



## DrumBeat: November 15, 2008

Posted by [Leanan](#) on November 15, 2008 - 10:13am

Topic: [Miscellaneous](#)

### [Why the Energy Crisis Will Oulast the Credit Crisis](#)

The long-term ripple effects of high oil prices could be far more serious than the \$4-gallon prices that confronted American drivers last summer. As oil resources shift increasingly into government hands, there is less certainty that oil officials in various countries will reinvest the trillions of dollars needed to explore and develop new fields, and keep the world's oil flowing. "The immediate risk to supply is not one of global resources but rather a lack of investment where it is needed," says the IEA report. A fair portion of the world's proven oil reserves lie in countries with crippling poverty and deep social problems, including African countries such as Equatorial Guinea and Angola; Africa exports virtually all its oil and gas, and about three-quarters of African homes have no electricity. Such countries, warns the IEA, "lack the technology and skilled personnel to do much more than simply maintain existing producing assets."

### [Raise the Gas Tax](#)

Energy independence won't happen if falling gas prices lead to a resumption of bad habits.

### [Reports on depletion of Saudi oil field denied](#)

As per the 'audit report Ghawar produced 5.1 million bpd of crude oil in 2007, down from a peak of 5.5 million bpd in 1980 (when the field's capacity was fully utilised in response to the loss of Iranian production following the revolution), and a recent peak of 5.3 million bpd in 1997. The observed post peak decline rate is thus a mere 0.3% per year.

Ghawar is still at the plateau phase of production, the report underlined; taking steam out of the peak oil bogey.

### [Wind farm in doubt after backer quits](#)

One of the UK's largest wind farm projects is in doubt after the credit crunch has forced

a backer to pull out.

Statoil, the Norwegian oil giant, is now looking for a new joint venture partner to help develop the £700m offshore wind project off the Norfolk coast. If built, the 108 turbines would provide enough electricity for the homes of a city the size of Cambridge.

### [Green Is for Sissies](#)

SIX years of relentlessly rising prices have showered the oil industry with record profits even as whipsawing energy costs have left many Americans alternately furious and baffled.

Now that the roller coaster ride appears to be screeching to a halt, one corporate giant remains confident it can weather the slowdown and uncertainty better than its rivals.

“It’s not that we like lower prices, but our competitive advantage is more obvious to people in a low-price environment,” says Rex W. Tillerson, the chairman and chief executive of Exxon Mobil, the world’s largest, mightiest oil company. “But in a high-price environment, our competitive advantage has been quite evident as well.”

### [Saudi King Pledges Global ‘Stability’ in Oil Markets at G-20](#)

(Bloomberg) -- Saudi Arabia will help alleviate global financial stress by maintaining stable oil markets and boost its own economy by funding infrastructure projects, King Abdullah said in Washington.

“We will continue to fulfill our role in ensuring the stability of the oil market,” Abdullah said today in a statement after a five-hour summit with the Group of 20 leaders. “We will continue the program for government investment in spending on basic projects and services.”

Abdullah said he expects infrastructure spending “for the government and oil sectors to exceed \$400 billion over the next five years.”

### [Shias call for Basra to be mini-state](#)

BAGHDAD: Two Shia lawmakers yesterday called for a referendum on turning the oil-rich province of Basra in southern Iraq into a mini-state.

The push signals a renewed effort by Shas to grant regions self-rule in what would be a federalist system of government.

### [Big railroad: Fewer shipments, fewer workers](#)

OMAHA, Neb. (AP) -- Union Pacific Corp., the nation's largest freight railroad, has laid off or reduced hours for 1,500 engineers and conductors since 2007 because of the struggling economy.

