



DrumBeat: December 10, 2008

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Topic: [Miscellaneous](#)

[U.S. gasoline use to decline most since 1979-80](#)

WASHINGTON (Reuters) - U.S. gasoline demand is expected to decline more sharply this year and next than in any other two-year period since 1979-1980, the federal Energy Information Administration said on Wednesday.

Hit by high pump prices in the first half of 2008 and the weak economy, America's gasoline consumption will decline this year by 320,000 barrels per day, or 3.4 percent, and another 50,000 barrels per day, or 0.6 percent, in 2009, the Energy Department's analytical arm estimated.

In its weekly review of the oil market, the EIA said although the U.S. economy grew in 1979 and 2007, the number of vehicle miles travelled declined in both those years in response to huge increases in fuel prices.

[Russia Looks to Join OPEC's Plan to Cut Output](#)

MOSCOW — Faced with falling oil prices, Russia is preparing to announce that it will work with OPEC in coordinating a reduction in output, the minister of energy said Wednesday.

Earlier this fall, a Russian official floated the idea of storing oil, rather than exporting it, to help the Organization of the Petroleum Exporting Countries stabilize prices, but this is the first time that the Kremlin has offered to reduce output.

[GOP senators voice opposition to auto bailout](#)

Republicans revolt as House begins procedural votes on the loan package Image: Republican Senators

[Petrobras' Chief Says Pre-Salt Viable After Oil Slide](#)

(Bloomberg) -- Petroleo Brasileiro SA, Brazil's state-controlled oil company, can make money on its so-called pre-salt offshore fields after oil fell about 70 percent from a July record, Chief Executive Officer Jose Sergio Gabrielli said.

The company has several options for development of pre-salt fields such as Tupi, and will have no problem meeting its investment plans, Gabrielli told reporters in Rio de Janeiro. Tupi, a 5 billion to 8 billion barrel field announced last year, is the largest discovery in the Americas since 1976.

[Eco-criminals get their own most-wanted list](#)

WASHINGTON - The government is starting a different kind of most-wanted list — for environmental fugitives accused of assaulting nature.

These fugitives allegedly smuggled chemicals that eat away the Earth's protective ozone layer, dumped hazardous waste into oceans and rivers and trafficked in polluting cars.

And now the government wants help in tracking them down.

[Back at Junk Value, Recyclables Are Piling Up](#)

The economic downturn has decimated the market for recycled materials like cardboard, plastic, newspaper and metals. Across the country, this junk is accumulating by the ton in the yards and warehouses of recycling contractors, which are unable to find buyers or are unwilling to sell at rock-bottom prices.

Ordinarily the material would be turned into products like car parts, book covers and boxes for electronics. But with the slump in the scrap market, a trickle is starting to head for landfills instead of a second life.

[China crude imports slump in November](#)

BEIJING (Reuters) - China's crude oil imports in November hit their lowest this year as the country's giant refiners reined in buying due to brimming storage and weakening demand amid a spreading global economic recession.

The world's second-largest oil user shipped in 13.36 million tonnes of crude last month, or 3.25 million barrels per day, official customs data showed on Wednesday, a 14.6 cut in daily volumes from October and 1.8 percent down on November last year.

The lower import figure came despite diving crude oil prices and renewed efforts by China to build strategic stockpiles.

[Oil jumps 8 pct as Saudi cuts supplies](#)

NEW YORK (Reuters) - Oil prices jumped 8 percent on Wednesday on signs that OPEC kingpin Saudi Arabia has slashed supplies to customers for January as the economic crisis continues to slow demand.

Saudi Arabia told major customers it was reducing supplies substantially next month in a move that could bring the kingdom's output below its implied OPEC target of 8.47 million barrels per day.

"There are quite severe cuts -- they are going to be seriously cutting back," a trader with one major customer said.

[CIBC cuts WTI crude oil price forecast](#)

(Reuters) - CIBC World Markets lowered its forecast for West Texas Intermediate (WTI) crude oil prices for 2009 and 2010, citing near-term demand concerns, and cut its price targets on several oil and gas companies and trusts, including TriStar Oil & Gas and Enerplus Resources.

