



DrumBeat: December 9, 2008

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[Oil and OPEC: Can the Cartel Possibly Cut Production Enough?](#)

Just how daunting is OPEC's challenge to rein in falling oil prices? Beyond its control, if economist and oil-market analyst Philip Verleger is right.

Mr. Verleger, a former Carter administration official, academic, and energy-industry consultant, says OPEC can forget about tiny production cuts of 1 or 2 million barrels when it meets later this month in Algeria. The cartel needs to wipe out at least 7 million barrels per day of oil production to bring oil markets close to balance, he says, according to Platt's The Barrel.

And that's not likely to happen, which spells even more happy times for oil bears, Mr. Verleger says: "Since cuts of such magnitude are out of the question, one should expect prices to come under further downward pressure."

[Iran's crude output may fall 25%; exports will cease: report](#)

SINGAPORE: Iran, the second-largest crude producer in the Organisation of Petroleum Exporting Countries, may reduce output by as much as 25% and cease exports because of ageing fields and a lack of foreign investment.

[Platts Survey: November OPEC Oil Output Fell to 31.38 Mil. Barrels Per Day](#)

LONDON /PRNewswire/ -- Platts -- The 13 members of the Organization of the Petroleum Exporting Countries (OPEC) pumped an average 31.38 million barrels per day (b/d) of crude oil in November, according to a Platts survey of OPEC and oil industry officials just released. This is a decline of 880,000 from the October level of 32.26 million b/d.

Excluding Indonesia, which will leave OPEC at the end of this year, and Iraq, production from the 11 members bound by output agreements fell by 950,000 b/d to 28.16 million b/d from 29.11 million b/d, the survey showed.

[Pemex to Add Nitrogen at Chicontepec to Boost Output](#)

(Bloomberg) -- Petroleos Mexicanos, the state-owned oil company, will inject nitrogen into the Chicontepec field to increase output at the onshore deposit as it seeks to offset a faster-than-expected decline at its largest field.

The nitrogen injection will help the field produce 500,000 to 600,000 barrels a day of crude by 2021, the company, known as Pemex, said today in a statement e-mailed to the Mexico City stock exchange.

[Report outlines issues with Iraqi energy security, systems](#)

LOS ANGELES, Dec. 9 -- While Iraq's oil industry will continue to face problems with security in 2009, the country's crumbling production and pipeline systems are more likely to disrupt crude exports, according to a report by London-based Exclusive Analysis (EA).

"Notwithstanding an overall improvement in security, the situation in the country is still extremely fragile, and progress over the next 12 months is at significant risk of being reversed by a variety of factors," the report said.

[Canadian oil firms wait on job cuts](#)

CALGARY, Alberta (Reuters) - Global economic turmoil and skidding oil prices have yet to cause Canadian oil companies to resort to large-scale job cuts but harder measures will be coming if the industry's prospects don't improve.

They are struggling with low oil and natural gas prices and stubbornly high costs for big projects, but Canada's big oil producers and oil sands developers have so far shied away from cutting staff.

[The Real Estate Crunch Comes to Russia](#)

Now that the global economic crisis has hit Russia with full force, real estate prices are finally tumbling. And if recent trends are any guide, the mother of all crashes may be in the offing. "The property market in Russia is on the brink of collapse," says Valery Koltashev, head of economic research at the Institute for Globalization & Social Movements, a Moscow think tank. "Property prices are very severely inflated, and demand is obviously slumping."

[Pelosi: "car czar" could be named this week, Volcker eyed](#)

WASHINGTON (Reuters) - A presidentially appointed "car czar" to oversee the restructuring of struggling U.S. automakers could be named as soon as this week if Congress approves an industry bailout, House of Representatives Speaker Nancy Pelosi said in an interview aired on Tuesday.

Pelosi told NBC's "Today Show" that she favored former Federal Reserve Chairman Paul Volcker, recently appointed by President-elect Barack Obama as his top adviser on steering the economy out of recession, to oversee restructuring of the industry.

