



DrumBeat: November 14, 2008

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[Oil price must foster costly investment: IEA chief](#)

TOKYO - Oil prices should be high enough to foster sustained investment in a range of new sources including costly projects like tar sands, the head of the International Energy Agency (IEA) said on Friday.

"The cost of investment is different by region or country," Nobuo Tanaka, executive director of the agency that advises 28 industrialised countries, said two weeks before producer group OPEC holds an emergency meeting to discuss the oil market.

"In the oil sand or tar sand production, we'd say the marginal cost of a barrel is about \$70-\$80 (a barrel). On the other hand, in the Middle East producers, the cost is much less.

"We need to maintain the level of investment. I can't tell you what is the proper price level, but I strongly believe that the price signal must satisfy these different needs in the energy sector," Tanaka told Reuters in an interview.

[OPEC May Cut 1 Million Barrels a Day in Cairo, Survey Shows](#)

(Bloomberg) -- OPEC, supplier of more than 40 percent of the world's oil, will probably announce plans to lower supply for the third time in as many months to prevent oil plunging toward \$50 a barrel, a Bloomberg survey showed.

The Organization of Petroleum Exporting Countries will cut output at a meeting in Cairo on Nov. 29, according to 16 of 17 analysts surveyed by Bloomberg. Twelve of the analysts predict the reduction will be 1 million barrels a day or more.

[ANALYSIS - OPEC poised for another deep cut to halt oil slide](#)

LONDON (Reuters) - Swelling fuel stocks and a more than \$90 drop in the oil price has driven OPEC to call another round of urgent talks that could agree a deep supply cut to try to shore up the market.

Since early September, the Organization of the Petroleum Exporting Countries has already agreed to reduce supply by a total of two million barrels per day (bpd).

It could announce a further cut of 1.5 million bpd at talks in Cairo at the end of the month, an OPEC delegate said on Friday.

[EIA ANALYSIS: Little Improvement in US Oil Demand Seen](#)

Total US petroleum demand has steadily decreased, down 6.6% year-over-year on a four-week moving average, but implied gasoline demand readings improved, a sign that the sharp decline in prices at the pump may be affecting consumption patterns, an analysis of weekly oil data from the US Energy Information Administration (EIA) showed Thursday.

Gasoline demand inched down 93,000 barrels per day (b/d) to 9.002 million b/d week-over-week, for the reporting week ended November 7. But on a four-week moving average, implied gasoline demand, while still 1.9% below year-ago levels, has slightly improved over the past three reports. The previous week implied gasoline demand was down 2.3% year-over-year.

[More proposals in works to ship mountain gas to Midwest](#)

Pipelines carrying Rocky Mountain natural gas to markets across the United States are virtually full, and prices in the region are dropping as a result of supply overwhelming both local demand and export capacity.

But three companies are offering competing proposals to build a big, new, straight-shot pipeline from Wyoming to Chicago, and that city's millions of people who use natural gas to heat their homes during the teeth-chattering winters along Lake Michigan.

[Iraq opens new oil refinery to meet growing demand](#)

BAGHDAD (AP) -- Iraq has opened a new oil refinery in the southern province of Qadisiyah to meet increasing demand.

[Fragmented Japan power grids need to integrate - IEA](#)

TOKYO (Reuters) - Japan could cut more greenhouse gas emissions if local electricity grids were better integrated to absorb the volatility of higher supply from renewable energy, Nobuo Tanaka, head of the International Energy Agency said on Friday.

Consolidating fragmented grid networks into a single and more and more powerful one

would help the Japan to catch up with its peers in the fight against global warming, he said.

[Julian Darley: Obama's Secret Door To Peak Oil](#)

President-elect Obama has a lot on his plate at the moment, and much of it is probably quite unpalatable. The last thing he needs then, is a goblet of seeming hemlock to wash it all down. But sometimes some bitter medicine is necessary to alert the system to a serious new threat.

If his team does not get a hefty dose of energy reality, they are likely to make very poor strategic decisions. For instance, in the light of peak oil, is bailing out the dinosaur US auto makers the right thing to do?

