



DrumBeat: December 2, 2008

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Topic: [Miscellaneous](#)

[Oil at 3-1/2 year low: Below \\$47](#)

NEW YORK (CNNMoney.com) -- Oil prices continued falling on Tuesday, tumbling to 3-1/2 year low, as concern about the floundering global economy and falling demand again took center stage.

U.S. crude for January 2009 delivery fell \$2.32 to settle at \$46.96 a barrel. It was the lowest closing price since May 20, 2005 when oil settled at \$46.80 a barrel.

A day earlier, oil prices plummeted more than \$5 a barrel in the wake of a spate of gloomy economic reports.

"People are worried about their jobs, about their ability to pay for Christmas," said Tom Orr, head of research for brokerage Weeden & Co.

[GM's November U.S. sales slump 41 percent](#)

NEW YORK - General Motors' November U.S. sales plunged 41 percent, while Ford's dropped 31 percent, dashing hopes that the industrywide drop in vehicle demand might be easing as Detroit's automakers prepare to state their second case for a federal bailout.

Their overseas rivals posted abysmal results as well. Toyota's November sales tumbled 34 percent, and Honda's fell 32 percent.

[Chevron May Sell Refineries as Demand, Margins Shrink](#)

(Bloomberg) -- Chevron Corp., the world's fourth-largest oil company, may sell some refineries as recessions in the world's largest economies cut demand for gasoline and diesel, squeezing fuel-production margins.

The San Ramon, California-based company wants to focus on higher-profit ventures such as natural-gas production offshore Australia and oil developments in the Gulf of Mexico and West Africa, John Watson, executive vice president of strategy and

development, said today in a presentation to an energy conference in New York sponsored by Merrill Lynch & Co.

[Qatar looks to grow food in Kenya](#)

Qatar has asked Kenya to lease it 40,000 hectares of land to grow crops as part of a proposed package that would also see the Gulf state fund a new £2.4bn port on the popular tourist island of Lamu off the east African country.

The deal is the latest example of wealthy countries and companies trying to secure food supplies from the developing world.

Other Gulf states, including Saudi Arabia and the United Arab Emirates, have also been negotiating leases of large tracts of farmland in countries such as Sudan and Senegal since the global food shortages and price rises earlier this year.

[Ukraine asks Russia for more time to pay gas debt](#)

MOSCOW (RIA Novosti) - Ukraine's national oil and gas monopoly Naftogaz has asked Gazprom to postpone the deadline for repayment of Ukraine's natural gas debt for September and part of October, the Russian company said Tuesday.

The countries are currently negotiating payment of Ukraine's debt, which Gazprom earlier quoted at \$2.4 billion. Some of the funds have reportedly been paid, but Gazprom has demanded full payment, and threatened supply cuts.

[Canada oil sands seen as threat to birds](#)

A coalition of North American environmental groups says the development of Canada's oil sands region threatens to kill as many as 166 million birds over the next five decades and is calling for a moratorium on new projects in the region.

[Ford says it will accelerate electric car plans, CEO to work for \\$1 a year](#)

WASHINGTON - Ford Motor Co. CEO Alan Mulally says he'll work for \$1 per year if the automaker has to take any government loan money.

...The company also will accelerate plans to roll out electric cars as part of the plan it will present to Congress this week. Ford's plans call for an investment of up to \$14 billion to improve fuel efficiency over the next seven years. The company said would improve the overall efficiency of its fleet by an average of 14 percent in 2009.

[Petrobras Pre-Salt Region Profitable at \\$50 Oil, Santander Says](#)

(Bloomberg) -- Petroleo Brasileiro SA, which discovered the Western Hemisphere's largest oil find in three decades, may still be able to develop the region and turn a profit with oil prices at \$50 a barrel, Banco Santander SA said.

Osmond Coelho, the manager of the state-controlled oil company's so-called pre-salt region, said falling oil prices won't affect the timing for developing the fields, Santander analysts Christian Audi and Ana Browne wrote. They cited a meeting with Coelho in a note to clients.

[Nigeria Earmarks \\$5 Billion for Joint Oil Ventures Next Year](#)

(Bloomberg) -- Nigeria, Africa's top crude producer, plans to contribute \$5 billion to joint oil ventures with international companies next year, President Umaru Yar'Adua said.

That estimate is based on a benchmark oil price of \$45 a barrel, down from \$53.83 a barrel for this year's budget, Yar'Adua said today in a speech to parliament.

