



DrumBeat: October 19, 2008

Posted by [Leanan](#) on October 19, 2008 - 10:20am

Topic: [Miscellaneous](#)

[Gazprom Debt Priced as 'Distressed' Amid Russian Market Turmoil](#)

(Bloomberg) -- Russia's worsening financial crisis drove the cost of protecting against a default by OAO Gazprom to more than 1,000 basis points, the level for borrowers that investors term ``distressed."

Credit-default swaps on Gazprom, the state-controlled monopoly for natural gas exports, climbed 79 basis points to a record 1,011, according to CMA Datavision.

Russia's main Micex Index of shares has lost more than 68 percent this year. Finance Minister Alexei Kudrin said he sees further declines because of the risks from the global credit crisis, Interfax reported. The government will invest 175 billion rubles (\$6.7 billion) in highly rated Russian securities next week, Kudrin told reporters in Moscow today.

[Interview: Lord Browne of Madingley on biofuels alarmism](#)

The IEA predicts global oil production will reach 116m bpd by 2030 - a level some have disputed. Do you believe production can rise this far? For how long can it be sustained?

I do not believe there are serious geological constraints in getting to that level. The biggest barriers are likely to be above ground, mostly stemming from politics associated with the growing concentration of oil and gas supplies. At the same time, oil demand is actually declining in the OECD - by 800,000 barrels or more this year. If a serious global slowdown occurs, demand growth will also fall in non-OECD countries. In my view, peak oil is more likely to occur because of falling demand rather than supply constraints.

[OPEC Plans to Cut Supply as Oil Prices Head Toward \\$50 a Barrel](#)

(Bloomberg) -- OPEC, the supplier of more than 40 percent of the world's oil, plans to cut output for the first time in almost two years as the worst financial crisis since the 1930s sends crude toward \$50 a barrel.

Options contracts to sell oil at \$50 by December soared 28- fold in the past two weeks on the New York Mercantile Exchange. Goldman Sachs Group Inc. and Merrill Lynch & Co. analysts say crude, which fell more than 50 percent from a record high in July to \$71.85 a barrel last week, may drop another 44 percent should the world economy slip into a recession.

[Oil majors to post bumper quarter amid crude crash](#)

The start of the third quarter in July, the month when U.S. crude oil CLc1 topped out at \$147, must seem a very long time ago for all energy producers now that a barrel goes for half that price.

So while they roll out more fat profits, some even setting new records, big oil companies will also face tough questions about what they plan to do with all the accumulated cash and how their outlook has changed now that crude and natural gas are trading near their lowest levels in more than a year.

[Venezuela Blackout Hits Capital Caracas, Eight States](#)

A nationwide power outage on a Sunday, when demand is low, is unusual, and authorities haven't discounted possible sabotage, he said.

The Venezuelan government is investing billions of dollars to modernize the country's electricity infrastructure to supply with increased demand.

[Shell denies selling stake in UK wind farm](#)

LONDON (Reuters) - British oil major Royal Dutch Shell has denied a report that it has withdrawn from the UK wind energy sector by agreeing to sell its stake in a project off the Blackpool coast to partners Scottish Power and Denmark's Dong Energy.

[Oil Industry Must Step Up Cooperation on Carbon, Executive Says](#)

(Bloomberg) -- Oil and gas companies need to step up cooperation with each other and with regulators on carbon capture and disposal to help address climate change, said Leo Roodhart, president of the Society of Petroleum Engineers.

[Analysis: What would the bank-bail out money buy for the environment?](#)

Countries could protect nature, help halt climate change, and provide food and clean

water for a billion people for little more than has been pledged to bail out the world's banks in the last week, according to a series of authoritative economic reports from the UN, world bodies, major charities and banks.

Estimates of the sum committed this week by governments to rescue the world's financial system range between \$2-4 trillion. Investment on this scale to reduce greenhouse gas emissions and protect nature would not only be repaid up to 100 times over, say the studies, but would also save trillions of dollars having to be spent later.

[Analysts: 1 million barrel OPEC cut not enough](#)

CAIRO, Egypt - A production cut of even 1 million barrels per day at OPEC's upcoming emergency meeting is unlikely to reverse slumping crude oil prices in the short term, said analysts Sunday, amid mounting calls by several cartel members to take decisive action to keep prices at the US\$80 per barrel level.