[Oil guru points to substitutes keeping lid on energy prices](#)

Don't say Henry Groppe didn't tell you so.

Almost a year ago, when oil prices were humming along at close to \$100 (U.S.) a barrel, the 82-year-old dean of oil analysts warned his clients that the price was destined for \$60 before the end of the year. When it soared above \$145 this summer, he stuck to his guns.

This week, oil fell below \$60 a barrel.

It's that kind of prescience that gets guys labelled "guru" – a tag Mr. Groppe long ago earned in his almost six decades predicting the oil market. The soft-spoken Texan cemented his forecasting in the early 1980s, when he foresaw the collapse of oil prices from then-record levels of \$40 a barrel.

[Seven tsunamis and the future of the Gulf](#)

A series of financial shocks are testing the Gulf economy and educating the region that it cannot defy global forces. The GCC will end up looking very different when they pass.

[Centrica says reviewing new wind farm economics](#)

Centrica is reviewing the economic viability of planned wind farms due to soaring costs and the credit crunch, the owner of British Gas said.

Centrica, which is raising 2.2 billion pounds to help fund its proposed 25 percent stake in nuclear power generator British Energy, said it was "revisiting the economics of wind

farms given rising raw material and credit costs."

[Brazil Energy Ministry: Existing Oil Contracts to Be Upheld](#)

Brazil's Mines and Energy minister said Thursday that a group working on new regulations for oil exploration and production will "religiously" respect current oil contracts.

The group, made of top Brazilian bureaucrats and ministers, is expected to hand its suggestions to Brazilian President Luiz Inacio Lula da Silva within the next few weeks, Minister Edison Lobao told an audience of investors and business people in New York.

However, "if we need to change Brazilian laws, we will do so," Lobao said.

[Jordan: Gas stations reject ministry warning](#)

AMMAN - The Gas Station Owners Association (GSOA) on Thursday said there are no legal grounds for government measures meant to oblige its members to order fuel derivatives from the Jordan Petroleum Refinery Company (JPRC).

Fearing more drops in the prices of fuel, and consequently more losses, gas stations have limited their orders from the refinery, especially kerosene, the least demanded derivative, causing a shortage that was further felt with the relatively cold weather the Kingdom witnessed since Wednesday, according to the association's president, Fahed Fayed.

[Hong Kong: Don't dabble in oil-price row, legislators told](#)

Pressing oil companies to immediately reduce fuel prices goes against the government's non-interference policy and the principle of a free market economy, Secretary for Environment Edward Yau Tang-wah told lawmakers.

[Cameco May Suspend Uranium Processing Amid Dispute](#)

(Bloomberg) -- Cameco Corp., the world's largest uranium producer, may temporarily close a uranium-processing plant in Canada because of a dispute over supplies of hydrofluoric acid, used in the production of nuclear fuel.

[Uranium price plunges to \\$46/lb as global economic crisis bites](#)

The uranium spot price has dipped sharply in the face of the current global economic crisis, plummeting from the \$90/lb reached in January to the current level of \$46/lb.

This is some way off the all-time-high spot price of \$136/lb reached in 2007, when fears of a supply shortage loomed large, and the nuclear industry moved back in vogue as the world continued to move to energy sources with a smaller carbon footprint.

[Indonesia: People opt for firewood as kerosene runs short](#)

The kerosene-to-gas conversion program has created a prolonged energy crisis in the province, causing residents in rural and remote areas to turn to firewood for their fuel.

[Collapse in global oil demand may halt refinery construction - paper](#)

LONDON (KUNA) -- More than four-out-of-five refinery construction projects face cancellation as the worldwide collapse in fuel demand wipes out all but those developments with strong government backing, it was revealed here Friday.

In a report, Wood Mackenzie, the industry consultant, concluded that only 30 of the 160 refining projects announced since 2005, which should be completed in the next two to seven years, would now go ahead, the Financial Times (FT) newspaper said.

The sharp drop in the number of new refineries is related to the collapse in the refiner's profit margins, known in the industry as "crack spreads."

The scale of the cutback is the starkest illustration yet of the severity of the collapse in fuel demand and the effect on the refining industry, the main business daily in Europe said.