[Malaysia to invest 5 to 6 bln dollars in Iran's gas fields](#)

TEHRAN (Xinhua) -- Malaysia will invest 5 to 6 billion U.S. dollars in Iran's gas fields, according to the cooperation memoranda of understanding (MoU)s that the two sides signed on Monday, Iran's satellite press TV reported Tuesday.

"Malaysia will invest 5 to 6 billion dollars via buy-back contracts in two Iranian gas fields (Ferdous and Golshan)," Iran's Oil Minister Gholam Hossein Nozari was quoted as saying.

[Big Oil's money problem](#)

Those massive earnings sparked outrage among motorists and politicians. But as oil prices tumble in the wake of a reeling economy - they're currently around \$50 a barrel - some think Big Oil's earnings rampage is done.

"I'm afraid to say those [profit] numbers are history," said Robbert Van Batenburg, Head of Global Research at Louis Capital Markets, a Manhattan-based brokerage. "Demand is collapsing, and the industry is infested with overcapacity."

Others say record profits will bounce back as soon as the economy - and oil prices - return to growth mode. Still others believe oil prices will surpass \$150, but believe that

profits will lag as expenses for the oil companies mount.

[2008 – The year the economic climate changed](#)

I am convinced that 2008 will go down in history as a turning point. While it may be tempting to return to the good old days of unrestricted free markets, the reality is that this would probably be short-lived.

Unless capitalism reinvents itself in a way that ensures greater sharing of the fruits of globalisation, and shows it can be instrumental in tackling climate change – delivering the goods in both senses – governments will have no choice but to intervene more extensively. Experts familiar with possible future climate shocks see the financial recession as a small dress rehearsal for what could come. Just think of what a succession of floods or droughts will do to food prices and stock markets, and government response options.

The reality is that the 21st century will be what Richard Heinberg has termed “peak everything” – a time when the supply of many raw materials will go into terminal decline. Oil, gas and fish are at the top of the list. The old economic model of growth based on freely available raw materials and cost-free waste disposal cannot last. Climate change is giving us – and indeed compels us to develop – a sustainable growth model.

[OPEC chief calls on Russia, Norway to join oil cartel](#)

ALGIERS, Algeria (AP) _ The head of OPEC says he hopes oil producing nations like Russia will join the organization, or at least agree to output cuts to help spark a rally in prices.

Chakib Khelil, who is also Algeria's oil minister, says oil producers such as Russia, Norway and Mexico should "express their solidarity" with OPEC, either by joining the cartel or by following its reductions of output quotas.

[Mexico hopes risky project stabilizes oil flows](#)

MEXICO CITY (Reuters) - Mexico's options for avoiding a dramatic decline in oil output are narrowing to a multibillion dollar gamble on the Chicontepec basin, where producing crude is so difficult it has been largely ignored since its discovery in the 1920s. Chicontepec, an onshore oil basin bigger than Luxembourg located in eastern Mexico, could hold more than 100 billion barrels of crude, but because of the area's fiendish geology only a fraction of this oil is believed to be recoverable.

Mexico plans to spend \$30 billion over the next 15 years at Chicontepec to help offset a sharp decline in output that threatens its status as the world's No. 6 oil producer.

[State-Owned Oil Companies Advance Global Ranking of Oil Companies](#)

The national league is beating the private sector in oil.

State-owned oil companies now comprise 27 of the top 50 oil companies, according to a survey from Petroleum Intelligence Weekly. Not only that, the national companies are moving up in the ranks. Russia's Rosneft is now ranked 16th in the world, up from 24 last year. China's CNPC, meanwhile, passed up BP and Shell. CNPC is now ranked fifth on the list. ExxonMobil, ranked third, is the only private firm in the top five, right below NIOC of Iran and PDV of Venezuela.

[BP fights self in phone booth, loses match](#)

British Petroleum ranks as one of the lead members of the peak oil denial club. ASPO's Colin Campbell and Kjell Aleklett both took BP to task for recent comments slamming the peak oil perspective, even denying its validity. (More on the latter point in a moment.)

But it wasn't always this way. Just over a decade ago, and as recently as 2001, one could fairly say that-based on at least two notable points made over a 5-year period-BP ranked as one of the more realistic oil majors when it came to looming world oil production limits.

