



DrumBeat: October 16, 2008

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Topic: [Miscellaneous](#)

[The Peak Oil Crisis: The Crash of 2008](#)

Despite the dramatic drop in oil prices during the last three months, recent developments have only made the supply and demand situation worse. Oil consumption in the U.S. has fallen by 1.8 million barrels a day (b/d) or nearly 9 percent as compared to last year due to a combination of high prices, a slowing economy, and the shortages resulting from the hurricanes that tore up Gulf coast production and refining last month. During September, however, Chinese imports increased by 2 million b/d as Beijing took advantage of the low prices to start building its strategic reserves -so much for falling American demand. The major oil forecasting agencies are now saying that the increase in worldwide demand for oil will slow from rates seen in recent years, but that worldwide oil consumption is still forecast to increase this year and next.

[Report says Arctic temperatures at record highs](#)

WASHINGTON - Autumn temperatures in the Arctic are at record levels, the Arctic Ocean is getting warmer and less salty as sea ice melts, and reindeer herds appear to be declining, researchers reported Thursday.

..."Changes in the Arctic show a domino effect from multiple causes more clearly than in other regions," said James Overland, an oceanographer at the National Oceanic and Atmospheric Administration's Pacific Marine Environmental Laboratory in Seattle. "It's a sensitive system and often reflects changes in relatively fast and dramatic ways."

[Second attack made on Canadian gas pipeline](#)

VANCOUVER, British Columbia (Reuters) - There has been a second attempt in less than a week to bomb a natural gas pipeline in northeastern British Columbia, police said on Thursday.

The pipeline, near the town of Dawson Creek, was damaged in the incident but did not rupture, the Royal Canadian Mounted Police said. The pipeline is owned by EnCana Corp.

Details remained sketchy, but police said the incident happened late on Wednesday or

early Thursday, and appeared to be similar to an attempt to bomb a pipeline in the Dawson Creek area on Saturday.

[Qatar Expects OPEC to Cut Oil Output by 1 Million Barrels a Day](#)

(Bloomberg) -- OPEC will likely cut oil output by 1 million barrels a day at its Oct. 24 meeting to check the drop in prices, Qatari Oil Minister Abdullah al-Attiyah said.

``It will be one million, or more," he told Qatar's al-Jazeera television channel. ``Prices have fallen a lot and we need to take measures."

[OPEC should cut oil output: Ecuador](#)

QUITO (Reuters) - OPEC should cut oil production at its next meeting as crude prices fall sharply over fears of a global economic downturn, Ecuador's Oil and Mines Minister Derlis Palacios told Reuters on Thursday.

...He said if oil prices keep falling, Ecuador would be forced to adjust its national budget for 2009.

[Angola oil exports up at 1.84 mln bpd in Dec-traders](#)

LONDON (Reuters) - Angola is set to export about 1.84 million barrels per day of crude oil in December, up from the estimated 1.74 million barrels per day in the shorter month of November, traders said on Thursday.

The December volume is an increase from November but is still down on the levels seen earlier this year.

[Morgan Keegan cuts oil services cos on recession fears](#)

(Reuters) - Morgan Keegan analyst Michael Drickamer downgraded the oilfield services industry, and said shares of companies in the sector are not set to rebound from current lows in the face of a looming global recession.

[Ethanol pipeline test a success, says Kinder Morgan](#)

Kinder Morgan Energy Partners LP says it has successfully tested what could become the nation's first transmarket ethanol pipeline.

[Oil falls below \\$69](#)

NEW YORK (CNNMoney.com) -- The price of oil continued to fall Thursday after a government report showed the nation's supplies of crude and gasoline grew more than expected last week.

Light, sweet crude for November delivery was down \$4.73 to \$68.87 a barrel on the New York Mercantile Exchange. Oil was down \$1.34 a barrel just before the report was released at 11 a.m. ET.

The drop brought prices to levels not seen in more than a year. The last time oil settled at these levels was on August 22, 2007 when it closed at \$69.26. It has lost about half of its value since hitting an all-time high above \$147 a barrel in July.

Thursday's inventory report was "very bearish," said Phil Flynn, senior market analyst at Alaron Trading in Chicago. "There's a lot of supply hitting the market at a time when demand is questionable."

