



DrumBeat: October 24, 2008

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Topic: [Miscellaneous](#)

[Heating Oil Distributors Fear Tough Winter Amid Credit Freeze](#)

NEW YORK (Dow Jones)--The tight credit market is forcing weak links in the heating oil supply chain, from wholesale suppliers to homeowners, into the cold.

Borrowed cash infuses nearly every step of the supply networks that bring heating oil from refiners to individual homeowners and businesses. For wholesale suppliers and door-to-door distributors, loans cover the weeks or months between when fuel is purchased and when it is sold to the next step on the chain.

Most companies managed to secure fresh loans to carry them into winter, despite the global credit crisis that has made it difficult for even solid businesses to borrow. But evidence is emerging that not every company succeeded.

"A lot are starting to bounce checks," said a trader at a wholesale heating oil supplier, who requested anonymity to protect the supplier's standing in the physical fuel market. "Credit lines are definitely strained."

[Higher expenses, uncollectible accounts push Exelon earnings down](#)

"Our third-quarter earnings reflected certain unusual events, including several related to the nation's economic turmoil," said Chairman and Chief Executive Officer John W. Rowe.

Among other things, Rowe said, the weakening economy has caused a rise in the number of customers who can't pay their bills to Exelon's Com Ed and Peco Energy utility units. Exelon's generating business had to establish an accounts-receivable reserve to cover potential losses related to the recent bankruptcy filing of New York investment-banking giant Lehman Brothers Holdings.

[White House terms OPEC output cut 'anti-market'](#)

WASHINGTON: The White House on Friday denounced what it called OPEC's "anti-market" decision to cut petroleum production and underlined that high oil prices were a

drag on the global economy.

"It has always been our view that the value of commodities, including oil, should be determined in open, competitive markets, and not by these kinds of anti-market production decisions," said spokesman Tony Fratto.

[Iraqis have money but lack know-how in spending it](#)

BAGHDAD (AP) -- Iraq's government has an unusual money problem as much of the world grapples with a credit crunch - it can't spend its oil riches fast enough.

[Venezuela oil price tumbles, Chavez pressured](#)

CARACAS (Reuters) - The price of Venezuelan oil fell more than 10 percent this week, boosting financial pressure on the government of leftist President Hugo Chavez whose popularity depends on oil-financed social programs.

Analysts said Chavez could survive a large oil price drop in the short term due to abundant government funds, but the socialist stalwart could face a larger-than-expected 2009 fiscal deficit amid the global financial crisis.

[Iran's president under pressure amid poor health rumours](#)

Iran's hardline president is under mounting political pressure as plummeting oil prices damage the national economy and persistent reports suggest that he may be in poor health.

[OPEC waits, watches, worries after price fall: Kuwait](#)

VIENNA (Reuters) - OPEC is concerned about a fall in oil prices after it cut output by 1.5 million barrels per day but it will take time to determine whether the reduction is deep enough, Kuwait's oil minister said on Friday.

[Wyoming Carbon Capture Threatened by Wall Street Credit Seizure](#)

Capturing carbon dioxide, pumping it underground and storing it there forever may be key to curbing the greenhouse gas that causes global warming. The problem for Surdam in Wyoming, which supplies 39 percent of U.S. coal and relies on the fuel for about 20 percent of annual revenue, is that already tight research funding may be squeezed further by the global financial crisis.

[Militants killed in Nigeria's oil region](#)

Lagos - Nigerian troops killed two militants in a river clash with insurgents in the volatile oil-rich Niger Delta, an army spokesperson said on Friday.

[Wal-Mart's New Push to Green China](#)

As the world economy sags, the world's largest retailer is looking for new ways of reducing both costs and environmental impact—and arguing that the two can go hand-in-hand. At its "Sustainability Summit" in Beijing Wednesday, Wal-Mart announced the launch of a new set of stringent environmental standards, energy reduction targets and ethical compliance procedures that will apply initially to its thousands of suppliers in China and eventually to all suppliers.