[Bolivia Shuns Fuel Control Silence](#)

La Paz (Prensa Latina) Bolivia denounced media silencing of the successful Iron Fist plan to fight illegal fuel trade, confuse the people and affect the January 25 referendum.

...Iron Fist November 13 implementation involved hundreds of soldiers and police stationed at gas stations to control fuel sale and restored domestic fuel supply, which the polls confirmed as successful.

[ExxonMobil: PNG LNG Project Protected from Credit Crunch](#)

Exxon Mobil Corp., operator of the US\$11 billion PNG LNG joint venture in Papua New Guinea, said it would be "foolish" to suggest the project was immune from the credit crunch but that Exxon's long-standing AAA credit rating provided "weather proofing" in the current conditions.

[CNPC finds new oil, gas reserves](#)

China National Petroleum Corp (CNPC) yesterday said it had made six major oil and gas discoveries this year, as the company has put increasing focus on exploration.

[Vacaville fruit packer has sunny outlook with solar project](#)

More than 5,800 skyward-tilted solar panels aligned like orchard trees next to the Mariani plant in Vacaville will generate up to 1.1 megawatts of electricity a year for the next 20 years.

That's nearly one-fourth of the power Pacific Gas and Electric Co. currently supplies the company to process more than 100 million pounds of dried fruit a year.

[Oil falls to 3-year low on bleak U.S. economic news](#)

Oil prices fell to a 3-year low below \$48 a barrel Tuesday as more bleak U.S. economic news and plunging stock markets darkened investor expectations for energy demand.

By midday in Europe, light, sweet crude for January delivery was down 71 cents to \$48.57 a barrel in electronic trading on the New York Mercantile Exchange. Earlier in the session, prices briefly fell to \$47.36, the lowest since 2005.

In London, January Brent crude slid 54 cents to \$47.43 on the ICE Futures exchange.

[Crude Oil Prices May Fall for Further 12-18 Months, BP Says](#)

(Bloomberg) -- The slide in oil prices won't bottom out until another 12 to 18 months, according to Christof Ruehl, the chief economist of BP Plc.

The world economy will stage a recovery from recession in 18 to 24 months, followed by "possible spikes" in oil prices, Ruehl told a conference in London today.

[Petrobras May Borrow More Funds From State Banks, Folha Says](#)

(Bloomberg) -- Petroleo Brasileiro SA's Chief Executive Officer Jose Sergio Gabrielli said the company may borrow more funds from state-controlled banks to use as working capital, Folha de S. Paulo reported.

[China gasoline, diesel stockpiles at record in Oct](#)

BEIJING (Reuters) - Gasoline and diesel stockpiles belonging to China's two oil giants,

Sinopec Group and CNPC, hit record highs in October, according to the OGP newsletter published by Xinhua news agency.

[Russia's gas output down by almost 4 bln cbm in November](#)

MOSCOW (Itar-Tass) - Russia's gas production reached 54.351 billion cubic meters in November as against 58.193 billion cubic meters over the same period of last year, the Prime-Tass business news agency said with reference to the materials of the central dispatcher control department of the fuel and energy complex.

[Shell, Anglo American rethink coal-to-liquids project](#)

SYDNEY (Reuters) - Royal Dutch Shell Plc and Anglo American Plc are rethinking development of an Australian project to turn coal into liquid fuel, saying it might cost too much.

[Russian Ruble May Weaken 25% Next Year, Goldman Sachs Says](#)

(Bloomberg) -- Russia's ruble may fall as much as 25 percent in the next 12 months as the central bank seeks to conserve foreign-currency reserves amid declining oil prices, Goldman Sachs Group Inc. said.

[Iran holds naval war games in strategic waterway](#)

TEHRAN (Reuters) - Iran said it began six days of naval war games on Tuesday in the Gulf and the Strait of Hormuz, the strategic transport route for global oil supplies which the Islamic Republic has threatened to close if it is attacked.

[Blackwater holding anti-piracy meetings in London](#)

MOYOCK - Private security contractor Blackwater Worldwide is meeting with shipping and insurance companies this week to describe what the company can do to protect vessels traveling through the volatile Gulf of Aden.

[British Airways in merger talks with Qantas](#)

LONDON - British Airways PLC said Tuesday it is in talks with Australia's Qantas Airways Ltd. about a potential merger, sending its shares soaring as it confirmed expectations of consolidation in the hard-hit aviation industry.

