



## DrumBeat: October 25, 2008

Posted by [Leanan](#) on October 25, 2008 - 10:37am

Topic: [Miscellaneous](#)

### [Crisis could trigger big public transit payments](#)

WASHINGTON (AP) — Transit agencies around the country may have to come up with billions of dollars to repay investors as long-term financing deals disintegrate, a result of the global credit crisis that could eventually affect millions of commuters.

The problems stem from the collapse of insurance giant American International Group, which had guaranteed financing deals between transit agencies and banks. Officials say about 30 transit agencies across the country have entered into these types of deals, including those in Atlanta, Chicago, Los Angeles, San Francisco and Washington. The fallout could mean less money for new trains and buses at a time when ridership in many areas has been steadily climbing because of high fuel prices.

Rob Healy, vice president for government affairs at the American Public Transportation Association, said some agencies could be forced to increase fares, cut bus routes and delay long-term capital improvement projects.

"You've got agencies struggling to meet increased demand, they are hamstrung by the higher cost of fuel ... and this is exposing them to additional costs," Healy said.

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### [Anger over BP and Royal Dutch Shell profits](#)

OIL giants BP and Royal Dutch Shell will court fresh controversy this week when they unveil a combined £8.8 billion (\$14 billion) in profits for the three months to September.

The pair will reveal the gains - equivalent to about \$77m a day for both companies - just days after Gordon Brown threatened to call in the Office of Fair Trading to investigate fuel pricing if companies did not pass on the recent drop in the oil price to consumers.

### [Gulf oil producers cite new urgency for monetary union](#)

RIYADH — Gulf Arab oil producers said they had already taken adequate steps to deal with the impact of the global financial crisis but that turmoil on world markets had given new urgency to their plan for monetary union.

Finance ministers and central bank governors of the Gulf Co-operation Council held an emergency meeting on Saturday to discuss co-ordination of their response to a global downturn that threatens to brake their region's six-year economic boom.

### [Economy, politics, and oil: Neil King spills all](#)

The biggest myth of all, and it's a word that they both use regularly, is the concept of energy independence. It's a nice aspiration to motivate us, but the idea that anytime soon—or probably ever—we will be totally separate from our reliance on foreign oil is really a pipe dream. We will have to create so much energy of some form of our own, it'll take a long time to get that going, and we're not going to find that much more on our own shores. So that's the biggest single myth: the idea that energy independence is anywhere within sight.

The one thing that neither candidate ever talks about, because it's just so out of fashion, is the word "sacrifice," or the idea that we should conserve. Everyone agrees in the energy world that the best way we could create a new form of energy would be to save energy, but that add-on that we could do now is just through conservation. But that also automatically sounds like anti-growth [on the political stage], and so on.

### [What's Behind \(and Ahead for\) the Plunging Price of Oil](#)

It doesn't feel like it, but we got a raise this week. The plunging price of oil, which prompted OPEC to announce a 1.5 million barrel a day production cut, has put money in the pockets of recession-worried consumers. "It follows that there's going to be some spending effect," said Francisco Blach head of commodities research at Merrill Lynch in London

### [Palin pipeline terms curbed bids](#)

ANCHORAGE, Alaska – Gov. Sarah Palin's signature accomplishment — a contract to build a 1,715-mile pipeline to bring natural gas from Alaska to the Lower 48 — emerged from a flawed bidding process that narrowed the field to a company with ties to her administration, an Associated Press investigation shows.

### [Angola: Nation to Reduce Crude Oil Production](#)

Angola will cut down 99,000 barrels a day from its current daily output estimated at about two million barrels, Angop learned.

This follows a decision from the Organisation of Petroleum Exporting Countries (OPEC) to reduce its production by 1.5 million barrels a day, as a result of the drop in the price of crude oil in the international market.

### [Pirates hijack Nigeria oil ship](#)

LAGOS (Reuters) - Pirates in Nigeria attacked at least two oil vessels in the offshore waters of the Niger Delta on Saturday, briefly seizing a group of oil workers including seven French citizens, security sources said.

Gunmen early Saturday hijacked the vessel Bourbon Ajax in the oil-producing delta, also taking 10 Nigerians on board hostage, two private security sources said.