[British soldier denies charges he spied for Iran](#)

LONDON — A British army interpreter suspected of spying for Iran said today that he sent coded messages as part of an attempt to set up a possible gas deal, not because he was stealing secrets.

Prosecutors accuse Cpl. Daniel James of espionage while he worked in Afghanistan in 2006 as a translator to Gen. David Richards, who was then NATO commander and due to take command of Britain's army in 2009. On Thursday, James told the court he was a voodoo priest and had used black magic to protect Richards from the Taliban.

[Who says Americans won't ride mass transit?](#)

The rise in mass transit ridership should be great news. Not since the OPEC oil embargo and energy crisis in the '70s have famously car-centric Americans been so eager to shell out for a bus fare or a train ticket and leave the polluter in the driveway. Automobile transportation is one of the largest chunks of the country's carbon footprint, so the more that Americans opt for trains and buses, the more that footprint could shrink.

But the news isn't all that sunny. In fact, the mini-exodus from driving has exposed significant cracks in the country's mass transit systems, which are struggling to accommodate new riders. Having spent decades forsaking the bus and the train for the convenience and privacy of cars, Americans are now finding that the buses, streetcars, trolleys and trains that they left behind are strapped for cash, if they still exist at all.

...To make matters worse, the increase in bus and train ridership is taking place during hard economic times, when transit funding is under the gun. For example, BART has lost \$111 million in state funding since 2000, including \$37 million in the most recent California budget. "It's the equivalent of ripping millions of seats right out from under our passengers," says Luna Salaver, a public information officer for BART.

[Depressed economy wallops states](#)

Staggered by turbulent financial markets and anxious about a rapidly slumping economy, many state governments are slashing their budgets, frantically trying to stay afloat.

After two years free of major fiscal worries, state policymakers in 2008 were hit by a triple-whammy: a Wall Street meltdown that made it more difficult and costly to borrow; a record number of home foreclosures that took a big bite out of tax revenues; and soaring oil and gas prices that squeezed budgets of all but the energy-producing states.

[Oil Options at \\$50 Soar After OPEC Cut Fails to Support Prices](#)

(Bloomberg) -- Oil options contracts to sell crude at \$50 by December almost tripled today after an OPEC decision to slash production failed to allay concerns that the global economic slump is hurting demand.

The cost of the \$50 December 2008 put option, which gives the holder the right to sell oil futures at \$50 a barrel, rose as much as 142 percent to \$1.50 on the New York Mercantile Exchange, compared with 62 cents yesterday, according to exchange data.

[Saudi's Naimi Says OPEC Output Cut Was 'One Quick Decision'](#)

(Bloomberg) -- OPEC's move to cut 1.5 million barrels a day of oil production from next month was described as "one quick decision" by Saudi Arabia's oil minister.

"Demand is significantly less than what is being supplied, that is the reason the cut was taken," Ali al-Naimi told reporters after today's meeting of the Organization of Petroleum Exporting Countries in Vienna. "There is a mismatch between supply and demand and inventories are rising."

[OPEC Cut Could Still Work](#)

LONDON - The Organization of Petroleum-Exporting Countries was never going to reverse the slide in oil prices in just one day, especially not during Friday's pan-European stock sell-off. But the cartel's announced 1.5 million-barrel cut in production could have an effect later this year, as its members look for a way to set a floor for the price of crude.

[Turkish Petroleum Eyes Iraq-Japan Oil Deal By Year-End](#)

State-run Turkish Petroleum Corp. is seeking to ink a deal with Japanese companies to form a consortium by year-end to apply for the first round of bidding for contracts to develop vast oil fields in Iraq, the company's chairman, Mehmet Uysal, said Thursday.

[MMS Updates on Evacuated Platforms, Gulf Production Shut-Ins](#)

Based on data from offshore operator reports submitted as of 11:30 a.m. CDT today, personnel are evacuated from a total of 72 production platforms, equivalent to 10.4% of the 694 manned platforms in the Gulf of Mexico. There are no longer any evacuated rigs in the Gulf.

