



DrumBeat: December 5, 2008

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[Return to \\$1 gas? Energy prices evaporate](#)

COLUMBUS, Ohio – Oil prices hit four-year lows Friday as employers cut the highest number of jobs in 34 years. The continuing decline in prices is so dramatic and so sudden that it is raising the prospect that gas prices could soon fall below \$1 a gallon.

...On Friday, light, sweet crude for January delivery settled at \$40.81 a barrel on the New York Mercantile Exchange, down by nearly \$3 per barrel. Prices fell as low at \$40.50, levels last seen in December 2004.

Gasoline futures for January delivery tumbled to 90 cents.

For gas prices to get close to a \$1, oil prices probably would need to fall another \$10 a barrel – something that would have impossible to fathom during first part of this year as oil prices soared near \$150 per barrel.

[Driving tax, border tolls among suggestions for funding R.I. road and bridge repairs](#)

PROVIDENCE – A tax on every mile that residents drive is one of several suggestions from the state panel charged with finding money to repair Rhode Island's ailing transportation infrastructure.

The Blue Ribbon Panel on Transportation Funding – in a draft report the 12-member panel discussed at its meeting yesterday – also proposed levying a \$3 toll on all cars and a \$6 toll on all trucks entering the state; imposing tolls on all bridges between Aquidneck Island and the mainland; raising the passenger-vehicle registration fee, now \$60 every two years, to at least twice that; and raising the state gasoline tax by as much as 15 cents per gallon.

[Iraq appeals to oil companies for investment](#)

BAGHDAD (AP) -- Iraq launched its first public campaign Friday to attract investment from international oil companies, rolling out a red carpet - literally - for executives from as far away as Russia and Japan.

The oil minister said his country is now safe for business and desperately needs help in rebuilding its devastated oil infrastructure.

[IEA Cuts 2009 Global Oil Demand on Slowing Economy](#)

(Bloomberg) -- The International Energy Agency cut its global oil demand forecast for 2009 because of the world economic slowdown.

The Paris-based agency reduced its demand forecast by 170,000 barrels a day from its November estimate to 86.37 million barrels a day, analyst David Martin said in a phone interview today as the agency issued an update to its July's Medium-Term Oil Market report.

The forecast for 2013 demand has been lowered by 2.9 million barrels a day to 91.25 million barrels a day from a July estimate of 94.14 million barrels a day, Martin said.

[Deepwater Rig Rates Jump as Shortage Trumps Oil Drop](#)

(Bloomberg) -- Rental rates for deepwater drilling rigs continue to surge as a worldwide shortage of vessels used to search the oceans for oil outweighs the biggest drop in crude prices in a quarter-century.

[Many oil majors skip Iraq oil expo](#)

BAGHDAD (AFP) – Many major global oil companies have stayed away from the first Iraq Energy Expo which opened in Baghdad on Friday, amid uncertainty about plans for oil production partnerships.

ConocoPhillips of the United States and Russia's Lukoil and Gazpromneft are among 40 exhibitors, but BP, Exxon and Total are absent although they say they want to return to Iraq after being thrown out by then dictator Saddam Hussein 36 years ago.

[Shell Said to Plan 10-Day Repair of Pernis Refinery Fire Damage](#)

(Bloomberg) -- Royal Dutch Shell Plc is planning to keep a gasoline unit at its Dutch Pernis refinery, Europe's largest, shut for about 10 days of repairs following yesterday's pipeline fire, a person familiar with the situation said.

[Petrobras CEO says oil price no hurdle to subsalt](#)

SAO PAULO (Reuters) - Petrobras Chief Executive Jose Sergio Gabrielli said on Friday the price of oil was not an obstacle to developing massive oil deposits that are difficult to access deep beneath the ocean floor.

The finds of potentially more than 50 billion barrels of light oil below a thick layer of salt could turn Brazil into one of the world's top oil producers.

[Russia pledges to build natural gas pipeline by 2015](#)

BELGRADE, Serbia — Russia today pledged to complete a strategic natural gas pipeline through Serbia by 2015 — despite the global financial crisis — paving the way for its immediate purchase of Serbia's state energy monopoly.