[Lester R. Brown: A Wartime Mobilization](#)

There are many things we do not know about the future. But one thing we do know is that business as usual will not continue for much longer. Massive change is inevitable. Will the change come because we move quickly to restructure the economy or because we fail to act and civilization begins to unravel?

Saving civilization will take a massive mobilization, and at wartime speed. The closest analogy is the belated U.S. mobilization during World War II. But unlike that chapter in history, in which one country totally restructured its economy, the Plan B mobilization requires decisive action on a global scale.

[Climate Change Threat: Developing Countries Lack Means to Acquire More Efficient Technologies](#)

BOULDER—Contrary to earlier projections, few developing countries will be able to afford more efficient technologies to reduce greenhouse gas emissions in the next few decades, new research concludes. The study, by researchers at the National Center for Atmospheric Research (NCAR) and the University of Colorado, warns that continuing economic and technological disparities will make it more difficult than anticipated to reduce greenhouse gas emissions, and it underscores the challenges that poorer nations face in trying to adapt to global warming.

[Global warming aided by drought, deforestation link](#)

Irvine, Calif. — In the rainforests of equatorial Asia, a link between drought and deforestation is fueling global warming, finds an international study that includes a UC Irvine scientist.

The study, analyzing six years of climate and fire observations from satellites, shows that in dry years, the practice of using fire to clear forests and remove organic soil increases substantially, releasing huge amounts of climate-warming carbon dioxide into the atmosphere.

[Failing water scheme leaves Beijing high and dry](#)

When the scheme was launched, Beijing's mayor promised the water in plenty of time for the Olympics that took place earlier this year. Then the project was postponed to 2010. But last week, Chinese officials set a new completion date of 2014.

Now the whole project is in serious doubt. The eastern route, using the ancient Grand Canal, is held up because factories are polluting the canal. The western route, tapping the Yangtze headwaters in Tibet, has not been started. Officials also blame pollution for the latest delay to the middle route - a canal stretching more than 1200 kilometres from the Danjiangkou reservoir on the River Han. They say more treatment plants must be built to bring the water supply to a high enough quality.

[OPEC needs big supply cut to stem oil's slide](#)

LONDON (Reuters) - OPEC needs to make a large cut in supplies at a meeting next week, its third reduction since September, to prevent further falls in oil prices as world demand slumps due to slowing economies.

The 12-member OPEC should cut output by at least 1 million barrels per day (bpd) at the December 17 meeting, OPEC delegates and analysts said. Some even suggest the minimum reduction should be 2 million bpd.

"The whole world economy is in turmoil," Shokri Ghanem, Libya's top oil official, told Reuters. "We think this needs substantial action."

[OPEC to Cut as Much as 2.5 Million Barrels, Boone Pickens Says](#)

(Bloomberg) -- The Organization of Petroleum Exporting Countries, supplier of more than 40 percent of world oil, will cut output by 2 million to 2.5 million barrels a day, billionaire hedge-fund manager Boone Pickens said today.

[Marseille Oil Port Workers' Strike Cuts Output From Refineries](#)

(Bloomberg) -- A strike by workers at the Fos and Lavera oil terminals in the French port of Marseille is forcing refineries to lower output because of difficulties getting crude and exporting refined products.

"The situation is deteriorating," Jean-Louis Schilansky, president of the Union Francaise des Industries Petrolieres, or UFIP, said today in a telephone interview. Reduced refinery operations and vessel delays are costing the oil industry about \$1 million a day, he said.

[Petrobras May Pump Pre-Salt at Cost Below \\$40/Barrel](#)

(Bloomberg) -- Petroleo Brasileiro SA, Brazil's state-controlled oil company, may be able to produce oil from its pre-salt fields in a pilot program for less than \$40 a barrel, the company's investor relations manager said.