### [The Global Financial Crisis Batters Chávez](#)

While Chávez built his "Socialism for the 21st Century" on a foundation of crowd-pleasing gestures, he scrimped on traditional investments—the ones that pay economic returns. So traffic crawls on Caracas' crumbling highways. An overtaxed power grid has led to three nationwide blackouts this year. Businesses, fearful of revolutionary taxes and confiscation, have trimmed investments to the bare essentials. And while the government says oil production tops 3 million barrels per day, industry sources think it's fallen to a mere 2.4 million barrels, down by a quarter from 1999.

As long as the price of oil rose, none of this bad news held back Chávez or his revolutionary ambitions. He was flush. As it turns out, it took the Wall Street collapse and the specter of the worst global recession in decades to drag down the oil market and hit Venezuela where it hurt.

### [Venezuela's Real Oil Revenue Could Fall to under \\$30 Billion in 2009](#)

In the wake of the Venezuelan oil basket dropping to US\$ 46.35 per barrel this week, Miguel Octavio, Executive Director of Venezuela's leading investment bank BBO, tries to see through the smoke and mirrors and take us through the real numbers.

### [Higher lows](#)

Well, the bust has arrived much sooner than I anticipated. So, now seems like a good time to evaluate. To be sure, commodities--which have already taken one of the worst drubbings ever--may have further to fall. But the glee with which their fall has been greeted may be obscuring what current prices are telling us.

### [Food pantries facing increasing demand](#)

ROCKLAND, Maine — The demands on operators of food pantries and soup kitchens in the state are increasing, causing concerns that there may not be enough food or that the hungry won't have the fuel to get to the food.

...“In the 1930s, people could walk from their homes to the food kitchens,” he said. “Now we have people living in the woods 10 miles out who can't get to the food.

### [American-built Prius may be on hold](#)

If reports coming out of Japan are true, it may take longer than expected before you can buy a Toyota Prius with "Made in USA" stamped on it.

The Japanese business paper Nikkei reported that Toyota has decided to delay the start of Prius production in Mississippi from 2010 to 2011 at the earliest. The move was being made to save money at a time when Toyota, like other automakers, is suffering through a wrenching sales slump.

### [Low Oil Prices, Credit Woes Could Spell Trouble for UK North Sea](#)

The combination of falling oil prices and the credit crunch spells trouble for oil and gas production in the U.K. North Sea, said senior industry figures.

The U.K. has been counting on steadily rising oil prices to make new projects in the heavily depleted basin profitable and is depending on a legion of small independent oil and gas companies to develop many of the remaining fields as major companies focus their efforts elsewhere.

However, the price of North Sea benchmark Brent crude has fallen by more than half since July to \$56.24 a barrel Thursday and the profitability of many new fields is looking doubtful. At the same time, many of the smaller companies that could have developed them are struggling to keep their heads above water.

### [How low can oil go?](#)

"We were talking about what's happening in energy and this broker, a fairly young guy with no oil and gas experience, says oil is going to \$10 (U.S.) a barrel," recalls Ruus, who manages the Northern Rivers Global Energy Fund.

He couldn't believe such an extreme view. "It just underlined to me the panic going on in this market. It's just totally unrealistic. Canada would shut down as an oil producer at those prices."

### [Mexico's Pemex remains upbeat](#)

Pemex previously thought the aging Cantarell field would decline by around 15 percent a year, allowing it to pump 600,000 bpd in 2012, but this year's more than 300,000 bpd fall in production has forced it to revise its view.

"The gas (in the field) is advancing. When it arrives at the wells, we have to shut them

down and we cannot replace them quickly enough," said Morales, but he said new oil laws should help Pemex ramp up output elsewhere.

"With the reform we think we can get...to 3 million bpd toward the end of this government," he said.

### [Caspian energy powers split at anti-Russian summit](#)

BAKU (Reuters) - Caspian Sea energy nations showed this week they remain close to Moscow's sphere of influence as some key producers declined to sign a declaration calling for a limit on Russian monopoly over export routes to the West.

### [The race begins for tide power bonanza](#)

THE race to develop Scotland's seas into the "Saudi Arabia of marine power" is about to start, with plans for 500 underwater turbines in the Pentland Firth.

