consider extreme technical solutions - such as blocking out the sun - to address catastrophic temperature rises, scientists from around the world warn today.

[World's glaciers facing huge threat: UN](#)

GENEVA (AFP) - The United Nations said Monday that swathes of mountain ranges worldwide risk losing their glaciers by the end of the century if global warming continues at its projected rate.

The UN Environment Programme (UNEP) said in a report that whilst nature has always observed a certain periodic rate of deglaciation, the current trends observed from the Arctic to Central Europe and South America are of a different order.

"The ongoing trend of worldwide and rapid, if not accelerating, glacier shrinkage on the century time scale is most likely to be of a non-periodic nature, and may lead to the deglaciation of large parts of many mountain ranges by the end of the 21st century," the report warned.



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