### [Nigeria: Oil Workers Call Off Strike](#)

Abuja - Members of the Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) and the Nigerian Union of Natural Gas Workers (NUPENG) have called off their proposed strike scheduled to have commenced at the end of a 14-day ultimatum given the Federal Government to halt the sale of some key outfits in the oil and gas sector.

### [Demographics, markets shrink furniture designs](#)

A trend at this week's High Point Market is for smaller furniture that fits into smaller living spaces. The twice-a-year furniture industry trade show in High Point, N.C., displays thousands of new home furnishings that consumers could see in stores in a few months.

Furniture manufacturers are responding to downsizing baby boomers and the growing appeal of urban living by reducing the scale of dressers, coffee tables, night stands, and the like. They are compressing home offices into a single fold-out cabinet. And they're cutting back the length of sofas and entertainment centers that sprawled across the length of wall in McMansions.

### [What does oil have to do with the price of bread? A lot](#)

LONDON — Our eyes have been fixed in horror on the price of oil, the price of gold, the price of the Canadian dollar, the price of bank shares, the price of our house, the price of credit. Fair enough: These are the yardsticks of the economic crisis, the gauges of the world's health.

But we ought to keep our eyes on the price of a loaf of bread. This, too, has been fluctuating wildly: The global price soared this spring to almost double what it was a year before, and then plunged over the summer and autumn by 40 per cent, along with most other food prices — proving, in a way we have never seen before, that food is a

global commodity, completely linked to petroleum, metal and other tradable goods.

### [UN urges 'drastic' action to help banks and poor](#)

"The danger is a succession of cascading financial crises," Ban warned. "This demands drastic measures. The IMF and the world's central banks may need to set up substantial standby lines of credit for proactive intervention, so that banks in developing nations, too, have adequate funds to draw on in emergency."

The credit crisis engulfing nations from central Europe to Latin America and emerging markets ranging from Turkey to South Africa "compounds the food crisis, the energy crisis, the crisis of development in Africa," Ban said.

"It could be the final blow that many of the poorest of the world's poor simply cannot survive," he warned.

### [Clinton links food, energy and financial woes](#)

Former US President Bill Clinton urged the international community to stop using the global financial crisis "as an excuse" to avoid dealing with escalating hunger, adding that over the long term, only agricultural self-sufficiency could take a significant bite out of world hunger and stave off future financial woes.

### [Normal service will be resumed](#)

But whoever wins the presidential election, the next administration is sure to want to ramp up America's bungling "war on terror", most likely by taking the failed Afghan campaign into Pakistan. Maybe the war on terror will simply implode, along with the American financial system. Certainly, the vast levels of military expenditure of the past 20 years cannot be sustained. But it is hard to see the US, which alone among the countries engaged in Afghanistan still believes the war can be won, quietly departing the scene. A political solution is nowhere on the agenda. Even Obama has urged that US forces hunt down the Taliban by following them into Pakistan. If this happens America will have mired itself and the world in another intractable conflict, this time in an increasingly unstable state that is also nuclear.

### [Pakistan: A worsening crisis](#)

Pakistan has plunged into a severe energy crisis over the past few months. Consumers all over the country are enduring long hours of load-shedding – from 10-15 hours on a daily basis – in the wake of power shortages that has crippled civic life as well as industry, trade and commerce. The shortfall in electricity supply has steadily worsened in recent years. The crisis will further deepen in the next two years due to an almost 50

percent increase in electricity demand. By 2010, the shortfall is predicted to exceed 5,000 MW, more than the current combined output of the country's two largest hydroelectric power stations. Important energy programmes are being delayed for a number of reasons, including bureaucratic hesitation, a lack of political will and consensus and absence of private-sector interest.

### [Pakistan: Rice mill owners threaten to shutdown their mills to protest against prolonged power outages](#)

The rice mill owners of Badin threatened to close their mills till unknown period, if the problem of load shedding problem will not be solved by 1st November. This was decided in the meeting of the rice mill owners belonging to Tando Bago, Matli, Golarchi, Talhar, Kariyo Ghanwar, Khorwah and other areas, which was presided by the Vice President of Sindh Balochistan Rice Mills Associations, Haji Muhammad Nawaz Memon on Friday.