[Arctic pipeline faces 1-year regulatory wait](#)

TORONTO (Reuters) - A regulatory panel weighing a proposal for a C\$16.2 billion (\$12.5 billion) pipeline to ship gas from Canada's Arctic will not complete its report for one year, spelling another in a long list of delays for the embattled project.

[Hydrogen: The Emerging, Clean Energy Commodity](#)

The world is sorely in need of a cost effective replacement energy carrier that can serve as a fuel for motor vehicles, aircraft, and all types of water transport. Moreover, this fuel that will power the future must be pollution free. All things considered, hydrogen does appear to fit that urgent need better than any other option. If that is so, it is fair to ask why hydrogen has not had a more prominent place in the public dialogue surrounding the world's energy future.

...In an attempt to set the record straight, what follows is an examination of eight key claims often presented by detractors as evidence of the false promise of hydrogen.

[Young People Choose Cars Above Greener Transport Options](#)

Young people find the prospect of driving cars more attractive than other modes of travel that are kinder to the environment, according to research conducted by a researcher at the University of the West of England.

...The study concentrated on the views of young people aged between 11 and 18 years and the findings found an overwhelming desire by young people to drive.

[Exxon Underscores Importance of O&G to Meet Global Energy Demand](#)

ExxonMobil today published "Outlook for Energy: A View to 2030" in which the corporation predicts that global energy demand, due to population growth and economic expansion, will increase by an average of 1.2% per year. Even considering the significant strides the petroleum industry is taking to become more energy efficient and resourceful, the world's energy demand is expected to grow by 35%, or to the equivalent of 310 million barrels per day by 2030, according to Exxon estimates.

Although the energy perspective has shifted toward tapping into alternative and renewable energy sources to quench burgeoning consumption while reducing "carbon footprints," Exxon underscores that oil, gas and coal will continue to power the majority of the world's energy needs, meeting close to 80% of the world's needs through 2030. Exxon acknowledges that alternative and renewable methods, such as nuclear, wind and solar power, as well as low-carbon- and biofuels, will also rapidly develop over the next couple of decades as effective energy resources, but that traditional hydrocarbon resources will remain the most abundant and affordable.

[Solving the economic and environmental crises](#)

In a speech to the Confederation of British Industry two weeks ago, the CEO of Royal Dutch Shell, Jeroen van der Veer, predicted that the current financial crisis would be a problem for a couple of years, "but the energy challenge will be a problem for at least 50 years."

He cited three reasons for the worsening energy crisis: an increase in global population from six billion to nine billion people by 2050 who will demand greater electricity and transportation; insufficient oil and gas resources to fuel this demand; and increasing greenhouse gases.

[Gazprom, Serbia to sign energy deal by end Dec](#)

BELGRADE (Reuters) - Russia's Gazprom will sign a final agreement on the purchase of Serbia's oil monopoly NIS by end of December, Gazprom's Chief Executive Officer Alexei Miller said on Friday.

Serbia's top officials signed an initial deal with Russia last January giving Gazprom's oil arm, Gazprom Neft, the control of the majority stake in oil monopoly NIS in exchange for Serbia's inclusion in the South Stream pipeline.

[Unrest Costing Nigeria 397,697 B/D in Oil Output](#)

Unrest in the Niger Delta, the heart of Nigeria's oil industry, is costing 397,697 barrels of lost production a day, the Department of Petroleum Resources said Friday.

Some 113 oil fields -- operated by Royal Dutch Shell PLC, Chevron Corp., Mobil Producing Nigeria, a unit of Exxon Mobil Corp., Elf Petroleum Nigeria Limited, Canada's Addax Petroleum Corp. and the Nigerian Petroleum Development Company -- are shut due to security, community and operational issues, it said.

[Pernis cat cracker to stay down for days-source](#)

AMSTERDAM (Reuters) - A catalytic cracker at Royal Dutch Shell's Pernis oil refinery in Rotterdam will stay shut until the start of next week at the earliest following a fire at the plant on Thursday, an industry source said.