[EPA slashes lead limit in air by 90 percent](#)

WASHINGTON (AP) -- The Environmental Protection Agency is setting a new health standard for lead to slash the amount of the toxic metal in the nation's air by 90 percent.

EPA officials, who were under a federal court order to set a new standard by midnight Wednesday, said the new limit would better protect health, especially children.

[Iraqi official: \\$100 a barrel is 'fair'](#)

BAGHDAD (AP) -- An Iraqi official says Iraq believes that the \$100 a barrel is a "fair and acceptable" oil price for both producers and consumers.

Oil Ministry spokesman Assem Jihad says that if crude prices continue to fluctuate, OPEC will cut its production.

[OPEC says reschedules emergency meeting to Oct. 24](#)

LONDON (Reuters) - The Organization of the Petroleum Exporting Countries said on Thursday it had brought forward an emergency meeting to discuss the impact of global recession on oil markets to Friday next week.

Pressure has been mounting within the 13-member group to reduce supplies as oil prices have fallen by around 50 percent from an all-time high of \$147.27 hit in July following the global economic slowdown which is expected to eat into demand.

A statement from the Vienna secretariat on Thursday said only that the OPEC secretary general, following consultations with other ministers, had decided to reschedule a meeting planned for Nov. 18 to Oct. 24.

[Norway plans no oil output cuts, minister says](#)

OSLO (Reuters) - Norway's oil minister said on Thursday that the non-OPEC country had no plans to cut oil production due to falling crude prices.

Norway is the world's fourth biggest oil exporter, exporting most of its 2 million barrels per day production.

[UK's Brown urges retailers to cut petrol price](#)

BRUSSELS (Reuters) - Prime Minister Gordon Brown urged British retailers on Thursday to cut petrol prices to reflect the drop in the oil price.

Brown also said that, despite the halving of the oil price from a high of \$147 a barrel in July to under \$74 for U.S. crude on Thursday, oil prices were "still too high".

[OPEC President Says Oil's `Ideal' Price Is \\$70-\\$90 a Barrel](#)

(Bloomberg) -- The ``ideal" price for crude oil is between \$70 and \$90 a barrel, OPEC President Chakib Khelil said today.

The Organization of Petroleum Exporting Countries hasn't decided the size of an output cut it may opt for at a meeting in Vienna next month, Khelil told reporters at the Hassi Rmel gas fields.

``No-one can say how much," said Khelil, who also doubles as Algeria's oil minister. ``The decision is made in the meeting."

[China's Shrewd Long-Term Oil Plan: What America Can Learn](#)

The important thing for investors to understand now is that oil ownership, as I have said for many years, is an illusion. It does not guarantee price, nor profit. What really matters in the end is having secure supply lines and sources from the Middle East (and other parts of the world).

[American, Delta earnings hit hard by high fuel prices](#)

American Airlines parent AMR swung to a third quarter profit thanks to the sale of its money management subsidiary, but excluding one-time accounting items both it and rival Delta reported big third quarter losses.

Like airlines around the globe, American and Delta were hammered this summer by record fuel prices and refining costs. Crude peaked at \$147 early in the third quarter, and the so-called "crack spread" — the added cost of turning crude into jet fuel — that historically was less than \$10 a barrel reached \$70 at one point this summer.

[Nuclear Reactors May Supply a Fifth of Power by 2050](#)

(Bloomberg) -- Nuclear reactors may produce more than a fifth of global electricity by 2050 as demand for power rises in countries such as China and India, according to a report by the Organization for Economic Cooperation and Development.

[Shell Quadruples Renewable-Energy Project Spending](#)

(Bloomberg) -- Royal Dutch Shell Plc, Europe's largest oil company, has quadrupled spending on renewable energy projects this year to meet rising demand and a global target of halving emissions by 2050.

[Time to banish the god of growth](#)



IMAGINE an industry that runs out of raw materials. Companies go bust, workers are laid off, families suffer and associated organisations are thrown into turmoil. Eventually governments are forced to take drastic action. Welcome to global banking, brought to its knees by the interruption of its lifeblood - the flow of cash.