Addressing the meeting the participants of the meeting said that they are facing great financial loss due to 16 to 18 hours prolonged power outages.

### [Israel Worried about Washington-Tehran Talks under Obama](#)

TEHRAN (FNA)- Israel is making discussions on future US-Iranian ties with some concerns and worries over a possible direct talks between Washington and Tehran if Senator Barack Obama wins the US presidential elections.

Israel expects Washington to initiate direct talks with Iran if Obama is elected president, in which case a critical Israeli interest would be to condition any talks between the West and Iran on halting uranium enrichment, Zionist daily Ha'aretz quoted a senior government source as saying.

### [Jet Airways Posts Biggest Loss in Three Years on Fuel](#)

(Bloomberg) -- Jet Airways (India) Ltd., the nation's largest domestic carrier, posted its biggest quarterly loss in more than three years after jet fuel expenses surged.

### [BC Pipeline Explosions: Inside an Explosive Situation](#)

TOMSLAKE, B.C., VANCOUVER — For Christine Mortensen, it's the headaches. Ms. Mortensen and her husband run a cattle operation near Tomslake in northeastern B.C. and live across a gravel road from an EnCana compressor site that, on occasion, flares gas 24 hours a day.

At those times, Ms. Mortensen is plagued by headaches that sap her energy and that she's convinced are related to emissions from the EnCana stack.

So she can imagine how someone might be frustrated enough by a gas operation to want to blow it into smithereens. Imagine – but not understand.

### [Diesel shortage 'dire' for shoppers](#)

Alberta's diesel supply crunch -- expected to continue into next month -- could result in a shortage of everything from produce to electronics on store shelves, warns the province's trucking industry.

### [Asphalt plant's oil use kicked to curb](#)

Residents near the city's northwest periphery are breathing a little easier after a busy asphalt plant resumed using diesel after last week, sparking controversy by reverting back to smelly recycled oil.

A provincewide diesel shortage forced the province to temporarily go back to burning recycled oil as a fuel source for the plant at the Stoney Tr. gravel pit at 85 St. N.W., leaving homeowners worried their communities would be shrouded in thick, noxious smoke.

But in an e-mail that went out to residents yesterday, the province said a source of ultra-low sulphur diesel has been found and is expected to last until the end of this year's construction season.

### [Down market shrinking capacity: OTA survey](#)

Cash flow is increasingly threatened as customers are taking longer to pay freight bills. About 45 percent of respondents said receivables are being delayed compared to a year ago.

At the same time, access to credit is tightening (65 percent) -- most likely as a result of the blowback from banks and credit markets collapsing south of the border.

### [Oil firms cautioned](#)

AUSTRALIA'S big oil companies have been warned by the Federal Government's Petrol Commissioner that he expects prices to come down this week.

### [French conservation decreases motor fuel demand](#)



PARIS - High oil prices and dwindling domestic purchase power over the first 9 months of this year pulled down motor fuel consumption in France by 1.9%, indicated the oil trade group Union Francaise des Industries Petrolieres (UFIP).

### [Venezuela announces slash on oil production](#)

The Venezuelan gov't announced Friday a slash on crude oil production by 129,000 barrels per day, from the current daily output of 3.6 million barrels.

### [Gas prices fall again](#)

NEW YORK (CNNMoney.com) -- Gasoline prices fell again, tumbling to the lowest price in a year, according to a daily survey of credit card swipes released Saturday.

### [Late Corn Affects Local Ethanol Production](#)

The delayed corn harvest is causing more than just frustration to farmers; it's having an affect on the local ethanol industry as well.

The ethanol plant in Mina will temporarily go off line as soon as it runs out of corn and that could happen soon. The plant gets the majority of its corn from the North Central Farmers Elevator of Ipswich.

### [No Longer a Farm, but Still Hard at Work](#)

WARREN, Conn. - ON a warm spring morning in 1979, the Hopkins family took delivery of thousands of young grapevines that would transform their 200-year-old farm here from making milk to making wine.