"It is our opinion that oil prices are unlikely to make a significant recovery in the face of a deep recession," CIBC said, in a note to clients.

CIBC cut its WTI crude oil price forecast for 2009 to \$50 per barrel from \$70 per barrel, and for 2010 to \$65 per barrel from \$80 per barrel.

[Dodd: Automakers should consider making buses](#)

Among the caveats included in a 31-page bill to provide General Motors and Chrysler access to \$15 billion to stay afloat through March is a requirement that they study the feasibility of making public transit vehicles.

Senate Banking Committee Chairman Chris Dodd included the provision after broaching the idea to business leaders of General Motors, Chrysler and Ford during a hearing last week where they presented their proposal for a \$34 billion bailout.

The Connecticut Democrat noted during the hearing people aren't buying cars right now, but many municipalities and states are eager to boost mass transit.

[Climate change experts 'lose faith' in renewable technology](#)

Support for renewable energy technology to fight global warming is weakening in the face of worldwide economic problems and the true scale of the carbon reductions

required, a survey published today has suggested.

Figures presented at the UN climate talks in Poznan, Poland, show that climate experts have less faith in alternative energy than they did 12 months ago.

The survey shows less support for wind energy, solar power, biofuels, biomass and hydrogen energy as technologies with "high potential" to reduce carbon levels in the atmosphere over the next 25 years.

There was also less support for carbon capture and storage, new nuclear build, small-scale hydropower and natural gas stations as viable ways to hit targets for reducing greenhouse gas emissions.

[Oil-rich Iraqi region may vote on self-rule](#)

BAGHDAD - Iraq's election commission will run a petition drive to see if there's enough support for a referendum to decide whether the oil-rich province of Basra will become a self-ruled region, officials said Wednesday.

[Lufthansa lowers passenger fuel surcharge](#)

FRANKFURT, Germany - Airline Deutsche Lufthansa AG said Tuesday it would lower its passenger fuel surcharges as the cost of oil has fallen.

[Time for OPEC to wake up and see the crisis](#)

On the geopolitical front, the Saudis supposedly want lower oil prices to curry favour with the incoming Barack Obama administration. Lower crude oil prices support the U.S. economy and undercut three of the United States' most intransigent foes: Iran, Russia and Venezuela. Those three countries require between US\$70 and US\$90 per barrel to balance their government budgets, compared with US\$50 per barrel or less for Saudi Arabia and its conservative Persian Gulf allies. In return for pushing for lower prices, the Saudis want the United States to exert sufficient pressure on Israel to force a fair two-state agreement with Palestine.

...The real reasons for OPEC not cutting its production ceiling at the Cairo meeting are much more mundane, according to my source. First, OPEC was concerned it would lose credibility if it was to agree to new cuts and it later found compliance to the 1.5 million barrels-per-day (bpd) cut announced at the Oct. 24 meeting was poor. Reuters has since estimated that OPEC-11 production was down a solid one million bpd in November compared with the previous month.

Second, despite not wanting lower crude oil prices, Saudi Arabia was willing to live with prices at about US\$50 per barrel for a few more weeks to pressure the cheaters within the cartel into greater compliance with previous cuts.

[Venezuela Debt Rating Outlook Cut to Negative by S&P](#)

(Bloomberg) -- Venezuela's debt rating outlook was lowered to negative from stable by Standard & Poor's amid concern President Hugo Chavez will be reluctant to cut spending as oil revenue plunges.

S&P maintained Venezuela's foreign debt rating at BB-, three levels below investment grade. Oil, which has fallen 69 percent from a July record, accounts for about 90 percent of the South American country's exports and about half of fiscal revenue.

[Fission, Fusion and Nuclear Waste](#)

Creating commercially useful power with fusion, in which small atoms are combined to produce energy, always seems to be decades away — and too costly. But physicists at the University of Texas at Austin have come up with a reactor design that would provide a second purpose for fusion: destroying long-lived nuclear waste arising from the *splitting* of atoms — or fission.