In this case we seem to have been fortunate. In the nick of time, governments released reserves that should with luck get cash circulating again. But what if they hadn't been there? There are no reserves of fish, tropical hardwoods, fresh water or metals such as indium, so what are we going to do when supplies of these vital materials dry up? We

live on a planet with finite resources - that's no surprise to anyone - so why do we have an economic system in which all that matters is growth (see "[Why our economy is killing the planet and what we can do about it](#)")? More growth means using more resources.

When the human population was counted in millions and resources were sparse, people could simply move to pastures new. But with 9 billion people expected around 2050, moving on is not an option. As politicians reconstruct the global economy, they should take heed. If we are to leave any kind of planet to our children we need an economic system that lets us live within our means.

(Many of the stories in this special report are behind a paywall, but a few are free.)

[Oil falls to 14-month low on bad US economic data](#)

VIENNA, Austria - Oil prices fell to a 14-month low Thursday as bad U.S. economic news stoked fears that a significant global economic slowdown will undermine demand for crude.

Concerns over the economy overrode growing expectations that the Organization of Petroleum Exporting Countries could opt to cut back production in an effort to shore up prices.

Light, sweet crude for November delivery was down US\$2.44 to US\$72.10 a barrel in electronic trading on the New York Mercantile Exchange by noon in Europe. The contract fell overnight US\$4.09 to settle at US\$74.54, the lowest settlement price since Aug. 31, 2007.

Oil prices are now half of the peak they reached in mid-July.

[Drill-baby-drill, meet \\$75 oil](#)

NEW YORK (CNNMoney.com) -- "Drill-baby-drill!"

With the price of oil falling below \$75 a barrel Wednesday - down about 49% from last summer's highs - the industry's battle cry is sounding less and less convincing.

But falling oil prices are not the only reason why the air is coming out of the drilling balloon. The credit crunch has hampered oil company's ability to fund big-ticket drilling projects. Meanwhile, the prices that producers pay for raw materials and labor remain high.

"Any project that assumed oil would average \$100 over the next 10 to 20 years is being seriously reconsidered at this time," said Richard Ward, senior cost analyst at IHS Cambridge Energy Research Associates (CERA).

As recently as July, tapping deep water sources and extracting crude from Canadian oil sands - two very expensive production methods - were seen as economically viable

ways to deal with the energy crisis. At that time, the price of oil was above \$140 a barrel.

Now that the price has fallen below \$75 a barrel, and could go even lower, many experts say the future of these projects is uncertain.

[Positive Outlook Amid Plunging Prices: Industry Forges A Productive Future](#)

Despite the U.S. commodity market's financial slump, with both prices and spirits sunk to all-time lows, the petroleum industry is forging ahead to build on its production and operational position to fulfill worldwide energy needs.

In fact, the energy industry has helped to buoy the economy throughout recent market meltdowns and has provided its own saving grace in the midst of a sluggish national job sector. According to Reuters, Houston, home to one of the fastest growth rates

[Russian Stocks Tumble With World Markets as Crude Oil Retreats](#)

(Bloomberg) -- Russian stocks fell to the lowest in three years, led by OAO Rosneft and OAO Lukoil, as sinking oil prices hurt the outlook for Russia's economy.

[U.S. Consumer Prices Probably Tempered By Cheaper Fuel Costs](#)

(Bloomberg) -- Plummeting fuel costs probably restrained prices paid by U.S. consumers in September, signaling a slowing economy diminished the threat of inflation, economists said before a report today.

The cost of living increased 0.1 percent after a 0.1 percent drop in August, according to the median forecast of 75 economists in a Bloomberg News survey. Other reports today are projected to show manufacturing contracted for a second month, and job losses remained elevated.

[In global crisis, oil insulates Gulf](#)

Economists say that Arab states such as Saudi Arabia will feel the pinch, but a year of record oil prices provides a deep cushion.

[Falling oil prices make Iraq revisit budget](#)

BAGHDAD - A steep drop in the price of oil may force Iraq to scale back its \$79 billion

budget for 2009, the Finance Ministry said Wednesday.

Also, a U.S. projection for a cumulative \$79 billion budget surplus this year based largely on oil revenues is now unlikely. The surplus projection by congressional auditors brought angry demands from Americans for Iraq to shoulder more of the financial burden of reconstruction.