"I remembered it being a very difficult decision," said Hilary H. Criollo, who was 13 at the time and helped her parents plant the first six acres of grapes. "I remember that the neighbors thought they were crazy."

Her parents had considered the wine business for a few years because of two persistent challenges: a national energy crisis that made fuel for farm machinery expensive, and the worries of environmentalists that farm animal waste might pollute Lake Waramaug, a 680-acre tourist draw whose northern shore was below the farm.

### [Deffeyes: Was It Deliberate?](#) - *Peak oil was the cause; the financial disaster was an effect*

**Warning:** I am not convinced that the following event actually happened, but it is an

important possibility to explore.

The current financial crisis is clearly not simply the bursting of the housing bubble. The underlying cause was world oil production. The housing crisis is a symptom, not the disease.

- *Timing:* World oil production stopped growing (on schedule) in 2005. The first big news in the financial crisis was the collapse of Bear Stearns in March 2008.
- *Size:* A \$100 per barrel increase on 30 billion barrels of oil per year is a \$3 trillion annual drain on the world economy.

### [The Ultimate Race: Winning Is Infectious!](#)

As we always advise, when in a conundrum, which is a Tim McCarver word for "tough spot," think of Tom Brady! Peak Oil's price run-up this summer is just like No. 12's season-opening knee injury—devastating on its face. But the worst isn't over. Just because oil prices start to come down doesn't mean anything is healing. Think of the rampant oil price deflation, which has made the oil companies even less likely to explore for new sources, as the staph infection that in the long run can do even more damage!

### [Greece: President warns of looming global crisis](#)

"What is emerging in recent times is the downfall of a specific cultural model, the ideological delegitimisation of a method of economic development and operation of society," Papoulias said.

The world was approaching a difficult conjuncture when it would have to face the combined challenges of the international financial crisis, the food crisis, the energy crisis, the environmental crisis and geopolitical conflicts that threatened global peace and stability, the president added.

### [OPEC cut 'too late' to stop slide](#)

Unlike CIBC economist Jeff Rubin, who says supply constraints and expensive unconventional oil will push prices back up, Verleger argues the forces at work on the demand side are stronger and will prevail.

Case in point: Regardless of which candidate wins the U.S. presidential election, the new administration will push for energy conservation, Verleger said.

Demand destruction during a recession, he said, has a much greater long-term impact on prices.



## [Cheaper oil, poorer Canada](#)

OTTAWA -- Consumers and manufacturers are reaping the benefits of OPEC's inability to prevent the slump in global crude oil prices, but the lower energy price is also eroding the wealth of Canadians right across the country.

## [Speculation undermines the right to food](#)

The price increase has several explanations. There are long term factors, such as increases in demand, insufficient agricultural productivity in several developing countries, structural adjustment programmes crowding out local food production in favour of cash crops and bio-fuels, as well as short term factors such as bad harvests and the depreciation of the dollar. But these factors alone cannot explain the dramatic increase in such a short time.

## [KENYA: Biofuels Boom and Bust](#)

NAIROBI (IPS) - The Kenyan government has hailed bio-diesel as an innovation that combines green politics with poverty reduction. But recent drops in biofuel prices have caused concern about the sustainability of alternative fuel production.

## [A 21st-century battle we must win for all the world's sake](#)

IF THE 1930s are any guide, the seismic shock hitting the global economy has a long way to go. First came the plummeting stocks on Wall Street, then the social trauma of mass unemployment, soup kitchens and skid row. But they in turn triggered much deeper changes.

From the wreckage of the Depression emerged radical new approaches to running the world's economies: Roosevelt's New Deal, Keynesian beliefs in using government spending to manage slumps, and, in developing countries, a wholesale switch away from reliance on exporting raw materials such as coffee or copper to the pursuit of industrialisation.

...Even before the current crisis, the world was facing new challenges. Since the Second World War, massive economic growth based on fossil fuels has brought material benefits to millions. Now we are entering an age of scarcity – of water, fertile soil and, above all, carbon.