The unit, used to make gasoline at Europe's biggest oil refinery, was shut down for safety reasons after the fire broke out at a nearby pipeline carrying heavy diesel oil.

[Fiji: State urged to remove fuel surcharge](#)

The interim Government has been urged to intervene and remove the Fiji Electricity Authority fuel surcharge.

[Can Obama keep energy promises?](#)

President-elect Barack Obama has vowed to make energy and environmental issues a priority during his presidency. Through his comprehensive New Energy for America plan, he pledges to invest in alternative and renewable energy, end America's addiction to foreign oil, address the global climate crisis and create millions of new jobs through green initiatives.

But can Obama really keep his promises?

[Going hungry in the 21st century](#)

As world leaders grapple with the global financial crisis, another equally threatening international disaster is unfolding - and begging for a co-ordinated international solution. The most acute food shortage in more than 40 years has, according to the World Bank, already left 800 million people "food insecure". Australia and other major food exporters are being called on to boost production.

Unlike recent food shortages, it is not confined to sub-Saharan Africa and is not temporary. Food supplies are declining in Africa, south Asia, Central and South America and the Caribbean. Food riots brought down the Haiti Government this year. Over the past 12 months China, Thailand, Vietnam, Cambodia, Egypt and others have temporarily banned rice exports to preserve local supply.

[Carbon: The Biochar Solution](#)

Burn almost any kind of organic material — corn husks, hazelnut shells, bamboo and, yes, even chicken manure — in an oxygen-depleted process called pyrolysis, and you generate gases and heat that can be used as energy. What remains is a solid — biochar — that sequesters carbon, keeping CO₂ out of the atmosphere. In principle, at least, you create energy in a way that is not just carbon neutral, but carbon negative.

And the benefits only begin there. When added to thin and acidic soil of the kind found in much of South America and Africa, char produces higher agricultural yields and lets farmers cut down on costly, petroleum-heavy fertilizers. Subsistence farmers seeking better soil have traditionally relied on slash-and-burn agriculture, which generates greenhouse gases and decimates forests. If instead those farmers slow-smoldered their agricultural waste to produce charcoal — in effect, slash-and-char agriculture — they could fertilize existing plots instead of clearing more land. This in turn would reduce emissions in the atmosphere, and so on in a virtuous circle of environmental renewal.

[Richard Heinberg: Memo to the President-elect on Energy Realism and the Green New Deal](#)

Our continued national dependence on fossil fuels is creating a crippling vulnerability to both long-term fuel scarcity and catastrophic climate change.

The current economic crisis requires substantial national policy shifts and enormous new government injections of capital into the economy. This provides an opportunity for a project whose scope would otherwise be inconceivable: a large-scale, coordinated energy transition away from fossil fuels and toward renewable energy.

This project must happen immediately; indeed, it may already be too late. We have already left behind the era of cheap and plentiful fossil fuels, with a permanent decline of global oil production likely underway within three years. Moreover, the latest research tells us we have less than eight years to bring carbon emissions under control if we hope to avoid catastrophic climate change. Lacking this larger frame of understanding and action, a mere shift away from foreign oil dependence will fail to meet the challenge at hand.

[FACTBOX - Global energy investment hit by financial crisis](#)

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

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

[Saudi price rise surprises Asia](#)

Singapore: Saudi Arabia's unexpected increase in its official crude oil selling price (OSP) differentials to Asia next month could keep refiners away from the spot market or force deeper discounts for rival grades as runs are kept low on weak demand.

[Japan refiners to be stirred, not shaken, by merger](#)

TOKYO (Reuters) - The merger of Japan's biggest and its sixth-largest refiners has resurrected hope that a long-awaited shake-up of the shrinking industry is nigh, but the scope of future activity may disappoint investors.

Hope of an integrated oil major emerging from the sector is likely to be dashed by top oil producer INPEX's reluctance to get dragged down by the refining business at a time of collapsing global margins; investors betting on more refining deals may be stymied by piecemeal sales or strategic Gulf investors.