[BP May Boost Spending in China by 'Several Times,' CEO Says](#)

(Bloomberg) -- BP Plc, Europe's second-biggest oil company, may increase its investments in China by "several times" to benefit from rising domestic energy demand even as the global economy slows.

"I want to see BP expanding its current investments in China by several times over the medium term," Chief Executive Officer Tony Hayward said in a speech posted on the Web site of the company's China unit yesterday. BP has invested more than \$4.6 billion in the world's fourth-largest economy, he said.

[Richard Heinberg - Transport: Time to Think Outside the Metal Box](#)

Congress is reluctantly preparing to help GM, Ford, and Chrysler with a bailout package of loans, but only on condition that the industry restructure itself and start making more sensible vehicles.

But the reality is that there won't be enough investment capital available to help the automakers retool comprehensively. Nor will there be enough customers to make new fleets of SUV super-hybrids profitable to build. People without jobs or credit don't buy new cars.

It's about time someone started thinking about the implications. Up until now the US road vehicle fleet has had a 15- to 17-year turnover period. That's about to become 25 years to forever.

[Saudi Arabia's Oil Equation](#)

OPEC has a math problem.

When demand for oil is rising, members of the Organization of Petroleum Exporting Countries take extra portions from the expanding output quota pie. But when it falls, as now, they are supposed to share the pain of lower production even as oil prices are declining, a double blow to cash flows.

As the organization's biggest member, much of the burden of managing all this rests on Saudi Arabia.

Yet it also must consider its customers and long-term demand.

[2 New Reports Indicate China's Water and Soil May Be Too Far Gone to Support a Growing Economy](#)

Two new reports – one from the Chinese government, the other based on criteria developed by the United Nations – should be enough to scare every government, economist and investor in the world about the future of the Chinese economy, currently the one global bright spot.

The underlying question raised by these reports is this: How can a nation's economy grow when its soil is rapidly eroding and its water is rapidly becoming so polluted that it isn't just unsafe to drink. It's even unsafe for fishing, farming and factory use.

In short, how can a nation's economy grow when its ecosystems appear on the verge of collapse?

[Buying into food's impact](#)

As the intersection of water, energy, environment and population demand tightens global food markets, studies are showing that what we eat can have much more environmental impact than driving or powering our homes. But how do we know what food purchase choices to make? Is an organic banana produced in northern NSW and trucked down Australia's east coast a better option nutritionally and environmentally than one produced by conventional means in the Philippines and shipped to an Australian market? The answer is not as clear-cut as you might think.

[U.N. sees surge in North Korean hunger](#)

UNITED NATIONS (UPI) -- A United Nations report issued Monday projects about 40 percent of North Korea's population will be in dire need of food in the next few months.

If the prediction comes to pass, it will mean about 9 million North Koreans will go hungry because of a shortage of cereals. The assessment by the U.N. Food and Agriculture Organization and the World Food Program says agricultural production will fall short despite favorable growing conditions because of shortages of fertilizer and fuel.

[Oil price drop casts cloud over Pemex reform](#)

While Mexican legislators were discussing legislation to increase oil exploration and production last July, Mexico's crude oil mix hit a record \$132.71 a barrel. The government's coffers were filling at breakneck speed and, with a few exceptions, there

were smiles all round.

This month, with the reforms in place and following a presidential pat on the back to Congress for a job supposedly well done, prices have plummeted; the Mexico mix at the end of last week was down to \$30.52 a barrel.

[KYRGYZSTAN: Poor hit hardest by rising food prices, energy crisis](#)

OSH/BISHKEK (IRIN) - "No electricity, no life", says Asan Kojomkulov, 58, an unemployed resident of Kyzyl-Bairak village near the southern Kyrgyz town of Osh. "There are regular blackouts every day; it is very difficult to manage without power."