[OPEC Targets Higher Prices, Market In Flux](#)

Consumers at present are happy; their petrol bills at the pump have gone substantially down. This could be however only a short term gain, as a re-emerging economic growth worldwide will again be confronted by production shortages. Maybe it is better to reduce the current gains, get used to higher price levels and have enough oil production capacity for years to come. An additional gain of higher crude oil prices is the fact that alternative energy sources are being considered. Peak oil is still not a real fact of life, but on the long term, a decline of oil production will be. To counter a shutdown of the global economy at that time, new sources of energy need to be found. Without investments in all sectors, this will not be able to be done.

[Energy Security In Mexico: Problems and Implications](#)

With the 2004 peaking of Cantarell, the second most productive oil field in the world and the source of half of Mexico's oil, national production faces terminal decline. The ongoing decrease now confronting Mexico has been widely documented in the energy industry and has become part of the U.S. Energy Information Administration's (EIA) *International Energy Outlook 2008*. Further, energy security is the looming shadow over the scene. The rapid decline in Mexico's proven oil reserves, about 75% since 1997, is taking its toll and scheduled deliveries to several refineries in the U.S. were cancelled in July.

[China plans 150,000 km of oil and gas pipelines](#)

BEIJING (Reuters) - China will build a further 150,000 km (93,000 miles) of oil and gas pipelines in the next 12 years, the official Xinhua news agency said on Sunday, as the

energy-hungry nation looks to guarantee supplies.

China has already built pipelines to bring gas from its far western region of Xinjiang to its booming coast, and is also considering a crude oil and gas pipeline from Russia.

[Gazprom invited for geological prospecting on Alaska shelf-Miller](#)

MOSCOW (Itar-Tass) - Gazprom received an invitation to start geological prospecting on Alaska shelf, said Gazprom board chairman Alexei Miller in an interview with the Rossiya TV networks, circulated by the Gazprom press service.

Executives of the Russian company and specialists from other countries participated in a scientific seminar in Alaska on development of oil and gas deposits.

[State officials concerned over lower energy prices](#)

OKLAHOMA CITY (AP) — Lower oil prices will have an adverse effect on Oklahoma if they continue to fall, but officials say the decline in natural gas prices are a larger concern for the state treasury and the state economy.

[Indonesia: Fuel Lines](#)



Hundreds of motorcyclists and motorists queue for fuel at a gas station on Jl. Mayjen Wiyono in Malang, East Java.

[Capitalism isn't working](#)

THE FINANCIAL MELTDOWN: Special report on how the global economic recession is affecting us all ... from housing to food to the environment.

[Why do we need economic growth?](#)

With recession looming and unemployment rising, politicians and economists are trying to find ways of stimulating economic growth. But is growth a good thing? Does it have harmful consequences? Could we live without it?

[Financial woes a blow to Russia](#)

Analysts say the chain of debt crumpled when it was hit by an overlapping series of factors. In addition to the drying lines of credit:

- **Fuel:** The economy relies heavily on revenue from natural resources, and the price of oil plunged from a record high of \$147 in July to below \$80 last week.
- **Invasion:** After Russia invaded Georgia in August, many foreigners withdrew their money. Officials say \$16.7 billion left the country from July to September, and some analysts say the real figure is higher.

[How do we deal with an energy crisis?](#)

More than 30 years have passed since President Jimmy Carter called for the creation of a national energy policy to address the nation's greatest peacetime challenge of his life - ensuring reliable energy for the nation.

Carter's message went largely unheeded in Southern Illinois and elsewhere until recently, when working people began feeling the pinch of higher utility rates, skyrocketing gasoline prices and lost purchasing power for the oil-related necessities of life - food trucked to groceries and consumer goods hauled to stores.

[New answers to projected electric power shortfalls in Texas](#)

Most Texans have been lucky enough during the past decade to have the luxury of viewing the news about summer brownouts and nearly avoided rolling blackouts in other states from a safe and comfortably air-conditioned distance. Few outside of the energy industry and the state government are aware that this comfortable distance is steadily shrinking.

[Energy giants plot revival of coal power](#)

Britain's electricity generators are planning to build several coal-fired power stations despite the controversy over the greenhouse gas emissions that they would produce.

The firms say they need to replace existing coal-fired stations because so many are being closed by European directives aimed at cutting pollution.

[Federal Officials Seek to Relax Rules for Dumping Mine Waste](#)

WASHINGTON (AP) — The Interior Department has advanced a proposal that would ease restrictions on dumping mountaintop mining waste near rivers and streams, modifying protections that have been in place, though often circumvented, for a quarter-century.