[Grand Theft Nautical](#)

The tanker, owned by Aramco, the Saudi oil company, was carrying enough crude to supply New England with fuel oil for 10 days — in the winter. It is seven times the size of the Titanic and longer than the Chrysler Building is tall. How, then, could a dozen pirates in two puny boats armed with rifles and a grenade launcher board a ship this size?

Quite easily — as I found out after spending weeks on a nearly identical ship on a passage from Saudi Arabia to Singapore five years ago.

[Why electric cars have stalled](#)

Facing technical challenges and a weak market, many of Silicon Valley's electric-car startups are changing direction.

[Climate change a worry for doctors](#)

Climate change will bring to Australia an increased burden of heat stress, injury from fire and storm, social disruption and mental illness; in the developing world it will bring famine, water shortage and dislocation of populations with calls to Australia to assist resettlement. The coming disruption of ecological services that provide humanity's life-support system is likely to have far-reaching health impacts on food and water

resources and on the spread of infective disease.

[Some Carbon Candor](#): *A climate guru rebukes his mates on cap and trade.*

Liberal interest groups, think tanks, lobbyists, bloggers and other nuisances are inundating the incoming Obama Administration with advice, but James Hansen recently managed to say something interesting. Namely, the famous NASA scientist had the nerve to expose some of the global-warming fantasies widespread among children and politicians.

[Economists raise doubts about alternative-energy spending](#)

WASHINGTON — Prompted by public concern over the economy and energy costs, President-elect Barack Obama and Democrats in control of Congress are touting a two-for-one solution: spending billions of dollars on alternative-energy programs to create jobs and help lift the nation out of recession.

But some economists, such as Vincent Reinhart, a former Federal Reserve Board official now at the American Enterprise Institute, caution that funding energy projects could help the economy less than other forms of spending.

Even Obama's new budget chief, Peter Orszag, has expressed doubts. In his previous job as head of the Congressional Budget Office, Orszag wrote a report in January saying that some forms of alternative-energy spending "are totally impractical" for stimulating the economy and others "could end up making the economic situation worse" by adding to the federal debt.

[Oil industry adjusts to lower prices](#)

Houston — Oil's swan dive from a record high of \$147 a barrel last summer to a trading price of \$46.10 Thursday, the lowest level in nearly four years, has rattled America's energy industry. But it hasn't flattened it — so far.

What the price drop does mean is that some oil-patch wildcatters have packed up their drill bits as the rush for new domestic exploration has cooled since summer.

"Six months ago everything was roses, and nobody in this business had any inkling that oil prices would decline virtually \$100 a barrel," says Alex Mills, president of the Texas Alliance of Energy Producers. Now, he says, "some people have already pulled back on their drilling programs."

['Lowest breakeven price of Oil is \\$30 a barrel'](#)

Based in Calgary as BMO Capital Markets' oil and gas analyst for Canada, Mark Leggett shares his home province with what's called Canada's "trillion-barrel tar pit." Alberta's oil sand deposits reportedly contain about 1.7 trillion barrels of bitumen in-place, comparable in magnitude to the world's total proven reserves of conventional petroleum and second in volume only to Saudi Arabia. The catch? It costs up to \$25 per barrel to extract oil from oil sands, compared to \$2 to produce Saudi crude—numbers that don't work well with oil at \$50 a barrel.

[India cuts petrol, diesel prices - oil minister](#)

NEW DELHI (Reuters) - India has cut petrol prices by 10 percent and diesel by about 6 percent, the oil minister, Murli Deora, told reporters on Friday.

[China to link retail prices to global oil price](#)

BEIJING (Reuters) - China will indirectly link its retail fuel prices to international crude prices for the first time under a reform that will take effect from Jan.1, the country's top economic planning body said on Friday.

[Iraq's Kurdish oil impasse rumbles on](#)

BAGHDAD (Reuters) - Iraq's oil minister on Friday again denounced oil contracts signed by Kurdish authorities with foreign firms as illegal, signalling that a bitter feud over oil in the semi autonomous northern region is far from over.