Last month, the ministry set next year's budget at nearly \$79 billion based on expectations that the average price per barrel of oil would not drop below \$80. But on Wednesday, oil for November delivery was trading around \$76 per barrel — far below a record \$147 in July. Oil revenues represent more than 90 percent of the national budget.

[Russia May Need to Cut 2009 Spending Amid Falling Oil Prices](#)

(Bloomberg) -- Russia, the world's biggest energy exporter, is facing shrinking government revenue as concern that the global economy may slip into recession pushes down oil prices.

The price of Urals blend of crude fell to \$68.71 a barrel today, the lowest level this year, after peaking at \$142.50 a barrel in July. It has averaged \$106.85 a barrel since the beginning of the year, according to Bloomberg data.

[Credit crisis redirects companies' game plans](#)

WHO Encana Corp., Canada's largest independent oil-and-gas producer

CHANGE Delaying plans to split into two independent companies due to tightness in credit markets

WHO CI Financial Income Fund, Canadian independent mutual fund manager

CHANGE Reverting to a corporation from an income fund to take advantage of acquisition opportunities as they arise

[ACP Leaders Want Global Strategy for Oil Prices](#)

African, Caribbean and Pacific (ACP) Leaders have called on the international community to agree on a global strategy to stabilise oil prices at affordable levels in order to protect the growth prospects of the developing countries.

[India has no immediate plan to cut fuel prices: Govt](#)

NEW DELHI: India has no immediate plans to cut fuel prices despite crude oil's fall to a 13-1/2 month low near \$72 a barrel, oil minister Murli Deora told reporters on Thursday.

He said a cut in prices would not be considered unless the price of crude oil imported by Indian refiners fell to \$61 per barrel.

[Russia opens up new Siberian oil frontier](#)

VERKHNECHONSKOYE OILFIELD, Russia, Oct 16 (Reuters) - It's very cold, very old and rather salty. And that's just the oil.

Russian oil major TNK-BP has just brought on stream a pioneering big new oilfield in eastern Siberia, part of a wave of development overcoming huge technical challenges to open up some of this vast country's most inaccessible crude reserves.

[Kuwait Has `Alternative Plan' If Oil Workers Strike](#)

(Bloomberg) -- Kuwait National Petroleum Co., the state-run refiner, has an ``alternative plan" to ensure the country's three oil refineries and exports suffer minimum impact by a workers' strike planned for Oct. 19.

``We have an alternative plan, or scenario, to ensure the refineries will have the minimum impact," KNPC Deputy Chairman Asaad al-Saad said today in a phone interview. ``The impact will depend on how the strike will happen, if it is total or minimum. There will never be a total shutdown," he said.

[Kuwait's Oil Refineries Run at 63% of Capacity After Power Cut](#)

(Bloomberg) -- Kuwait's three oil refineries are running at 63 percent of capacity, three days after a power failure halted operations.

``We're now producing 587,000 barrels" a day, compared with full capacity of 936,000 barrels a day, Kuwait National Petroleum Co. spokesman Mohammed al-Ajmi said today by telephone. ``Shuaiba is running at full capacity and Mina Abdullah is almost at full capacity. Mina Al-Ahmadi is a longer process than the other refineries."

[Russia's antitrust body may take action against five oil giants](#)

MOSCOW (RIA Novosti) - Russia's antimonopoly watchdog could take new legal action against the country's five largest crude producers unless they cut oil prices within two weeks, the head of the Federal Antitrust Service (FAS) said on Thursday.

"I will write letters to the five largest oil companies saying that unless they voluntary cut prices for oil products, the FAS will bring new legal action against them, and the threat of administrative fines," Igor Artemyev said.

[Omar strengthens into major hurricane](#)

SAN JUAN (Reuters) - Hurricane Omar swirled away from the small Leeward islands in the northeastern Caribbean on Thursday after strengthening into a major Category 3 storm and threatening to bring torrential rains that could trigger floods and mudslides.

The 15th tropical cyclone of a busy Atlantic hurricane season, Omar formed north of the Dutch island of Curacao on Tuesday, briefly disrupting oil operations in Venezuela and shut down processing units at a refinery in the U.S. Virgin Islands.

[Pakistan gets help from China for ailing economy](#)

BEIJING — Pakistan's president Wednesday won more help from longtime ally China as his country grapples with an ailing economy and chronic electricity shortages, though the prospect of a much anticipated civilian nuclear deal remained uncertain.