The Scotsman can reveal that an Australian company is already preparing a serious bid for the huge tidal farm that it says will power one million homes.

### [Australia: Thousands march to stop climate warming](#)

Thousands have taken part in marches around Australia calling for action to stop climate warming.

### [Europe, Japan Face \\$46 Billion Global-Warming Penalty](#)

(Bloomberg) -- Twenty nations including Japan, Italy and Australia may be releasing more greenhouse-gas pollution than they agreed to under the Kyoto treaty to curb global warming.

### [No Nintendo game this Xmas? Blame Somali pirates](#)

LONDON (Reuters) - Alarmed at the growing number of attacks off Somalia, international merchant shipping is edging closer to doing the unthinkable in peace time: by-passing one of world's most vital trade routes.

Somali pirates have been plundering ships off the Horn of Africa for years, but the recent surge in attacks has spilled out into the Gulf of Aden and the Red Sea, threatening access to the Suez Canal.

Now big firms employed in moving everything from oil, gas and coal to toys, are urgently considering whether to travel round South Africa's Cape of Good Hope instead.

### [Crude continues decline despite signals from OPEC](#)

COLUMBUS, Ohio – Oil prices slumped Friday, despite signals from OPEC that it may slash production again, with the markets instead focused on the most recent reports showing drastic cutbacks in spending and consumption by businesses and consumers.

Gasoline prices again fell overnight, prompting one analyst to note a "half price holiday sale on gas" with Americans fueling up for the Thanksgiving holiday at half the price they did in July.

### [Iran wants OPEC to cut output](#)

TEHRAN (Reuters) - Iran wants OPEC to cut oil output by a further 1 to 1.5 million barrels per day when it meets in Cairo later this month, the Islamic Republic's representative to the cartel was quoted on Saturday as saying.

OPEC countries are calling for action to halt oil's slide as they face reduced revenues and a struggle to finance domestic projects. Oil prices have tumbled more than 60 percent from a record level of \$147 per barrel in July.

### [Iran switches reserves to gold - report](#)

TEHRAN (Reuters) - Iran has converted financial reserves into gold to avoid future problems, an adviser to President Mahmoud Ahmadinejad said in comments published on Saturday, after the price of oil fell more than 60 percent from a peak in July.

Iran, the world's fourth-largest oil producer, is under U.N. and U.S. sanctions over its disputed nuclear programme and is now also facing declining revenue from its oil exports after crude prices tumbled.

### [The New Oil Paradigm No One Is Talking About](#)

Offshore production is increasing, and the industry may soon be asked to reconsider its basic assumptions about oil. Over the past few decades, a number of industry experts and geologists have conducted research suggesting that the origin of hydrocarbons may be *abiogenic*, not organic. Stated simply, the abiogenic oil theory posits that oil is not formed from plants and animals compressed for millions of years in sediment rock. Instead, oil is a primordial substance created before the formation of Earth, and found

deep underground.

### [IEA: WEO 2008 - Comments on the Oil Field Decline Analysis](#)

EnergyComment, the new German expert site for oil markets and oil politics, comments on the oil field analysis, the centerpiece of the oil-related results of the WEO 2008.

### [Iran: OPEC members need oil price of \\$70-100](#)

TEHRAN (Reuters) - OPEC members need an oil price of at least \$70-100 per barrel to continue with their energy projects, Iran's OPEC governor told state television on Saturday.

"A price of between \$70 to \$100 is what (OPEC) members are interested to have in order to be able to continue with their daily and investment activities. They need this price," Mohammad Ali Khatibi said in an interview broadcast live.

### [Another Bum Signal](#)

As our old pal Tom Petrie out in Denver puts it, the era of what he calls "Practical Peak Oil" has been delayed by the global recession. But it still looms in the not-too-distant future and promises -- or threatens -- to furnish a powerful lift to prices.