['Energy independence' cry now takes a back seat](#)

When oil prices almost touched \$150 per barrel in mid-July, the cry for drill, drill, drill, resounded so shrilly that it became No. 1 on the presidential campaign hit parade. Even the House Democratic leadership caved in lest the Republicans ride this issue to victory in November.

But on the way to election day, “demand destruction” in the U.S. combined with the Chinese-buying hiatus during and after the Olympics to drive the oil per barrel price down to the \$70 mark, far lower than had been anticipated.

[Living Smaller: Big houses may someday look as outdated and impractical as big cars, for many of the same reasons](#)

The aftershock came in the form of a series of scientific disclosures about the deteriorating state of the physical environment, particularly global warming. Family cars, as well as power plants, were among the chief sources of carbon-dioxide emissions, so dependence on automobiles was seen as a problem once again. The more general issues of conservation of energy, physical resources, and land were also again raised, and critics were quick to point out that the suburban house lavishly consumed all three. The abundant resources that accounted for the success of the large single-family suburban house—unlimited land, cheap transportation, and plentiful energy—can no longer be taken for granted.

(This article is dated 1991. Just as we started on that SUV and McMansion binge.)

[From Subprime to Meltdown: Is Peak Oil Responsible?](#)

So yes, the financial crisis finds its roots in the oil crisis and nobody seems to care about it. The current events that nobody saw coming, were already announced as early as 2006 by Dr. Colin Campbell, a geologist, former Vice-President of Fina Oil Company and founder of the nowadays respected ASPO (Association for the Study of Peak Oil).

On a video interview available on YouTube, he declared:

Expansion becomes impossible without abundant cheap energy. So I think that the debt of the world is going bad. That speaks of a financial crisis, unseen, probably equalling the Great Depression of 1930; it's probable we face the Second Great Depression. It would be a chain reaction, one bank would fail, and another one would fail, industries will close...

[OPEC could cut 3mn barrels a day, says Iran](#)

Iran said on Sunday that OPEC will consider an output cut of one to three million barrels per day (bpd) of oil in its upcoming meeting, the Mehr news agency reported.

"It seems that a (oil) production cut from one to three million bpd will be examined in the October 24 meeting," Iran's ambassador to the oil cartel, Mohammad Ali Khatibi, was quoted as saying.

"Iran is seeking a production cut to create stability in the market," he said.

[OPEC Pres: Oil Can't Fall Under \\$70 For Some Projects-Report](#)

LONDON (Dow Jones)-Some hydrocarbon projects won't be sustainable if the price of oil remain below \$70 a barrel, although the Organization of Petroleum Exporting Countries doesn't have a price goal, the oil producer group's president said in remarks reported late Saturday.

The statements come as OPEC moved forward the date of its extraordinary meeting to Oct. 24, where OPEC president Chakib Khelil has previously said a "significant" cut would be decided.

In remarks reported on the Web site of Algerian state newspaper Al-Moudjahid, Khelil said crude from Canada's oil sands and offshore Brazil "can't be produced if the price falls below \$70 a barrel."

[Crude plunge rings alarm bells in Iran](#)

TEHRAN: Iran should ban imports of luxury and non-essential goods given falls in crude oil prices, central bank chief Mahmoud Bahmani was quoted yesterday as saying, in a

sign the Opec producer is concerned about sliding oil income.

Officials say Iran's international isolation means it is more immune than others to the world financial crisis but the governor's remarks reflect growing concern about one consequence of the turmoil – tumbling oil prices.

[Chavez Says Oil Between \\$80 and \\$90 Is 'Sufficient'](#)

(Bloomberg) -- Venezuela, the biggest oil exporter in the Americas, will remain solvent as long as oil prices hold between \$80 and \$90 a barrel, President Hugo Chavez said.

The surge in oil prices in the first half of this year was "irrational," Chavez said today in comments broadcast by state television. Since touching a record \$147.27 a barrel in July, oil prices have plunged more than 50 percent.

"If the price of oil stabilizes between \$80 and \$90, that's more than sufficient," he said.

[Kuwait faces cuts in budget spending](#)

Kuwait's finance minister warned in remarks published on Saturday that a recent decline in oil prices might force the country to cut spending and revise downward its 2009-2014 five-year plan.

Kuwait would have to cut spending in its next budget if the price of its crude fell below \$60 per barrel, Mustapha Al Shamali told Al Rai newspaper.

[Alberta a 'prime location' for terrorists: experts](#)

CALGARY - Oil-and-gas rich Alberta has become a "prime location" for terrorists looking to capitalize on shaky economic times in Canada and the United States, terrorism experts said at a national conference for emergency officials in Calgary on Saturday.