[Chinese Exports Slowed By Global Economic Woes](#)

Even China isn't immune to the world's economic hangover. The country's export growth in September is 4.2% less than for all of 2007 and 11.2% less for exports to the U.S., specifically, according to China's customs bureau. In fact, China will see its economic growth slowed by .3% in 2008, compared to a 2.6% jump in growth in 2007.

Economists Jeff Rubin and Benjamin Tal argue that China's trade slowdown can be attributed to fuel and shipping costs. In their piece titled "Will Soaring Transport Costs Reverse Globalization?" they point out that a standard 40-foot container shipping from Shanghai to the Eastern seaboard of the U.S. cost \$3,000 in 2000, when oil was at \$20 a barrel. As the price of oil soared earlier this year, the cost to ship that container jumped to \$8,000 – and will cost \$15,000 should oil ever hit \$200 a barrel. Oil prices have since come back down (a little over \$80 a barrel at the beginning of the week), but the economic alarm has hurt China in the short-term and portends greater damage in the long-term. "Ultimately," write the CIBC World Markets economists about past oil shocks, "soaring transport costs were borne by consumers, and markets responded accordingly, substituting goods that could be sourced from closer locations than half-way around the world carrying hugely inflated freight costs."

[Market crisis to hit R&D spending, says EU](#)

R&D investment by the world's biggest companies rose a torrid 9 per cent last year – but the current financial crisis is likely to hit industrial spending on future research, said the European Union's top research official.

[European Oil Companies Plunge as Crude Price Declines](#)

(Bloomberg) -- The Dow Jones Europe Stoxx Oil & Gas Index dropped, led by Europe's two biggest oil companies, as crude prices sank to the lowest in more than a year on concern the global economy will slide into a recession.

[Diesel fuel shortage felt across North America](#)

A diesel fuel shortage across Western Canada has many drivers nervous about the supply and whether it will dry up altogether.

[Prior to 3rd Presidential Debate, World Energy TV Interviews Matt Simmons, Clayton Williams and Others](#)

Oil investor Matt Simmons asserted that about half of Obama's comments make some sense, and only about 10 percent of McCain's make sense. Rod Erskine of Erskine Energy, by contrast, believes that "McCain has a little better handle on energy than Obama does, but I don't think either candidate -- or the American public -- really understands what it takes to drill for, find and develop oil and gas."

[First global crisis of century harrowing](#)

Whether we will go through a major recession, long and deep, or even a depression, what might emerge is the realization that our society is much poorer than we had realized. The housing bubble, credit crunch and stock market crash have wiped out trillions of dollars and this will not go unnoticed.

This is truly the first global crisis of the 21st century. It is not climate change. It is not pollution. It is not a fresh water crisis. It is not a food crisis, notwithstanding current food security issues in several countries. It is not an energy crisis, although energy prices might have played a major role in bursting the U.S. housing bubble. It is an economic crisis of epic proportions that questions the very economic system we chose to build. The house of cards called Wall Street and banking sector has tumbled. The Ponzi scheme has been revealed.

[Climate Change, Global Credit Crisis Deepen Poverty and Hunger in East Timor](#)

Aid agencies warn that East Timor faces a food crisis and more than half of its youngest

children are going hungry as global food prices soar. A new survey reveals that more than 70 percent of households across East Timor are unable to find enough to eat each day for almost half the year. From Sydney, Phil Mercer reports.

A group of international aid organizations says that East Timor's "hungry season", which usually lasts for a couple of months, now extends for almost half of the year.

[Billion go hungry as rich countries fail to pay up, Oxfam says](#)

Five months after countries pledged to give more than \$12bn (£6.9bn) to address the global food emergency, less than \$1bn has been given, according to Oxfam.

In a report to coincide with World Food Day today, the international aid charity berates rich countries for failing to respond speedily or adequately to soaring food and fuel prices.

[Richard Heinberg: Food Crisis on the Way](#)

A perfect storm is brewing in the global food system, and North Americans and Europeans may not be spared this time.