### [Deflation Hoax](#)

A couple of days ago, the International Energy Agency (IEA) released its World Energy Outlook report. According to the IEA, our existing oil fields are depleting by a shocking 6.7% per annum and we would need to find an additional 60 million barrels per day of new oil supply in 20 years to meet global demand. Now, it is worth noting that it has taken our world roughly 100 years to produce 86 million barrels of oil per day and this includes crude oil, natural gas liquids, hydrocarbon processing gains and bio-fuels. So, it is highly unlikely if not impossible that we will be able to find new supply of 60 million barrels per day in 20 years time! Given the harsh realities of Peak Oil, I find it absurd that the price of oil has declined by roughly 60% in the past 4 months. In any event, I don't expect this correction in energy to last forever so this may be the final chance you'll get to load up on quality energy stocks which are being given away at today's prices.

### [Nigeria oil pipeline sabotaged in delta](#)

PORT HARCOURT, Nigeria (Reuters) - A Nigerian crude oil pipeline operated by U.S. major Chevron was sabotaged in the Niger Delta, but it was not yet clear whether

production was affected, a military spokesman said on Saturday.

### [NASA, Spaceport against offshore drilling plans](#)

WALLOPS ISLAND — When some rockets are launched from the NASA Wallops Flight Facility, the used motors are dropped from the spacecraft and fall harmlessly into the Atlantic Ocean.

If the federal government goes through with its plan to sell oil and natural gas drilling rights off the Virginia coast, officials would have to coordinate those launches with the placements of large drilling rigs off the coast.

### [UK: Adapting for life in an oil-free future](#)

ADAPTING to life without oil is the central concept of a project designed to transform the way Malvern works forever.

Transition Malvern Hills follows in the footsteps of other successful initiatives throughout the UK by attempting to cause a shift in people's attitudes and actions.

### [Local Governments Can Lead the Way, Even on Transportation](#)

With recent volatility of oil and energy prices adding to our country's economic woes, we're seeing a renewed focus on community energy planning. Energy planning is often relegated to state and federal policymakers, sometimes to the detriment of communities. Our organization, the Community Environmental Council, has a broad perspective on the pros and cons of the various levels of policymaking because we work on state as well as local energy policy in California.

### [Schwarzenegger orders climate change strategy](#)

Sacramento, CA (AP) - Gov. Arnold Schwarzenegger on Friday ordered state agencies to begin preparing for the projected impacts of global warming on California's economy, people and natural resources.

The executive order calls on state officials to develop a "comprehensive climate adaption strategy" to cope with rising sea levels, higher temperatures, increased flooding, changing precipitation patterns and more extreme weather events.

### [New global warming law won't happen soon](#)



WASHINGTON - Congress will not act until 2010 on a bill to limit the heat-trapping gases blamed for global warming despite President-elect Barack Obama's declaration that he will move quickly to address climate change, the chairman of the Senate Energy Committee predicted Wednesday.

### [Nepal's Himalayan glaciers at risk due to global warming](#)

Kathmandu - The rise in global temperatures and climate change caused by greenhouse gases are posing risks for Nepal's Himalayan glaciers and glacial lakes, official media reported Wednesday. Global warming has affected northern Nepal considerably, causing the melting of glaciers, the state-owned Gorkhapatra newspaper said, quoting government officials.

"Global warming is causing the existing glacial lakes in Nepal's Himalayan range to expand and the possibility of them bursting," the newspaper quoted Purusottam Ghimire, joint secretary at the Ministry of Science and Technology, as saying.

### [Updating the Science of Global Warming](#)

When the world's governments gather in December 2009 in Copenhagen to negotiate a treaty to restrain global greenhouse gas emissions, the science on which they base their decision could be as much as four years out of date. The United Nation's Intergovernmental Panel on Climate Change (IPCC) offered its synthesis of existing research in February 2007 and it was based on studies published in peer-reviewed scientific journals only through 2005.



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