From the operators' reports, it is estimated that approximately 32.3% of the oil production in the Gulf is shut-in. As of June 2008, estimated oil production from the Gulf of Mexico is 1.3 million barrels of oil per day. It is also estimated that approximately 34.5% of the natural gas production in the Gulf is shut-in.

[Canadian Dollar Heads for Worst Month Since 1950: Bonds Rally](#)

(Bloomberg) -- Canada's currency is headed for its worst monthly fall since at least 1950 and the yield on the two- year bond touched the lowest in almost two decades on speculation the economic slump will deepen and oil will decline further.

[US Intensifies Anti-Iran Measures](#)

TEHRAN (FNA)- The US Treasury said Wednesday it had imposed sanctions on the Export Development Bank of Iran (EDBI), alleging the bank helped with the Islamic republic's civilian nuclear program.

[Credit crunch ensnares India](#)

NEW DELHI: The showroom at Uppal Motors, a Honda motorcycle dealership not far from here in an upscale satellite city of India's capital, is usually packed with customers this time of year. It is the week before the Hindu festival of Diwali, a time when many Indians traditionally purchase gifts and more costly items.

But only a comparative trickle of customers have shown up. Sales are down 10 percent, said Virender Uppal, the dealership's owner, and the reason is that India, like many other countries, is going through its own credit crunch, too.

[UN Says N. Korea Food Shortage Dire](#)

World Food Program country director in the North Korean capital, Jean-Pierre de Margerie, says rising world prices for rice and basic grains, compounded with flooding last year, put many at risk in North Korea - or, as it is known, the DPRK.

...About a million North Koreans are believed to have died from hunger-related causes in the mid 1990s during a famine brought about by North Korea's self-imposed isolation and economic mismanagement. Periodic flooding takes a much worse toll on farmland in the North than in South Korea, because rainwater flows faster down mountains stripped bare by impoverished North Koreans.

De Margerie says unusually heavy floods last year, and the severe shortages that followed, appear to have made North Korea more cooperative with the United Nations.

[UK: Soil health 'threatens farming'](#)

Some areas of England may not be fit for productive agriculture in future because of deteriorating soil quality, a new report warns.

The Royal Agricultural Society of England is worried that too much is being asked of the land in places.

The society said heavy machinery, drier summers and changing growing seasons are all taking their toll on the soil.

[UK's ancient woodland being lost 'faster than Amazon'](#)

Ancient woodland in Britain is being felled at a rate even faster than the Amazon rainforest, according to new research today. It shows that almost half of all woods in the UK that are more than 400 years old have been lost in the past 80 years and more than 600 ancient woods are now threatened by new roads, electricity pylons, housing, and airport expansion.

[Al Gore's Inconvenient Diet](#)

Why is the world's foremost environmental crusader not a vegetarian?

[Ethanol no longer seen as big driver of food price](#)

CHICAGO (Reuters) - Heavy demand for corn from ethanol makers was seen as a key driver of corn futures to record highs in June, but since then the sharp decline of corn

along with other commodities shows that belief was mistaken.

Corn is down about 50 percent from its record high in June, even as the amount of the grain used to produce the renewable fuel in the United States remained the same.

[Rising water in Florida's Everglades threatens wildlife](#)

The Everglades are drowning.

Canals along Alligator Alley have spilled over banks into roadside swales. Deer have been driven from flooded-out tree islands to strips of dry ground - mostly canal levees, but a few have even been spotted on the porches of empty hunting cabins.

[The Matrix Overloaded: Clean Energy Will Depend on a New, 'Smart' Grid](#)

Wind turbines and solar panels have become the icons of renewable energy. But renewable energy is only as effective as the infrastructure that moves it around: the electrical grid.

Cool devices to harness pollution-free energy won't do much to lessen the country's fossil-fuel dependence unless aging and unsophisticated infrastructure is vastly updated to transmit it.

[Partying helps power a Dutch nightclub](#)

ROTTERDAM: If you felt that the atmosphere in the new, hip Club Watt was somehow electric, you would be right: Watt has a new type of dance floor that harvests the energy generated by jumps and gyrations and transforms it into electricity. It is one of a handful of energy-generating floors in the world, most still experimental.