[Greening Big Oil?: *The Difference Between Changing Image and Changing Actions*](#)

Chevron launched its "I will" campaign last month in Washington, Houston and cities throughout California. The new ads continue the oil company's "Power of Human Energy" ad campaign that began about a year ago. Through TV spots, print ads, billboards and a website called Will You Join Us, Chevron says it seeks to raise awareness about energy conservation and efficiency.

But exactly how green can an oil company claim to be? And will consumers buy its claims?

[How to survive the energy crisis](#)

Local businesses shared examples of energy saving changes they had made at a practical energy efficient workshop for businesses and institutions, held recently by the Biddeford-Saco Chamber of Commerce and Industry in collaboration with the Natural Resources Council of Maine. Over 40 people listened to suggestions and ideas that were presented at the workshop. With heating oil costs so high, and electricity costs due to increase shortly almost 30%, we need to increase energy savings in our office buildings, apartment houses, factories and homes.

[Growing Costs Slow County Road Projects](#)

Highway Commissioner Gary Kennedy says this year was the worst of 27 years he's spent with the Manitowoc County Highway Department. He lists a litany of problems.

"We had record snowfall, and because of then-record snowfall we had a salt shortage and we used up all our salt, and then came spring, then we had record floods, then came the asphalt prices went up 35 percent, and then diesel fuel prices went up another 35-40 percent."

[Chrysler shops for options](#)

Overall auto sales are expected to be 16% lower this year than last. Sales are expected to fall another 11% next year, according to market analysts at J.D. Power and Associates, as worried consumers continue to put off car purchases.

That kind of pressure threatens to kill off at least one of the major Detroit carmakers, Jim Hossack of the automotive consulting firm AutoPacific predicted, and with the steepest sales drops, Chrysler seems to be the weakest of the three.

[American Airlines to buy 42 jets](#)

DALLAS (AP) -- American Airlines says it will buy 42 Boeing 787-9 jets as part of a move to improve the fuel efficiency of its fleet.

American said Wednesday it expects to get the planes delivered from 2012 through 2018.

[Tesla CEO out, layoffs coming](#)

Maybe Tesla chairman Elon Musk flipped through the "R.I.P. Good Times" slide deck that Sequoia Capital showed its startup CEOs last week about the tough road ahead. Whether he did or didn't, Musk pulled a few pages from it, as he announced Wednesday on the Tesla blog that not only would there be layoffs at the electric car startup, he would be taking over as CEO from Ze'ev Drori and delaying the company's next vehicle.

[Ryanair refers 'profiteering' BP to UK regulator](#)

Ryanair announced today it has referred BP to Britain's Office of Fair Trading (OFT) for trying to put up delivery charges for aviation fuel at two airports by 50 per cent.

The budget airline accused Air BP of profiteering and using its monopoly position as fuel supplier at Belfast City and Prestwick airports to introduce unjustified increases.

Airline chief executive Michael O'Leary said: "Because they have a monopoly, they are determined to abuse it. We can't get a rational explanation from Air BP so we have asked the OFT to write to them and ask."

[Consultant: Green power a real threat to coal](#)

MORGANTOWN, W.Va. -- Solar power plants and other renewable energy sources are real, competitive threats that neither the coal industry nor the state's political and academic leaders should dismiss, a consultant warned Wednesday at the second West Virginia Coal Forum.

[California releases plan to cut greenhouse gases](#)

SACRAMENTO, Calif. - To reach its global warming goals, California must cut greenhouse gas emissions by about four tons per person, which would require cleaner cars, more renewable energy and a cap on major polluters, according to a state plan released Wednesday.

It's the first comprehensive effort of any state to reduce greenhouse gases in the absence of federal regulation. The plan to be voted on by the California Air Resources Board in December builds upon an earlier draft on ways to meet the global warming law signed by Gov. Arnold Schwarzenegger two years ago.

[EU leaders maintain climate targets, timetable](#)

BRUSSELS (AFP) - European Union leaders maintained Thursday their targets and the timetable for their climate change plans, despite objections from some nations, French President Nicolas Sarkozy said.

"I can confirm that the objectives remain the same, the calendar remains the same, now it's up to (us) to find solutions for those countries that expressed concerns," he said, at the close of an EU summit in Brussels.

"The climate package is so important that we cannot simply drop it, under the pretext of a financial crisis," Sarkozy, whose country holds the EU's rotating presidency, told reporters.



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