[Impose license fee on King County cyclists](#)

With governments at all levels hurting for revenues but faced with huge infrastructure bills, Times columnist James F. Vesely argues it's time to impose a license fee for bicycles. Cyclists have benefitted richly from projects that have blazed trails throughout the Puget Sound but have not had to pony up themselves.

[Gleanings from Fatih Birol's presentation of the WEO 2008 to the Council on Foreign Relations](#)

Birol's talk was fairly dry, understated and nuanced. His slides were essentially the PR set you can download from the IEA website. He stated right up front that the Business-as-Usual reference scenario projection for energy consumption to 2030 was unsustainable. But the compelling reason he gave was because BAU would cause a 6-degree global temperature rise, not because oil supply shortfall challenges might make those levels of consumption unfeasible.

[Too late? Why scientists say we should expect the worst](#)

Anderson, an expert at the Tyndall Centre for Climate Change Research at Manchester University, was about to send the gloomiest dispatch yet from the frontline of the war against climate change.

Despite the political rhetoric, the scientific warnings, the media headlines and the corporate promises, he would say, carbon emissions were soaring way out of control - far above even the bleak scenarios considered by last year's report from the Intergovernmental Panel on Climate Change (IPCC) and the Stern review. The battle against dangerous climate change had been lost, and the world needed to prepare for things to get very, very bad.

[New Novel Predicts the Collapse of Civilization](#)

TAMPA, Fla. -- December 9, 2008 -- The Noah Countdown by B.T. Post is a psychological thriller about a global energy crisis that threatens the human race with extinction.

[The Future of Energy](#)

If the plans being laid for the economy and the environment work out the way President-elect Barack Obama's advisers hope they do, the future of energy can be summed up in one word: electricity.

That one word covers a lot of policy twists, however: What will the economic downturn mean for initiatives to cut down on greenhouse-gas emissions? What will the recent drop in gasoline prices mean for efforts to boost alternatives to fossil fuels? Can the electrical grid handle increased demand? How do you smooth out the highs and lows of power generation? Where will all that power come from?

[Kunstler: People Get Ready](#)

The broad American public voted for "change" but they thought that meant a "changing of the guard." Out with the feckless Bush; in with the charismatic Obama... and may this American life now continue just as it ever was. The change actually coming will be much more than they bargained for, namely our transition from a wealthy society to a hardship society. The sharp break is a product of our years-long failure to reckon with the energy realities of our time. We're still confused about that, but it's hard, otherwise, to ignore the massive disappearance of capital, asset values, livelihoods, domiciles, comforts, and necessities.

[All I want for Christmas is an energy policy](#)

The world's energy system is at a crossroads. Current global trends in energy supply and consumption are patently unsustainable - environmentally, economically, and socially. But that can - and must - be altered; there's still time to change the road we're on.

[The Classic Post-Bubble Bounce](#)

Actually, James Kunstler has it right for the long term. Many of these big schools have grown so big due to cheap money and cheap energy. Now they have to pay for the upkeep in an era of long-term rising costs for energy. Just heating the physical plant at Michigan State of the U of Minnesota at Duluth will eventually become a prohibitive expense. How about salaries for profs who teach just about any course in a field with the

word "-Studies" as part of the name? Can you define the concept of "uselessness" in the era that's coming? At some point, it's just welfare for PhDs with no other visible means of support. And what will the US economy do with all of the "marketing" majors when the whole concept of globalization begins to crumble. Market what, pray tell? And to whom?

[Cheap-oil era is over](#)

It would seem fairly logical that an organization responsible for tracking the global oil industry would as a matter of course, indeed of its very nature, take a close look at actual oil supplies every year, but this in fact has not been the case. For almost its entire existence, the IEA has quite unbelievably looked at demand and assumed supply would be there to meet it.