[Financial crisis hits global oil investment](#)

(Reuters) - The growing financial crisis and plunging energy prices have forced oil companies to scale back spending and delay projects, with expensive ventures in the Canadian oil sands hardest hit.

Below is a list of projects that have been delayed or scaled back in recent months, as well as other related news.

[Baker Hughes sees Saudi rig cut, region strong](#)

NEW YORK (Reuters) - Saudi Aramco is expected to reduce the number of rigs drilling for oil and gas in the coming months, but spending by other national oil companies in the

Middle East is expected to remain strong, an executive at Baker Hughes said on Thursday.

[Mexico spends \\$1.5 bln to hedge falling oil prices](#)

Mexico, the third-largest supplier of oil to the U.S., has spent \$1.5 billion since July to hedge against falling oil income and protect public spending for 2009, Treasury Secretary Agustín Carstens said Thursday.

The government bought so-called put options to sell 330 million barrels of Mexican crude, about a third of its current estimated annual output, for \$70 a barrel, indicating that the oil-exporting country doubts its oil will consistently top that price next year.

[Brazil as a new kind of oil giant](#)

Rio de Janeiro - More than 180 miles off Brazil's coast, trapped under a few miles of water, rock, and salt, lie billions of barrels of light, sweet crude – the largest discovery of oil in the Western Hemisphere in a generation.

Accessing it will require some of the most advanced technology on the planet. But Brazil, once a heavy importer that celebrated its "oil independence" only two years ago, is uniquely positioned to extract reserves trapped millions of years ago when South America and Africa began to separate. The state-controlled oil company, Petróleo Brasileiro (Petrobras), says it will begin production by 2010.

[Energy Crisis Splits Ruling Party In Kyrgyzstan](#)

Amid shortages of hydro-energy in Kyrgyzstan because of the critically low water level in the Toktogul reservoir, President Kurmanbek Bakiyev's loyal supporters are finger-pointing, accusing each other of false reports and corruption. Previously, it was mostly the opposition that criticized Minister of Energy Saparbek Balkibekov for mismanaging the hydro-energy sector. Today, however, members of the pro-regime Ak Zhol party are voicing their doubts about Balkibekov's competence in leading the country through the crisis.

[Nuclear Fusion Holds Silver-Bullet Promise](#)

Clean energy advocates generally shun talk of a "silver-bullet" technology that can replace fossil fuels and provide carbon-free power. However, the promise of fusion-based energy defies the common sense belief that an array of renewable fuel sources is needed to shift away from dirty carbon-based fuels.

[Ailing autos may be Obama's vehicle](#)

The president-in-waiting doesn't want to let the American auto sector fail, and not only because that would set off a shock wave in manufacturing and destroy millions of jobs. He and his advisors see the industry as a vehicle for solving America's energy crisis and steering the economy down the path of green growth.

[Gas prices pancake but OCTA sets new ridership record anyway](#)

I've been gathering up transit ridership from agencies around the state, curious as to whether the number of passengers has dipped now that gas prices have cratered since their summer highs. Not all the numbers are in yet, but most agencies have seen a slight dip in ridership since it peaked in July.

[Stop Blaming Capitalism for Government Failures](#)

As the economic system that fully recognizes and protects individual rights, including the right to private property, capitalism means, in Ayn Rand's words, "the abolition of any and all forms of government intervention in production and trade, the separation of State and Economics, in the same way and for the same reasons as the separation of Church and State." Laissez-faire means laissez-faire: no welfare state entitlements, no Federal Reserve monetary manipulation, no regulatory bullying, no controls, no government interference in the economy. The government's job under capitalism is single but crucial: to protect individual rights from violation by force or fraud.

America came closest to this system in the latter half of the nineteenth century. The result was an unprecedented explosion of wealth creation and consequent rise in the standard of living. Even now, when the fading remnants of capitalism are badly crippled by endless controls, we see that the freest countries—those which retain the most capitalist elements—have the highest standard of living.