[Gas demand firms as prices keep dropping](#)

NEW YORK (CNNMoney.com) -- Gasoline demand rose on a year-over-year basis for the first time in eight months as prices at the pump declined for the 83rd day in a row.

Demand ticked up a modest 0.3%, year-over-year, for the week ended Dec. 5, according to Tuesday's MasterCard Advisors' SpendingPulse report, which tracks national retail sales. The last time demand showed a year-over-year bump up was the week ended April 18, when it rose 3.1%. The report includes all sales, whether they are cash, check or by credit card.

[Russia signals it might join OPEC crude output cut](#)

Crude oil rose after Russia signaled it may coordinate a production cut with OPEC next week to end the five-month, \$100 slump in prices.

Energy Minister Sergei Shmatko said Russia will announce proposals for cutting output by Dec. 17, when the Organization of Petroleum Exporting Countries meets, Interfax reported. The group, source of more than 40 percent of the world's oil, may trim production by as much as 2.5 million barrels a day next week, hedge-fund manager Boone Pickens said Tuesday.

[Saudis Try to Re-Invent the Internal Combustion Engine](#)

Clearly the Saudis are concerned about the future of their primary export. They see the western world coalescing around new technologies for transportation that minimize, if not eliminate, the role of oil. That vision is clearly not consistent with the best interests of the Saudi royals.

So the Saudis are working to change both the reality and the image of oil. It therefore makes perfect sense that the Saudi's would host Lesley Stahl and her crew for a tour of their gigantic new fields, their super-high-tech production technologies, their western-style liberal social mores (within Saudi Aramco), and...yes, their very-high tech R&D efforts to improve the way oil works so it will burn cleaner and more efficiently.

[Tentative deal reached on auto bailout](#)

WASHINGTON - House leaders have scheduled a test vote on a bill to provide government assistance to the financially ailing auto industry.

The Democratic leadership is sufficiently confident of the prospects that such a bill could successfully be brought to the floor that they scheduled a procedural vote for later today.

[Survey: Oil may lose top rank as cheapest energy](#)

Over the next 20 years or so, oil and natural gas will lose top ranking as the world's most affordable energy sources, according to a survey of energy executives released Wednesday.

Deeper wells in more inhospitable places, both political and geological, have altered presumptions of doing business in the oil patch.

Nearly three out of four executives and managers surveyed last month by Deloitte LLP said oil and gas is the cheapest available energy sources for now, though only 23 percent believe that will be the case in 25 years.

...The sampling revealed a growing concern about the sustainability of oil and natural gas in the coming years. Future sources of fossil fuels, the cost of producing them and the price consumers will pay are some of the biggest uncertainties facing the industry.

[Global LNG Supply to Surge to 2012, Crunch Later](#)

A 50% surge in global liquefied natural gas production capacity over the next three years, at a time of shaky demand, may make for a buyers market in LNG for a few years but the supply crunch will return later, an executive from BG Group plc said on

Wednesday.

"We are about to see a supply surge ... It is really unprecedented," Elizabeth Spomer, BG North America's senior vice president told the CWC World LNG Summit in Barcelona.

[Cheaper crude: who wins, who doesn't](#)

It's been an amazing year for oil — the biggest, fastest run-up in the price of a barrel was followed by the greatest, quickest decline.

[Gazprom Neft May Allow Foreign Partners to Develop Arctic Oilfield](#)

Russia's Gazprom Neft, the oil arm of gas export monopoly Gazprom, is considering attracting foreign partners to develop a major Arctic oil deposit, a Gazprom Neft official said on Tuesday.

Gazprom Neft Deputy General Director Boris Zilbermintz told a conference that foreign companies may be considered as partners in developing the Prirazlomnoye field in the Barents Sea.

[Russia looks to Bolivia-Argentina gas pipeline - Medvedev](#)

MOSCOW (RIA Novosti) - Russia is ready to take part in a project to build a gas pipeline linking Bolivia and Argentina, President Dmitry Medvedev said on Wednesday.