With its human engineering, Watt partly powers itself: The better the music, the more people dance, the more electricity comes out of the floor.

[Nuclear Power May Be in Early Stages of a Revival](#)

WASHINGTON — After three decades without starting a single new plant, the American nuclear power industry is getting ready to build again.

When the industry first said several years ago that it would resume building plants, deep skepticism greeted the claim. Not since 1973 had anybody in the United States ordered a nuclear plant that was actually built, and the obstacles to a new generation of plants seemed daunting.

But now, according to the Nuclear Regulatory Commission, 21 companies say they will seek permission to build 34 power plants, from New York to Texas. Factories are springing up in Indiana and Louisiana to build reactor parts. Workers are clearing a site in Georgia to put in reactors. Starting in January, millions of electric customers in Florida will be billed several dollars a month to finance four new reactors.

[This is much more than a hiccup](#)

I took a bet this week that the oil price would reach \$20 before it reached \$100. I am not sure I will win it, but I certainly do not expect to lose it. Either way it opens up the debate. Do bubbles reinflate?

[Can OPEC Stem the Downward trend?](#)

The farther the oil price falls the greater the likelihood OPEC members might cheat on their quotas to maximize revenues as occurred in the 80s and 90s. Deeper production cuts might be needed for a real price increase which would be difficult for producers and an oil price much higher than current levels could exacerbate the economic crisis and delay the expansion and thus demand for its commodity.

[Canada - Diesel shortage bad news: trucker](#)

A province-wide shortage of diesel fuel will mean fewer jobs and higher grocery prices if it continues, one local trucker says.

"Wait two months and we'll be down to a standstill here," said Dave Deering, adding he has already heard of truckers being laid off because of the diesel shortage.

"You see trucks parked all over because they can't get fuel," he said. "And if you can't get fuel for the school buses, the kids are going to have to walk."

[Cuba's claims of 20B barrels in offshore oil raise eyebrows](#)

HAVANA - Cuba's announcement last week that its still untapped offshore oil fields may hold more than 20 billion barrels of oil has raised eyebrows among outside oil experts who say the big number is hard to believe but not out of the realm of possibility.

They said Cuba has excellent geologists, but they would like to see the findings verified by independent experts who have no stake in the Caribbean island's oil future.

[UK: Piracy threatens Christmas product supply](#)

Shoppers could face shortages of products such as clothing and fuel unless action is taken to stop pirates hijacking ships off the coast of Somalia.

The effects of the hijackings could come to the fore in the run-up to Christmas, according to the British Chamber of Shipping.

[Pakistan: People burn power bills in protest against breakdowns](#)

PESHAWAR: Taking cue from their countrymen in other major cities, the enraged dwellers of provincial capital also staged a protest demonstration and burnt down their electricity bills to show their anger over the unscheduled loadshedding in Gunj area on Thursday.

Staging a rally on Gunj Road, the protesters torched power bills, burnt tyres and blocked the busy Gunj Road for all kinds of traffic for one and half hour. The emotionally charged residents were chanting slogans against the government and Pesco authorities.

[Jamaica: Cheaper gas coming with E10 rollout](#)

Jamaica has been caught in the worldwide energy crisis sparked by unstable oil prices.

According to Mullings, Jamaica has the capacity to produce enough ethanol to fuel motor vehicles and the E10 blend is just the first stage of the implementation.

The Ministry of Energy expects that by 2010, Jamaica will be able to produce some 70 million litres of ethanol from one million tonne of sugar cane.

['Clean' coal is a fraud](#)

You've probably noticed the term "clean coal" bandied about a lot lately. It's a great-sounding phrase, evoking images of plentiful, cheap energy generated by squeaky-clean power plants emitting a thin wisp of smoke that smells like a cross between a field of daisies and freshly baked bread. If that's what you're thinking, here's some bad news for you: there's no such thing as clean coal.