Whether through the onset of "peak oil" or the response to climate change, the rationing of carbon will transform the nature and language of politics. Avoiding catastrophic climate change while still allowing poor countries to grow their way out of poverty will require the United States and Canada to reduce their per capita emissions from 20 tonnes to roughly two (some argue it should be nearer one tonne). The average starting point for Germany and France is ten tonnes per head. China stands at three tonnes.

### [Boom will return, don't ask when](#)

Mr. Komesaroff has worked in the industry for 30 years and said he has never seen a price collapse as swift and deep as the one now clobbering commodities. The prices of most have fallen between 50 and 70 per cent since the summer as the financial crisis, sputtering economic growth and the rising U.S. dollar sap demand and buyers' confidence. He, and others, think the exodus of the hedge funds and other commodity speculators are only accelerating the fall. "I don't think we've seen the bottom," Mr. Komesaroff said. "There's more to come."

Indeed, in the past 24 hours, the commodities drubbing has gone from bad to worse. Asian and European stock markets were hammered again yesterday. Copper traded as low as \$1.66 a pound yesterday, its weakest level in more than three years. Peak oil? Try weak oil. The price of crude slid as much as 7.7 per cent to below \$63 a barrel on the belief that a full-blown global recession will squelch demand.

### [Saudi bourse plunges as Gulf ministers meet](#)

RIYADH (AFP) – The Saudi stock market, the largest in the Arab world, began its trading week on Saturday with a nine percent plunge to sink to its lowest point in four years.

The renewed nosedive came as policymakers from Gulf states met in Riyadh to seek a common response to the global economic crisis.

### [Big Oil, the big survivor](#)

Democrats pledged in their election campaigns to take action against the oil industry, climate change, and the war in Iraq - all three of which are intimately and rightly connected in the public's mind. The Democrats failed to deliver. Far too often, Big Oil's money appeared to be the reason why.

In one particularly glaring example, the Center for American Progress investigated the relationship between votes and campaign contributions in connection with HR 2776, the Renewable Energy and Energy Conservation Tax Act of 2007. The bill would have eliminated \$16 billion in oil and gas industry tax breaks to fund clean energy alternatives. Between 1989 and 2006, members of Congress who voted against the bill received on average four times more money in campaign contributions from the oil and gas industry (approximately \$100,000) than those who voted for the bill (approximately \$26,000). The bill ultimately died.

### [Khurais Oil Field on Stream in Mid-2009](#)

Saudi Arabia will bring on stream its 1.2 million barrel a day Khurais oil field development in mid-2009, the country's oil minister Ali Naimi said Friday.

"Come June 2009 and you will see Khurais (oil field) on stream," Naimi said, speaking after agreeing with fellow OPEC members to cut the group's crude output by 1.5 million barrels a day to stem a decline in oil prices.

### [Growth of Oil Exporting Countries to Decline - IMF](#)

International Monetary Fund (IMF) has said that the economic growth of Africa's oil exporting countries was expected to fall by half a point to an average 8 percent in 2008.

This, it said, is due to the "lower-than-expected output in the Niger Delta and Equatorial Guinea plus weaker non-oil growth in Chad due to insecurity " as well as global financial turmoil.

### [The Financial Crisis Symptom of Unsound Economy](#)

Where is the voice for rebuilding the American economy through re-industrialization?

America's fundamental problem is that the economy is fundamentally unsound. it is hollowed out--a consumer economy that depends on persuading people to buy stuff they don't need with money they don't have.

That's a cruel scam, not an economy.

### [China to give soft loan of \\$1.5 billion to Pakistan](#)

BEIJING: China is quietly working to provide Pakistan a soft loan of \$1.5 billion to overcome its financial crisis in addition to more than \$3.7 billion to be invested in the telecom and power generation sectors in the next two to three years, Chinese officials said. Despite all security issues and financial pressures, China has decided to stand by its two trusted friends — Pakistan and Nigeria — where China will invest more than \$4 billion by the end of 2009, they said.

### [The Long Road Ahead - Are You Ready for the Worst the Economy Has to Offer?: Are we headed for a deflationary period followed by a tidal wave of inflation?](#)

So, the question begs itself again: what will we do? Under the best circumstances we will reorganize our society and economy at a lower level of energy use (and probably a lower

scale of governance, too). The catch is, it will have to be a whole lot lower. I think we'll be very lucky fifty years from now to have a few hours a day of electricity to do things with.