Speaking after talks with his Argentine counterpart, Cristina Fernandez de Kirchner, Medvedev said: "We have the opportunity to develop cooperation in the gas sphere, including in the construction of a gas pipeline to link Argentina and Bolivia."

[Iran to participate in Iraq's oil projects](#)

TEHRAN (Xinhua) -- Managing Director of Iran's Oil Industry Investment Company Ahmad Nasiri said that Iran would participate in Iraq's oil projects, Iran's semi-official Fars news reported Wednesday.

"Iran will cooperate with Iraq on nine oil wells drilling programs in north Baghdad," Nasiri was quoted as saying.

[Global financial crisis setting in for shipping](#)

The turbulence from the global financial meltdown is finally crashing down on the shipping industry, which appears to be increasingly headed for the docks because fewer companies are ordering goods to transport.

Thanks to a backlog of orders, shipping was initially immune when the world's economy started its downturn in September. Now, those orders are running out, as is time for what has been a boom industry in recent years.

[Kenya: Piracy might cause shortages, warn oil importers](#)

Even as the push to match local pump prices to falling international crude oil prices gathers momentum, oil importers in the region are warning of uncertainty in the market due to increasing piracy along the Somali coastline.

[Corporate Colonialism and the Politics of Economic Integration](#)

In October 2008, Grain, an NGO which 'promotes the sustainable management and use of agricultural biodiversity' released a report titled 'Seized! The 2008 land grab for food and financial security'. The report documents two ominous trends which have the potential to drive food prices up further and spell the end of small-scale farming.

The report explains that governments of countries which have a shortage of arable land, or with high population growths, are resorting to buying up or leasing farmland abroad in order to secure necessary food production. The report also points towards corporations and private investors who are looking towards investing in foreign farmland as new sources in revenue in the midst of the financial crises, as an alternative to meagre returns on the crumbling paper asset model. The result is fertile agricultural land becoming increasingly privatized and concentrated in fewer hands, which could 'spell the end of small-scale farming and rural livelihoods' around the world.

[Energy crunch may offset recovery, experts predict](#)

When crude prices hit unprecedented highs last summer, followed closely by gasoline and diesel, consumers reacted by driving less and conserving more.

Then prices began an equally dramatic fall to levels not seen since 2004, exacerbated by the growing global recession.

However, increasing delays in new production projects could create an energy crunch and choke off an economic recovery when demand rebounds, Richard Jones, deputy executive director of the International Energy Agency, said Tuesday in a presentation at Rice University's James A. Baker III Institute for Public Policy.

"We believe these developments have diverted world attention from energy security

and climate change," he said. "In times of economic hardship, it's all too easy to lose sight of longer-term concerns."

[World oil demand to fall for first time in decades](#)

WASHINGTON (Reuters) - Global oil demand will contract for the first time since the early 1980s as world economic growth slows to a near standstill, the U.S. government said on Tuesday.

The forecast for 2008 and 2009 is bad news for energy companies and oil producing nations that depend on robust prices, but could benefit cash-strapped consumers by sending gasoline and heating costs lower, according to a U.S. Energy Information Administration report.

[Weak economy to ease energy costs for consumers](#)

WASHINGTON (Reuters) - One bright spot in the current economic slump is that Americans will get a break when filling up the pump next year and heating their homes this winter, the U.S. Energy Information Administration said on Tuesday.

The EIA said in a report that it expects U.S. regular unleaded gasoline to average \$2.03 a gallon in 2009, down significantly from the 2008 average of \$3.27 and off earlier forecasts of \$2.37 for next year.

"A fall in gasoline prices allows consumers to spend less on fuel and more on something else," said Jerry Taylor, a senior fellow at the Cato Institute.

"So in that sense, falling gasoline prices are akin to a tax cut in that a tax cut allows consumers to spend less on government and more on something else."

[Refiners rush to store cheap crude](#)

NEW YORK (Reuters) - A big discount in oil prices for prompt delivery is leading U.S. energy companies to fill up their storage tanks at a time of the year they normally run down stockpiles for tax purposes.