"We are in serious discussions with the (Kurdish Regional Government) about several issues, but the position on the contracts that were signed without the approval of the central government remains unchanged," Oil Minister Hussain al-Shahristani said during an energy conference in Baghdad.

"Those contracts (have no) standing with Iraqi law."

[Russia's Gazprom seeks state aid to fund power projects, cites difficult borrowing conditions](#)

MOSCOW (AP) — Russia's state-run gas giant Gazprom said Friday it will ask the government for 100 billion rubles (\$3.58 billion) to help fund capital-intensive power projects next year, the state-run RIA-Novosti news agency reported.

The bulk of the money is needed to fund the development of TGK-1, a power utility in the northwest of Russia, Gazprom deputy chairman Valery Golubev was cited as saying in St. Petersburg.

[OPEC to Cut Output If Prices Remain Below \\$60, Khelil Says](#)

(Bloomberg) -- OPEC, the supplier of more than 40 percent of the world's oil, will reduce production if crude prices remain below \$60 a barrel, said the group's president, Chakib Khelil.

"If prices remain at the current low level, OPEC will decide an important reduction," Khelil said in an overnight interview with Algerian television, cited by the state-owned Algerie Presse Service. "If prices go above \$60, it is possible that the reduction will be less important."

[Russia Weakens Ruble Defense After Record Drop in Crude to \\$39](#)

(Bloomberg) -- Russia weakened its defense of the ruble for a fourth time in a month, pushing the currency near a three-year low against the dollar, as the price of the nation's crude oil fell by a record this week to less than \$40 a barrel.

[South Africa drops planned nuclear plant owing to cost](#)

Eskom had planned to build the plant as part of a strategy to reduce the country's reliance on cheap coal. South Africa has an energy shortage, which temporarily closed down the vital gold mining industry in January. It already has one nuclear plant.

The government said Friday it supported the decision. It said the projected fall in energy demand associated with the global downturn should ease supply pressure.

[New York Commuters Take to Bikes, Can't Find Spot to Park Them](#)

(Bloomberg) -- It costs Jamie Fisher about \$25 for parking, \$8 for tolls and another \$8 for gasoline on days that he drives from his home in Bergen County, New Jersey, to his job in midtown Manhattan.

When he bicycles the 50-mile (80-kilometer) round trip, the only cost is convenience. Once Fisher reaches his office at Fifth Avenue and 56th Street, he can't bring his \$8,000 bike into the building.

"The first 25 miles aren't a problem -- it's the last 150 feet," said Fisher, 41, vice president of energy and derivatives for MF Global Ltd., the world's largest broker of exchange-traded futures contracts. "No matter where you bike from, once you're in the city, finding a safe place to put your bike is impossible."

[Proposed fee on smelly cows, hogs angers farmers](#)

MONTGOMERY, Ala. – For farmers, this stinks: Belching and gaseous cows and hogs could start costing them money if a federal proposal to charge fees for air-polluting animals becomes law.

[Climate change, drought to strain Colorado River](#)

SALT LAKE CITY – Seven Western states will face more water shortages in the years ahead as climate change exacerbates the strains drought and a growing population have put on the Colorado River, scientists say.

"Clearly we're on a collision course between supply and demand," said Brad Udall, director of the Western Water Assessment at the University of Colorado.

[UN says poor nations need \\$130B for climate change](#)

POZNAN, Poland – The U.N. climate change organization has said the world's poor countries will need \$130 billion dollars a year by 2030 to help them adapt to global warming and curb their carbon emissions.

The U.N. says rich countries need to increase their payments over the next 20 years to six times the funds available now, which is about \$21 billion.

[Climate history may explain empires' fall](#)

CHICAGO (Reuters) - An analysis of rings on a stalagmite from a cave near Jerusalem reveals a drier climate in the region at a time in history when the Roman and Byzantine empires were in decline, scientists reported on Thursday.



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