You're being subtly manipulated by those who would like coal to remain the centerpiece of United States energy policy for centuries to come. They have plenty of good reasons for that. Coal is the most abundant fossil fuel, so it's cheap. There's enough of the stuff in the U.S. to last us 154 more years or longer. In the U.S., 49% of our electricity generation comes from burning coal. And new coal plants are more efficient than their predecessors, burning about a third less coal.

[Green IT must reach beyond the datacenter](#)

As Ted has noted many times in his blog, green IT goes beyond the datacenter to supply-chain optimization, effective telecommuting, desktop power conservation, and more. Contributor Betsy Harter's important article, "Tech's looming battle against rising energy costs," argued that IT has a unique potential to green entire organizations, from aiding in HVAC efficiency to optimizing truck routes.

This broader view must take root now because we're at a crossroads. On the one hand, the recent drop in energy costs (although no doubt temporary) could cause the green issue to fall off the table once again. On the other, we have both presidential candidates declaring that investment in green technology should be a part of our economic recovery.

[Oil price slide is an emergency for OPEC nations](#)

It was only a few years ago that OPEC was managing oil production to keep prices in the range of \$20 to \$30 a barrel. Go much higher, its own economists advised them, and there was a risk of choking off demand. Let it go too low and oil revenues would be insufficient.

Then the unexpected happened: speculators began betting that the inevitability of limited supply and rising demand would lead oil prices in only one direction, and that was up. By mid-July, a barrel of crude had reached \$147 and economists were predicting \$200 oil was just around the corner.

"That's when OPEC members started to realize two very important things," said Simmons, an investment banker who wrote the bestselling book *Twilight In The Desert*, which argues production from some major Middle East oil reserves is declining faster than most people realize.

"They realized everything they'd been told by the economists, that \$40 oil would cause a recession and bring on alternatives, just wasn't true. And they realized that for the first time they had enough money to create a sustainable society in the Middle East."

[Crude Reality: OPEC Cuts Probably Won't Stop Oil's Slide](#)

Why has oil fallen? [The Oil Drum posits a cocktail of explanations](#), including softening demand from the U.S. to Asia; financial factors, like the credit crunch and a rebounding dollar; and technical factors, such as hedge funds unwinding crude positions and computerized trades that move like lemmings. None of those can be fixed in the short term by OPEC standing on the hose. OPEC officials now acknowledge that a 1 million barrel per day cut will likely be ignored by the market.

[Canada's annual inflation rate at 3.4 per cent in September](#)

OTTAWA - Canada's annual rate of inflation was 3.4 per cent in September from 3.5 per cent the previous month, as higher food and gasoline prices kept consumer costs near a five-year high, Statistics Canada said Friday.

On a monthly basis, the consumer price index was up 0.1 per cent from August, with prices at the gas pumps rising 26.5 per cent in September, the federal agency said.

[Eco-horror films shocking us into action](#)

CNN -- There's a new wave of horror films stalking the box office.

You can forget the torture porn of "Saw" and "Hostel" - in fact these new films are marked by a distinct lack of blood and guts. But there is no doubting their ability to chill audiences to the core: Welcome to the world of eco-horror.

Unlike most horror films these movies aren't fiction, they are serious documentaries tackling the big issues of our time. But the message is still: Be afraid.

[DVRPC Study Shows Pervasive Trend In Suburbanization](#)

DVRPC Transportation Planner Brett J. Fusco said the actual shape regional development takes in the coming decades will vary according to how much recentralization (i.e. repopulation of dense communities) or sprawl (i.e. development of open space) occurs. But if the present drift persists, a wide range of economic and environmental concerns stand to be impacted.

One major quality-of-life change many could see is a greater amount of time spent driving, since many of the newly developed, once-rural areas neither possess transit stops nor accommodate pedestrian travel. This is likely to bring more vehicles out onto the region's roads.

[America can't afford a distraction from alternative energy](#)

The oil bubble has burst in spectacular fashion.

Will that also shatter America's burgeoning dreams of developing alternative energy technologies ranging from electric cars to wind power?

[Range of policies needed on climate change, study says](#)

OTTAWA — A new study on the economy and the environment recommends that the federal government combat climate change with a “silver buckshot” of policies rather than a single silver bullet.