The trend could spell bloating inventories in the world's largest energy consumer into the new year, keeping pressure on prices that have already slumped more than \$100 a barrel since July as economic turmoil hits consumer demand.

[Total Says Economic Woes Won't Delay 2009 Start-ups](#)

PARIS -(Dow Jones)- The economic crisis will not cause French oil major Total SA (TOT) to delay any exploration and production projects due to start in 2009, the company's head of exploration and production said Wednesday.

There will be "no changes ... not to the production start-ups that should happen in 2009 time-frames," Total's Yves-Louis Darricarrere told reporters on the sidelines of an event organized by the company to discuss the theme of peak oil.

"In a general way we are maintaining our investment program," he said.

[Coalition of all parties needed to promote living within our means](#)

In their book, government is bad: long live their 'free market' god, whose prophet was Milton Friedman, and whose faithful followers were Margaret Thatcher, Ronald Reagan and George W. Bush. All three promised to show the world the way back to freedom and prosperity; all three said that government was the problem and privatization the solution!

Now with the collapse of 2008, economists are switching gods: John Maynard Keynes is king of all whose bible says that massive government intervention can put us back on track.

But is it too late for that also? Both assume that, because population, resource extraction, and available energy grew throughout the 19th and 20th centuries, the economy can continue to grow in perpetuity. That was never possible. Yet the people in power still think that all they need to do is come up with the right mix of money, market forces and government regulation, and, pronto, all will be well again. No one considers that Earth's supplies of fossil fuels, topsoil and water are limited, and that someday soon the lack of these resources will drastically reduce economic activity.

To me, what old-school Harper and new school Obama are trying to do looks like an exercise in futility. Welcome to a ring-side seat watching the battle between the Ottawa-based free marketers and the new-to-the-game Washington state controllers over who is capable of restoring perpetual growth. I bet that neither can win, because we have reached a significant physical obstacle to growth -- peak oil -- that spells ruin to all economic philosophies that fail to take this new reality, of living in new times, into account. New times call for co-operation, for getting on board together, for unity and consultation.

[Factory prices slide in November](#)

LONDON (AFP) – The price of goods leaving factories dived in November owing to a sharp drop in crude oil prices, official data showed on Monday.

[Russia's oil company interested in developing Iran's oil fields](#)

TEHRAN (Xinhua) -- Gazprom Neft, Russia's fifth largest crude oil producer company and the oil arm of gas export monopoly Gazprom, has expressed its interest in developing oil fields in southern Iran, Iran's satellite Press TV reported on Wednesday.

[Kazakhs to draw up reduced spending plans](#)

Kazakhstan will draw up contingency spending plans in line with a potential drop in global oil prices to \$25 per barrel, the Central Asian nation's prime minister said Wednesday.

Plummeting commodity prices and an economic downturn prompted by severe exposure to foreign borrowing has forced energy-rich Kazakhstan to drastically reduce growth forecasts for the coming years.

[Oil: From Bubble to Bust - And Back Again?](#)

A blind monkey throwing darts would beat the average investment bank oil analyst, whether forecasting weekly inventory levels or the future oil price.

At the peak of the historic investment bubble in oil futures back in July, they were falling over themselves to predict \$170-200 oil in 2009. Now it's \$25. Everyone from central bankers to the CFTC and leading economists (or 'misleading' economists as people like Paul Krugman should be labelled) claimed the price was based on fundamentals.

They were wrong then, and they'll be wrong again.

[Indian crew jailed over SKorea's worst oil spill](#)

SEOUL (AFP) – A South Korean court on Wednesday jailed the Indian captain and chief officer of a Hong Kong supertanker after ruling they were partly to blame for the country's worst oil spill, court officials said.

[The Case for Making Bigger Cars](#)

Ironically the Big Three might be better off if they stuck to what they're good at: gas guzzlers. Why is Ford (F) the healthiest of the three? There's one big reason: the F series pickup truck. And the brightest of GM's (GM) dim bulbs is Cadillac, a marque which has never been known for its fuel economy.