[Gas prices fall, but Americans keep their wallets pinched](#)

Across the United States, high prices seem to have produced lasting changes in public habits. As prices rose, many people parked their cars and took the bus or train, and that change is evidently sticking even as gas falls. At 22 transit systems surveyed last week by the American Public Transportation Association, ridership either stayed the same or increased over the last two months, said Virginia Miller, spokeswoman for the group.

Likewise, MasterCard Advisors reports show that national gasoline demand remains down compared to previous years — though by only 3 to 4 percent a week, compared with the 8 or 9 percent drops of earlier this year.

[How low can oil go? A lot lower, but it'll recover](#)

LONDON (Reuters) - World oil prices could easily fall below \$50 a barrel and might even slip toward \$40 or perhaps \$35, but they will recover and could do so fairly quickly, analysts and economists say.

Benchmark U.S. crude futures dropped to a 22-month low under \$55 on Thursday as evidence mounted that the deepening recession would have a severe impact on demand, reducing the use of oil by industries and individuals alike.

[Iran says it will support OPEC production cut: report](#)

TEHRAN (AFP) – Iran, number two oil producer in OPEC, would support a decision to cut production by the cartel at an extraordinary meeting set for Cairo later this month, the Mehr news agency reported on Friday.

"OPEC members have decided to hold a meeting on November 29 in Cairo to discuss recent prices. The current market situation is worrying," it quoted Iran's cartel's representative Mohammad Ali Khatibi as saying.

"In light of dwindling oil prices and instability in the market, Iran will support an oil production cut," he added.

[Diesel plays the strong arm among refinery woes](#)

SAN FRANCISCO (MarketWatch) -- U.S. refineries aren't working quite as hard as they usually do, but demand for diesel remains strong -- and may lend the helping hand that both refiners and consumers need to ensure adequate energy supplies as the nation's heating season kicks into gear.

Don't be too quick to blame the refiners. Demand for petroleum products has significantly declined year to date, and now prices for gasoline have dropped to levels that don't create much incentive for a ramp up in production.

[Meltdown 101: How'd we get this trade deficit?](#)

The sharp rise in oil prices since 2004 widened the deficit, since that meant we were sending more dollars overseas for each barrel of oil. The related decline in the dollar for much of that stretch exacerbated the deficit further by making imports more expensive for Americans - and American exports cheaper for the rest of the world.

The recent decline in oil prices will help ease the trade deficit, but won't erase it. As of Thursday, the trade deficit in September was \$56.5 billion, down from \$59.1 billion in

August.

[David Strahan: Letter to the Energy Secretary](#)

Since you are apparently building a bonfire of previously held policy prejudices, can I urge you to add your predecessors' willful denial of the imminent threat of peak oil, recently highlighted by group of major British businesses - the UK Industry Taskforce on Peak Oil and Energy Security. As their report makes clear, the worst impacts of global oil depletion are likely to be felt far sooner than the worst impacts of climate change – without in any way detracting from the profound threat of global warming.

The recent spike to \$147 per barrel and subsequent plunge to the mid \$60s – just as damaging in its way – is only the start. Oil price volatility is likely to become increasingly violent as we approach the ultimate ceiling of global production, and this will inevitably damage our ability to fund the investment needed to create a zero-carbon energy supply. So we need to get off oil much more quickly than the government has yet acknowledged.

[Eastern Europe leaders to push for new energy routes](#)

BAKU (AFP) — Eastern European leaders gather in the Azerbaijani capital Baku on Friday for a summit aimed at promoting energy supply routes from the Caspian region to Europe that bypass Russia.

Leaders of the Baltic nations, Azerbaijan, Georgia, Poland, and Ukraine will be joined by Turkish President Abdullah Gul for the first time to discuss joint energy projects, including proposed oil and gas pipelines.

[The Russians are coming](#)

Experts argue that, as Moscow touts its efforts to strengthen military cooperation under the umbrella of the CIS and the CSTO, Russia is really pursuing its own goal of expanding its military presence and influence in Central Asia.

[Germany Defends Pipeline Project After Putin Warning](#)

BERLIN - Germany defended plans for a Baltic Sea gas pipeline on Thursday after Russian Prime Minister Vladimir Putin warned European partners that Moscow may scrap the project.