So after their first real inventory of global oil supplies, extrapolated from 800 largest oil fields, the IEA's conclusion? Mr Tanaka put it quite succinctly, "The era of cheap oil is over." And despite some of the report's optimistically shaded opinions, a closer look at the World Energy Outlook 2008 leaves a rather more ominous conclusion. Not only is the era of cheap oil over, but the era of oil as a yoke on future economic growth has begun.

[Study lists benefits to tapping off-limit US resources](#)

WASHINGTON, DC -- Development of US oil and gas resources that Congress has kept off-limits for decades could generate more than \$1.7 trillion of government revenue, create thousands of new jobs, and enhance the nation's energy security by significantly boosting domestic energy production, a new study suggested.

The study by ICF International, which the American Petroleum Institute commissioned, concluded that developing offshore areas covered by congressional moratoriums until recently, along with resources in the Arctic National Wildlife Refuge and a small portion of currently unavailable land in the Rocky Mountains, could increase US crude oil production by as much as 2 million bbl a day by 2030, offsetting nearly a fifth of the nation's crude imports.

Natural gas production could increase by 5.34 bcfd, or the equivalent of 61% of the expected gas imports in 2030, the study added. It also estimated that development of all US oil and gas resources on federal lands could exceed \$4 trillion over the life of the resources.

[Charts Predict: Oil Will Be Trading Wasteland for 5 Years](#)

The price of oil could stay in a tight range below \$50 a barrel for the next five years, after retesting recent lows, Paul Day, deputy head of research from MIG Investments, told CNBC.

"We expect oil to probably trade in a range between \$36 to \$47, possibly for five years," Day said.

[Shtokman gas field partners push for tax breaks](#)

MOSCOW (RIA Novosti) - The operator of the Gazprom-led Shtokman gas condensate project in the Russian section of the Barents Sea asked on Tuesday for tax exemptions as a precondition for investing in the development of shelf deposits.

[ANALYSIS - China sugars the pill of oil market revolution](#)

By allowing the limited liberalisation of domestic gasoline and diesel prices and shifting to a much bigger consumer tax, Beijing sent a clear signal that consumers -- not its refiners -- would be required to bear more of the future cost of fuel, making the world's No. 2 oil consumer more sensitive to prices.

For oil markets counting on China's growing demand to help offset contracting consumption in the industrialised world, the reforms may give one more reason to think twice before bidding U.S. crude back toward its record \$147 high. U.S. crude fell last week to nearly \$40, its lowest in almost four years.

[Nigerian economy could collapse in a few months](#)

The Nigerian economy is predicted to collapse in six months if oil prices continue to fall at the current rate and if the country's currency, the Naira continue to devalue against the dollar, reports claim.

[Petrobras delays strategic plan; receives investment offers](#)

LOS ANGELES -- Brazil's Petroleo Brasileiro SA (Petrobras) continues to review its 2009-13 strategic plan, with no deliberation taking place yet at the board level, according to an official report.

Even as the company firms up its plan, however, government officials claim to have no concern over funding, especially as substantial offers of finance are coming in from other nations such as China and the UAE.

[The way forward: Fighting global poverty](#)

I have mentioned before but because it is a very important fact for human survival I will say it again. We depend totally on oil and where a minor shortfall according to the Peak Oil, Life after oil crash Website, between demand and supply of as little as 10 to 15 percent, is enough to wholly shatter an oil dependant economy and reduce its citizenry to poverty.

Therefore we are all now living on borrowed time and where we have to understand this fully, its implications for our children's sake and where we have to find alternatives quickly.

[Powering Africa's future](#)

Africa is a continent of darkness and is desperately in need of power.

Only one in three of Africa's 700 million people have electricity - and in the countryside only one in ten has light at the flick of a switch.

For many people, solar energy is the most obvious route for a continent blessed with abundant sunshine. However, some countries are already heading in the nuclear direction.

[Peres: Iran leaders cannot feed their kids uranium for breakfast](#)

President Shimon Peres said Tuesday that the global economic crisis and falling oil prices would retard Iran's nuclear program, adding that Iranian leaders could not feed their children "uranium for breakfast."