Detroit knows that it needs to get smaller. If it's going to downsize, it should stick to what it's good at, rather than try to compete with Japanese and European

manufacturers on turf it conceded to them decades ago.

[Pickens "anxious" over wind farm project financing](#)

NEW YORK (Reuters) - Texas oil tycoon T. Boone Pickens said on Monday he is "anxious" for his company's multibillion dollar plans to build a giant wind farm in Texas as the economic crisis chokes off project financing.

Mesa Power LLC is planning to build the world's largest wind farm in the Texas Panhandle, but financiers for the project have disappeared in the economic downturn.

"Where's the money is the question. I don't know how we'll do it. I'm anxious to see what Obama comes up with. There is no money to finance a wind project now," Pickens told reporters at a briefing in New York City.

"I'm a little anxious."

[American Lung Association Announces Support of Pickens Plan](#)

The American Lung Association, a leader in the fight for cleaner air for decades, announced its support of the Pickens Plan at a press conference today with Mayor Michael R. Bloomberg and T. Boone Pickens, the legendary American business leader and philanthropist. Developed by Mr. Pickens, the Pickens Plan focuses on reducing America's dependence on foreign oil by investing in renewable energy, such as solar and wind power, and using America's vast resources of clean natural gas for fleet transportation.

[T. Boone Pickens Named 'Texan of the Year'](#)

Famed business pioneer and innovator T. Boone Pickens has been named Texan of the Year by the Texas Legislative Conference, the well-known annual statewide forum that is marking its 43rd year. The announcement was made by Advisory Committee Chair and State Rep. Edmund Kuempel.

[Congress should expand Yucca Mountain capacity: DOE](#)

WASHINGTON (Reuters) - Congress should expand the capacity of the planned U.S. nuclear waste dump at Yucca Mountain in Nevada and delay a decision on whether to commission an additional dump site, the U.S. Energy Department said in a report released on Tuesday.

"Unless Congress raises or eliminates the current statutory capacity limit of 70,000 metric tons of heavy metal, a second repository will be needed," Energy Secretary Sam

Bodman said in a statement.

[Better Control for Fusion Power](#)

Nuclear fusion could prove an abundant source of clean energy. But the process can be difficult to control, and scientists have yet to demonstrate a fusion plant that produces more energy than it consumes. Now physicists at MIT have addressed one of the many technological challenges involved in harnessing nuclear fusion as a viable energy source. They've demonstrated that pulses of radio frequency waves can be used to propel and heat plasma inside a reactor.

['Sweden cleanest, Saudi Arabia dirtiest'](#)

Poznan, Poland - Sweden does the most of any country for tackling emissions of greenhouse gases, while Saudi Arabia does the least, according to a barometer published on Wednesday by watchdogs at the UN climate talks.

But the annual "Climate Change Performance Index" placed Sweden only fourth on its list, for no prizes were allotted for the top three places.

[Polluters' windfall: Carbon into gold](#)

BRUSSELS: The European Union started with the most high-minded of ecological goals: to create a market that would encourage companies to reduce greenhouse gases by making them pay for each ton emitted into the atmosphere.

Four years later, the carbon trading system has created a multibillion-euro windfall for some of the Continent's biggest polluters, with little or no noticeable benefit to the environment so far.

[Not waving but drowning: Island states plead at UN talks](#)

POZNAN, Poland (AFP) – Dozens of small island nations threatened by climate change have taken their case to the UN talks here, saying rising seas are already lapping at their shores and may eventually wash some of their number off the map.

[Obama vows to end global warming 'denial' after Gore talks](#)

CHICAGO (AFP) – President-elect Barack Obama said Tuesday his administration would brook no further delay in tackling climate change after discussing global warming

with former vice president Al Gore.

Sitting between Gore and his vice president-elect Joseph Biden following the hour-long meeting, Obama told reporters: "All three of us are in agreement that the time for delay is over. The time for denial is over."

[Scientists try to mitigate climate change effects](#)

POZNAN, Poland – Scientists studying the changing nature of the Earth's climate say they have completed one crucial task – proving beyond a doubt that global warming is real.

Now they have to figure out just what to do about it.



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