No one policy is adequate to reduce greenhouse-gas emissions, concludes a report released Friday by the Pembina Institute.

The 120-page report, commissioned by the TD Bank, says governments should instead consider a range of options when crafting environmental policy.

Those options could include a cap-and-trade system, a carbon tax, a fund for offsets, tougher regulations, targeted financial incentives, investments in infrastructure and technology and a national emissions target for 2020.

[OPEC output cut by 1.5M](#)

NEW YORK (CNNMoney.com) -- Oil prices fell to their lowest point since May 2007 Friday after the world's largest oil cartel slashed production targets by a smaller-than-expected amount.

The Organization of Petroleum Exporting Countries, whose member nations control about 40% of the world's oil, said it would cut production by 1.5 million barrels a day starting in November.

U.S. crude for December delivery fell \$4.02 to \$63.82 a barrel in electronic trading. Oil fell nearly \$5 to \$63.05 when the news first broke at about 5:10 a.m. ET. It was the lowest level for oil prices in more than 17 months.

[O'Brien says OPEC's output cut "disappointing"](#)

LONDON (Reuters) - OPEC's decision to cut output by 1.5 million barrels per day is "disappointing," Energy Minister Mike O'Brien said on Friday, but warned energy firms in the country not to use it as an excuse to raise fuel prices.

"This is a disappointing decision but it appears to be aimed at steadying the price fall rather than increasing it, so I don't want to see it being used as an excuse for increased retail prices," O'Brien told Reuters by email.

"On the contrary we want to see the lower drop in oil prices that we've seen since July fed through to consumers and to help the economy more generally."

[Mexican Senate Passes Bills to Reform Oil Industry](#)

(Bloomberg) -- Mexico's Senate agreed to allow state oil company Petroleos Mexicanos to hire private companies to explore and drill for oil, casting its vote as riot police dealt with protesters blocking streets outside.

Lawmakers passed all seven bills based on an initiative proposed by President Felipe Calderon. The lower house of Congress plans to vote on the measures Oct. 28, Emilio Gamboa Patron, leader for the opposition Institutional Revolutionary Party in the chamber, said in a statement.

[Fallout of US-India nuke deal](#)

Washington – China's agreement to help Pakistan build two nuclear power plants is prompting warnings that the new US-India civilian nuclear deal is already pushing other countries to pursue their own nuclear relationships.

The concern among South Asia experts and nonproliferation advocates is that the American deal allowing India to pursue an expanded civilian nuclear program with limited safeguards is prompting other countries in a volatile region to seek a similar deal – something the US had said would not happen.

"You can't help but hear about China supplying Pakistan with nuclear power plants and see it as a reaction to the US-India deal," says Michael Krepon, a South Asia nuclear proliferation expert at the Henry L. Stimson Center in Washington. "Pakistan is desperate for energy, as is India, but there are lower-cost and shorter-timeline options for producing it, so there is something else going on here and in the Middle East."

[EPA weakens new lead rule after White House objects](#)

WASHINGTON — After the White House intervened, the Environmental Protection Agency last week weakened a rule on airborne lead standards at the last minute so that fewer known polluters would have their emissions monitored.

[EU forces CO2 caps on airlines](#)

LUXEMBOURG (AFP) – EU nations on Friday agreed to bring airlines into the fight against global warming from 2012, though promising their contribution won't be too damaging economically to the fragile sector.

From January 2012 all airline companies operating in or out of an EU country, including non-European carriers, will have to limit emissions to 97 percent of 2005 levels.

From 2013 that figure will dip to 95 percent with further reductions envisaged later.

[Potent greenhouse gas more common than estimated: study](#)

WASHINGTON (AFP) – A potent greenhouse gas many thousands of times more effective at warming the world's atmosphere than carbon dioxide (CO₂) is four times more prevalent than previously thought, according to a study released Thursday.

Researchers using a new NASA-funded measurement network discovered there was 4,200 metric tons of the gas nitrogen trifluoride in the atmosphere in 2006, not 1,200 tons as previously estimated for that year.



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