[As the World Economy Sinks, So Does Global Shipping](#)

The Baltic Dry Index, which measures world shipping charges for raw materials, has plummeted from a high of 11,793 in May to 672, its lowest level since soon after the index was established, in 1985. Daily-rental rates for the largest Capesize category of carrier have plunged from \$234,000 just two months ago to \$2,320, a fall of a staggering 99%. Jeremy Penn, president of the London-based Baltic Exchange, cautions that bulk rates are prone to fluctuation and have been hit particularly hard this time by the skittishness in financial markets, as the necessary letters of credit for commodity purchases have grown more difficult to come by. Still, Penn says, the recent drop in bulk-cargo fees is unprecedented, citing declining worldwide demand, particularly as the economic slowdown reaches China. "The violence of the drop (in rates)," he says, "is more extreme than anything we've ever seen before."

[Barack Obama's coal conundrum](#)

Barack Obama has pledged to overturn George Bush's policies by pushing for deep cuts in greenhouse gas emissions.

But he inherits an energy system dependent on a heavily polluting fuel - coal.

[China to spend 150 bln yuan on railways in coal region](#)

BEIJING (Reuters) - China plans to spend more than 150 billion yuan (\$21.8 billion) over the next six years to add some 2,000 km of railway track in the coal-rich region of northern Shanxi province, the Xinhua news agency reported on Sunday.

The construction projects are expected to help boost domestic demand and counter the impact of the global financial crisis, said Zhang Baoshun, Communist Party Secretary of the Shanxi provincial committee.

[India quakes over China's water plan](#)

BANGALORE - Even as India and China are yet to resolve their decades-old territorial dispute, another conflict is looming. China's diversion of the waters of a river originating in Tibet to its water-scarce areas could leave India's northeast parched. This is expected to trigger new tensions in the already difficult relations between the two Asian giants.

[Task force to study city's energy supply Email Story](#)

The city is forming a community task force to study how peak oil will affect Hamilton.

Council approved \$35,000 to set up the Community Energy Collaborative to explore the city's energy supply vulnerabilities. The task force will look at economic, social and environmental sustainability and urban planning.

[Obama to meet with Gore to discuss climate change](#)

Washington - President-elect Barack Obama will meet with former vice president Al Gore in Chicago on Wednesday to discuss global warming, Obama's transition office said in a statement. The two men, along with vice president-elect Joe Biden will "discuss energy and climate change and how policies in this area can stimulate the economy and create jobs," spokesman Nick Shapiro said.

[Deal secured on ambitious EU renewables law](#)

EU governments and the European Parliament have agreed a far-reaching new directive to boost EU renewable energy use to 20% by 2020, following a compromise struck with Italy over a controversial 'review clause'.

[How we can cut our emissions](#)

Car sharing schemes can make a real impact in terms of reducing your and your neighbour's emissions. Cycling is also a great option. Think how the town would be with only half the traffic or even less and what side effects could be such a benefit. We could turn car parks back into gardens or orchards, for example. With peak oil making driving ever more unaffordable in the future, a low energy and low emissions town could be an even better place to live.

[Insurers seek funding for countries at risk of global warming](#)

Poznan, Poland - A UN agreement to fight global warming should include financing to help insure countries most at risk from natural disasters attributable to climate change, insurance firms said Monday. Insurers made their appeal during this year's main UN climate conference, where some 190 countries hope to agree on the blueprint for a year of talks meant to produce a global deal by December 2009.

[Science paves way for climate lawsuits](#)

People affected by worsening storms, heatwaves and floods could soon be able to sue the oil and power companies they blame for global warming, a leading climate expert has said.

Myles Allen, a physicist at Oxford University, said a breakthrough that allows scientists to judge the role man-made climate change played in extreme weather events could see a rush to the courts over the next decade.



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