### [Credit crunch darkens solar's prospects](#)

At the solar industry's big annual conference in San Diego last week, renewable energy executives were euphoric over Congress' 11th-hour passage this month of an eight-year investment tax credit that would allow big solar power plants to get up and running, eventually allowing for economies of scale crucial to driving down the price of green electricity. Then a dark cloud drifted over the sun-splashed proceedings in the form of three somber-suited men bearing ominous PowerPoint presentations.

The message from Wall Street: The credit crunch will wallop big solar plant projects that need billions of dollars in financing to get built.

### [Battle over coal mining gets a windy twist](#)

Massey Energy, holder of state permits to blast 6,000 acres, sees the future — and a fortune — in Coal River Mountain. With the spot-market price of steam coal at \$133 a ton and likely to rise, the mountain is a resource capable of feeding power plants for 14 years. Massey plans to start work as soon as federal regulators approve.

But Gibson and others propose a future in which the mountain survives.

Mine coal the traditional way, they say. Dig tunnels and leave the top intact for 200 windmills. Generate enough electricity for 150,000 homes. Let the mountain produce energy forever.

### [Iraq's Farm Sector Crumbling As Drought Bites](#)

BAGHDAD - A severe drought will force Iraq to import 40 percent more wheat in 2008/09, the agriculture minister said, even as the country struggles to revive a sector crippled by decades of neglect and decay.

### [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.

### [Climate change may drown cities](#)

People in Dhaka, the capital of Bangladesh, prefer to commute in three-wheeled autorickshaws, taxis and buses that run on compressed natural gas (CNG), in their bid to slow down global warming.

CNG produces a lower level of greenhouse gases and is an environmentally cleaner alternative to petrol. Dhaka's residents are among the most vulnerable to global warming and don't want to become "climate terrorists".

The city is among more than 3,000 identified by the UN-Habitat's State of the World's Cities 2008/09 as facing the prospect of sea level rise and surge-induced flooding. The report warns policymakers, planners and the world at large that few coastal cities will be spared the effects of global warming.

### [Tuvalu refugees 'last resort'](#)

AUSTRALIA will help resettle climate change refugees but only as a last resort, federal immigration officials have admitted.

This has prompted the Greens to call for a new visa category to cover climate change refugees.

### [Climate commission says global warming threatens Va. coastline](#)

The state Commission on Climate Change issued its first findings today about how global warming will affect Virginia.

The commission found, among other things, that:

- a rising sea level is a major concern for low-lying Hampton Roads. A warmer climate causes the sea to rise, in part from the melting of glaciers.
- the continued affordability of insurance is a problem as the planet warms. Some experts say a warmer planet will generate worse storms.
- climate change will cause some species to disappear from Virginia by changing their habitats.

### [Global Warming Commission approves final revisions to report](#)

LITTLE ROCK -- The Arkansas Governor's Commission on Global Warming on Thursday approved final revisions to its report containing 54 recommendations for reducing the state's contributions to climate change.

## [Climate Change Seeps into the Sea](#)

Good news has turned out to be bad. The ocean has helped slow global warming by absorbing much of the excess heat and heat-trapping carbon dioxide that has been going into the atmosphere since the start of the Industrial Revolution.

## [Dynegy Agrees to Warn Investors About Climate Change Risks](#)

NEW YORK, N.Y. -- Nearly two months after forcing one of the country's largest utilities to disclose climate change risks to investors, New York's attorney general reached an agreement Thursday with Dynegy requiring that it offer investors a glimpse into potential liabilities posed by global warming.

## [Climate Change Poses Risks, Advantages to Insurers, Zurich Says](#)

(Bloomberg) -- Climate change poses risks to insurers as economic losses from weather-related disasters have risen 2 percent a year since 1970. Insurers, though, can turn global warming to their advantage, Zurich Financial Services AG said.

Warming weather raises flood dangers and the frequency and severity of catastrophes such as hurricanes, Zurich's Australian unit said today in a report. Rather than drop coverage of those at risk, insurance companies should help clients adapt, it said.



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