[New Jersey entices carpoolers with more gas money](#)

The state Department of Transportation, or DOT, is expanding its Carpooling Makes Sense program by offering \$150 gas cards to new carpoolers of three people each, and \$200 gas cards to new carpoolers of four or more people. The \$100 gas cards for carpoolers of two people also are still available.

[Consumers flock to firewood to cut winter heating costs](#)

Americans are stoking their fires, shifting to wood-generated heat to save money.

"People are going back to the older days of living," says Mel Barley of Fired Up Firewood in Lubbock and Amarillo, Texas. Sales of piñon, mesquite and oak firewood in October were double the same month a year ago, owner Randy Hair says.

"They're trying to ... save all the money they can," Barley says. "The more they save on fuel, the more money they have to buy other things."

[The Energy Debates: Small Wind Power](#)

The picture that wind power often brings to mind is that of giant turbines on wind farms, which produce megawatts of electricity using rotors up to hundreds of feet in diameter. Small wind power systems, on the other hand, use comparatively petite turbines to support individual homes.

[Nigeria begins review of nuclear power plants legislation](#)

LAGOS (Xinhua) -- Nigeria's quest to generate electricity from nuclear sources gained steam on Monday, with the inauguration of a committee to review the legal framework guiding the implementation of the national nuclear power program, the Punch newspaper reported Tuesday.

[Brazil describes new plan to slow deforestation](#)

SAO PAULO, Brazil – Brazil plans to boost spending and programs to significantly slow destruction of the Amazon rain forest by 2017, aiming to reduce global warming by slashing the amount of carbon dioxide emitted when trees are burned.

The plan would reduce deforestation to 1,900 square miles (5,000 square kilometers) a year, an area the size of the U.S. state of Delaware, President Luiz Inacio Lula da Silva said Monday – setting Brazil's first-ever concrete goal to slow rain forest destruction.

[EU car makers to get more time to meet CO2 cuts](#)

BRUSSELS, Belgium – European Union governments and the European Parliament struck a provisional deal Monday that gives car makers more time to meet stricter limits on greenhouse gas emissions.

The new rules encourage car makers to sell more small and fuel-efficient cars to balance out sales of heavier luxury vehicles that have boomed in recent years.

[Italy threatens to veto costly EU climate change package](#)

BRUSSELS (AFP) – Italy will veto ambitious European Union plans to tackle climate change unless changes are made to make the package less costly to industry and consumers, a minister warned Monday.

"If the climate package passes as it stands it will lead to a 17 percent hike in electricity bills for every Italian," Andrea Ronchi, Italy's European policy minister, told reporters in Brussels.

[Ex-bad boy China praised at climate talks](#)

POZNAN, Poland – Once global warming's bad boy, China is now winning praise for its upbeat role in climate talks, a turnaround perhaps brought on by the effects of carbon emissions on its choking cities, shrinking water resources and increasingly flooded lowlands.

Sen. John Kerry recalls meeting the Chinese in the early days of negotiations in the 1990s on a treaty to control greenhouse gases emissions blamed for climate change. "Usually, we just stared at each other," said the Massachusetts Democrat.

"They just wouldn't hear of anything. They saw this effort as a Western conspiracy to prevent them from growing," Kerry said in a conference call with reporters last week.

That changed a year ago when China agreed developing countries would help contain carbon emissions — as long as the wealthy industrial countries gave them the needed technology and finances.

[Kunstler: What Does Barack Know About Peak Oil?](#)

The economy may go back up, but the decline in oil production can't be stopped. Does the president-elect know this?

[FAO: Climate change threatens food security of Pacific island countries](#)

ROME (Xinhua) -- Ocean warming, frequent tropical cyclones, flash floods and droughts are likely to bring a devastating impact on food production systems in Pacific island countries, the UN Food and Agriculture Organization (FAO) said on Tuesday.

Climate change-related disasters have already seriously constrained the development of these islands, the FAO said in a new report entitled "Climate Change and Food Security in Pacific Island Countries."

[Climate change fallout may cost annual \\$50 billion](#)

POZNAN, Poland – Developing countries will need at least \$50 billion per year to deal with the consequences of climate change, money that could be raised by auctioning off some rights to emit greenhouse gases, an aid group said Tuesday.

Agreeing how to help poor nations adapt to conditions such as decreasing rainfall and harsher storms is a key challenge as negotiators from some 190 countries begin to thrash out details of a new climate change treaty to take effect in 2013.



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