"While Alberta might not be a first choice for mass-casualty attack terrorism - you're unlikely to see a major bomb going off in downtown Edmonton - it certainly is a prime location for economic terrorism, because of the ability to disrupt the oil and gas industry," Mercedes Stephenson, a Calgary-based defence and security analyst, told reporters.

[Credit crunch puts Petrobras plan on hold](#)

Brazilian giant Petrobras has postponed the disclosure of its new business plan until the

end of the year so that it can evaluate the impact of the global financial crisis.

The business plan for 2009-2012 was scheduled to be disclosed this month, with details on investments for the exploration of pre-salt oil reserves, Reuters reported.

[Egypt expects oil price to fall to \\$60 a barrel](#)

CAIRO (Reuters) - Egyptian Oil Minister Sameh Fahmy said on Saturday he expected oil prices to fall to \$60 dollars a barrel in the medium term because of the international financial crisis.

...The Egyptian government will not now reduce the subsidies it pays on fuel sold inside Egypt, he added. Egypt is a medium-sized producer of oil and gas and a net export of energy.

[Kuwait has no plans for strategic oil reserves abroad - official](#)

(KUNA) -- Kuwait has no plans to set up strategic oil reserves in China, Vietnam or elsewhere in Asia, said Abdullatif Al-Houti, Managing Director of International Marketing at state-run Kuwait Petroleum Corporation (KPC). "We have no plan to discuss anything about crude oil stockpiles abroad, especially when oil prices go down," Al-Houti said in an interview with Kuwait News Agency (KUNA) in Tokyo, denying speculation that KPC is considering the establishment of crude oil bases in Asia in anticipation of international conflicts.

..."The lower the crude price is, the more it will be unattractive to store petroleum abroad," explained Al-Houti, citing a recent downward trend in international prices.

[Chinese oil workers kidnapped in Sudan](#)

KHARTOUM, Sudan (AP) -- A Chinese diplomat in Khartoum says nine Chinese oil workers have been kidnapped by unknown assailants in the southern Kordofan province.

The diplomat says the men were kidnapped Saturday and their vehicle was also taken. The kidnapping was discovered because several oil workers escaped and told authorities about it.

[Next president faces another crisis — in nation's infrastructure](#)

WASHINGTON - As if the next president won't have enough on his plate - with the

implosion of the financial markets, two foreign wars, persistent security threats and a host of other concerns - America's infrastructure is collapsing.

Whether major highways or inland waterways or the electrical grid or a quarter of all bridges, the nation's physical plant needs billions of dollars in repairs.

[Sparse plug-ins for electric cars spark creativity](#)

(AP:SEATTLE) Owning an electric vehicle requires more than global-cooling ambitions. It takes guile, planning, sharp vision, a silver tongue _ and a 50-foot extension cord.

Steve Bernheim knows accessible outlets like a firefighter knows hydrants. He has to _ his Corbin Sparrow runs only 25 miles on a charge.

[Wal-Mart to cut plastic bag waste](#)

NEW YORK (AP) — Wal-Mart Stores Inc. plans to slash its global plastic shopping bag waste by 33 percent over the next five years, eliminating more than 135 million pounds of trash. If the plan succeeds, the world's largest retailer would cut the equivalent of 9 billion plastic bags from stores each year.

[Repowering America](#)

The problem is that, despite the current boom in green power, renewable sources such as the sun and the wind still provide just a tiny fraction of the U. S. electricity supply. The rest is mainly dirty stuff: coal, gas, oil. To replace one with the other over the course of a decade, energy experts say, would make the Manhattan Project look like a science-fair volcano.

And even if we wanted to try Gore's plan, his goal is likely to get more distant every year. That's because, even as Americans demand more action on climate change, their laptops and flat-screen TVs are demanding more electricity every year — and they're not asking whether it's clean or dirty.

"This goal is so far outside the realm of possibility," said Richard Newell, a professor of environmental economics at Duke University. "It would be practically infeasible, politically impossible and economically and environmentally unwise."

[Green energy is not a middle-class conceit, more the only way forward](#)

So that's it, then, choruses the commentariat. Collapsing confidence, crashing stock markets and credit-starved banks spell doom not just for the economy, but for

environmental concerns. Saving the planet may be all very well in the good times, but is an unaffordable luxury when things turn bad.

The argument is pervasive, persuasive and gaining ground. Even some environmentalists half-accept it, believing they should mute their message. But it is plain wrong. Never have green concerns and measures been more important.



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