[Russia and Belarus agreed to switch to rouble operations in oil and gas exports](#)

MOSCOW (Itar-Tass) - Russia and Belarus agreed to switch to Russian roubles to pay for oil and gas supplies, Belarussian Vice-Premier Andrei Kobayakov said after the talks with Russian Finance Minister Alexei Kudrin on Thursday.

He stressed that this step will be Belarus' contribution to giving a Russian rouble the status of regional currency.

[Venezuela Will Survive Oil Price Drop](#)

Venezuela is likely to be able to continue its high public and social spending in 2009, policies which form the bedrock of the government's and Chávez's popularity. In the event that public spending should need to be cut, the government has stated that it will target medium- and long-term investment projects rather than politically sensitive social spending.

[Energy market is 'a wild west town in need of a sheriff'](#)

Britain's energy market is now a "wild west town in need of a sheriff" because the regulator, Ofgem, has failed to keep down gas and electricity bills, say MPs.

[South Africa: Financial Crisis May 'Postpone' Energy Projects](#)

THE ripple effect of the global financial crisis could force a review of several key projects in the country, including the electricity generation programme, according to a senior minerals and energy department official.

[China to ensure grain self-sufficiency](#)

BEIJING – China is aiming to produce virtually all the grain it needs for at least the next decade despite a growing population and declining farmland because of urbanization, climate change and other factors.

[Planning the First 100 Days: Green IS the Recession Solution! - The Petroleum Ceiling and the Limits of Growth](#)

Since the credit crisis began, we've been hearing a lot about how investing in a 'Green New Deal', 'A Green Economy', and 'A Clean Energy Economy' will rescue us. But how, specifically, will green solutions be our savior, and why – at the end of the age of oil and a time of increasingly dangerous human-caused climatic instability – is this type of policy package so crucial for President Obama to implement during his first 100 Days?

[Power Company Gives Consumers the Nuclear Option](#)

A new offer from German power company RWE allows consumers for the first time to select a zero-carbon energy scheme fueled mostly by nuclear sources. But as Germany erupts in anti-nuclear protests, the company may be courting a backlash.

[Kenya taps into Brazil's ethanol expertise](#)

"For us, the beverage industry is not very large," says Mr. Agina, whose plant uses molasses – a waste product from sugar mills – to produce alcohol that is pure enough to drink by the time it has passed through six distillation columns. "So the answer is ethanol as fuel, which is used extensively in Brazil.

"Brazil has done wonderful work with up to 3 million vehicles running on ethanol alone – a much cleaner fuel," says Agina. "So we feel their expertise will speed our development."

[Xcel looks to harness wind energy for use even when there's no wind](#)

Next spring Xcel Energy Inc., the state of Minnesota and a Virginia-based technology firm will test the first battery in the country capable of storing wind energy.

[Deal paves way for dams' removal on Western river](#)

GRANTS PASS, Ore. – An agreement signed Thursday lays the groundwork for removing four hydroelectric dams from the Klamath River to help one of the West Coast's most beleaguered salmon runs and end a longstanding environmental dispute.

[Coal power plants may have to limit emissions](#)

About 100 proposed coal-fired power plants in the USA may be required to limit their greenhouse gas emissions after the Environmental Protection Agency was blocked Thursday from issuing a permit for a proposed Utah plant without addressing the issue of global warming.

[Are Human Beings Hard-Wired to Ignore the Threat of Catastrophic Climate Change?](#)

"Many climate scientists find the response to global warming completely baffling," says Elke Weber, a Columbia University psychologist and the chair of the Global Roundtable on Climate Change's Public Attitudes/Ethical Issues Working Group. According to

Weber, climate scientists just can't understand why government and the public have been so slow to act on the extraordinary information these scientists have provided.

But now a growing number of social scientists are offering their expertise in behavioral decision making, risk analysis, and evolutionary influences on human behavior to explain our limited responses to global warming. Among the most significant factors they point to: The way we're psychologically wired and socially conditioned to respond to crises makes us ill-suited to react to the abstract and seemingly remote threat posed by global warming. Their insights are also leading to some intriguing recommendations about how to get people to take action - including the potentially dangerous prospect of playing on people's fears.



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