



DrumBeat: December 11, 2008

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[The Peak Oil Crisis: The Great December Bailout](#)

Those of us following the perturbations of the world's oil supply believe that in the next five or ten years worldwide oil supplies will start shrinking, prices will rise permanently, and the widespread use of the private automobile will start to decline. This will be either because liquid fuels will have become too expensive in comparison with incomes or perhaps because governments will be forced to impose fuel rationing to mitigate the consequences of shortages.

So what do we do with Detroit? As now seems likely, its future course will be increasingly controlled by the federal government. Currently the plan is for this control to be exercised by an auto czar tasked with making sure that the multi-billion government loans are not used to pay for excessive executive compensation or dividends on worthless stock, and that the companies move expeditiously to "restructure" so they will not become permanent wards of the state.

It is only a matter of time however that, no matter how well intentioned, the government's involvement in "restructuring" expands to corporate decisions about what to make and how to make it. Should the big three be consolidated? Should production of internal combustion engines be severely restricted in favor of electric propulsion? Should the auto industry return to making buses, railroad engines? As a harbinger of the future, the current bailout bill has a clause forbidding loan recipients from legally challenging state emissions standards. For an industry that for decades vigorously fought seat belts, air bags, pollution controls, and fuel consumption standards, big changes are in the wind.

[Jeremy Leggett: At Poznan, no one is listening](#)

At the world climate change summit, few delegates paid attention to the tale of oil's inevitable demise.

[Oil Rises as Saudis Say They Delivered Promised Output Cuts](#)

(Bloomberg) -- Crude oil jumped 9.5 percent, the biggest gain in five weeks, after the Saudi Arabian oil minister said he had delivered the output cuts promised to OPEC, a

sign that world supplies are smaller than traders had estimated.

Ali al-Naimi, the Saudi minister, said in an interview in Poznan, Poland, that the kingdom pumped 8.493 million barrels of oil a day in November, close to its OPEC production quota of 8.477 million barrels a day. That's 287,000 barrels a day less than estimated by the International Energy Agency.

"It's quite unusual for the Saudis to make this kind of statement, and it should give confidence that they are following through with the cuts," said Chip Hodge, a managing director at MFC Global Investment Management in Boston, who oversees a \$5 billion energy-company bond portfolio. "This may encourage others to behave similarly to end the free-fall in prices."

[ExxonMobil says U.S. LNG terminal may face delay](#)

BARCELONA (Reuters) - The opening of the Golden Pass liquefied natural gas terminal in the United States will likely be delayed by hurricane damage, while Britain's South Hook LNG terminal now looks set to open in early 2009, an executive from ExxonMobil said on Thursday.

"There has been some damage and there is more likely than not to be a delay ... it's just not clear how long that will be," ExxonMobil's president of LNG market development, Tom Cordano, said of the Golden Pass project in Texas which had been expected to be completed in mid-2009.

[Oil makes for strong ties between Italy and Libya](#)

Italy never shared its European neighbors' unease about cozying up to Libya, its former colony. And under Silvio Berlusconi, the Italian prime minister, the countries' special relationship is breaking new ground. This year, Libya has taken a stake in Unicredit, a major Italian bank, and is considering an investment in Telecom Italia. Now it wants a piece of Eni, the Italian energy giant.

[For Boston, the lessons from Venice](#)

Boston and Venice are separated - or united - by an ocean. Both are seaports that reincarnated themselves when their shipping and manufacturing economies faltered. Venice has long suffered from storm surges that used to flood St. Mark's Square once every five years. More recently beset with such "acqua alta" 40 times a year, including a severe episode last week, Venice began an ambitious public works project to protect itself from rising sea levels. It may be time for Boston to follow suit.

[Good planets are hard to find](#)

(CNN) -- Nature can be amazingly resilient, capable of adapting to constantly changing ecological conditions. And yet, this resiliency is limited and rapidly reaching the breaking point.

In the lifetime of a child born today, 20 percent to 30 percent of the world's plant and animal species will be on the brink of extinction -- in part because of global warming -- if we fail to act.

[Downturn may reverse trend of rising energy costs](#)

The price tag for new energy exploration, production and refining projects continues to rise, but there are early signs the economic downturn could soon cut into those costs, according to a pair of indexes kept by IHS/Cambridge Energy Research Associates.

The Upstream Capital Cost Index rose 9.2 percent during the second and third quarters of the year, as rising steel costs and the clamor for equipment and workers made oil and gas exploration and production projects more expensive.

And the Downstream Capital Cost Index, which tracks items related to the construction of refining and petrochemical facilities, climbed 6 percent in the second and third quarters.

[Russia's Big Chill](#)

The collapse in energy and commodity prices since this summer is exposing Russia's fragility: the boom, it turns out, was built on expensive oil, and precious little else. Economic growth, which averaged more than 7% for the past five years, has tumbled and may drop below 2% next year. And for the first time since the collapse of the Soviet Union in 1991, the threat of large-scale unemployment looms. "Money was falling from the sky in the past two to three years," says Maxim Oreshkin, the head of research at private-sector Rosbank in Moscow. "Now it's stopped falling."

[Canadian oil firms make cautious spending cuts](#)

CALGARY, Alberta (Reuters) - EnCana Corp and Petro-Canada moved to cut 2009 capital spending on Thursday to cope with falling commodity prices and market turmoil, but they left themselves enough room to change plans quickly in case the economy swings to the better, or worse.

After years of boosting budgets to increase production from far-flung reserves and the expensive oil sands, Canada's big oil companies are retrenching to cope with crude prices that have fallen by close to \$100 a barrel from July peaks.

[Oil Recovery Rests On China](#)

How bad crude gets depends a lot on how bad things become in Asia.

[Analysis: Kirkuk faultline](#)

The suicide bomb attack on an upmarket Kurdish restaurant near Kirkuk underscores the tension still wracking the ethnically-mixed and oil-rich province in northern Iraq.

While violence in most of Iraq is down by up to 80%, Kirkuk remains restless.

It is the centre of northern Iraq's oil industry yet no workable agreement has yet emerged as to how the wealth should be shared.

[Algeria Says Oil/Gas to Earn Up to \\$76B in '08](#)

Algerian oil and gas revenue could reach a record high of \$76 billion in 2008, Energy and Mines Minister Chakib Khelil was quoted as saying on Thursday, compared to \$59 billion in 2007.

"The expected revenues of between \$75 and \$76 billion are a record," the official APS news agency quoted him as saying.

[Russia to complete heating oil deliveries to N.Korea 'within months'](#)

BEIJING, December 11 (RIA Novosti) - Russia will complete heating oil deliveries to North Korea within the next several months, the head of the Russian delegation at six-party talks on Korea's nuclear problem said on Thursday.

Under an international energy assistance program, Russia is to supply a total 100,000 metric tons of heating oil to North Korea in exchange for a pledge to abandon its nuclear program.

[Drought parches much of the U.S., may get worse](#)

The value of water is starting to become apparent in America. Over the past three years a drought has affected large swaths of the country, and conflicts over water usage may become commonplace in the future, climatologists say.

"Our focus is oil, but the critical need for water is going to make water the most significant natural resource that we're going to have to worry about in the future," says

Larry Fillmer, executive director of the Natural Resources Management & Development Institute at Auburn University in Alabama.

[Heading for zero](#)

Central banks are making history. Last week's 1pc cut took interest rates down to 2pc, the level that they were last at in 1951, which was the all-time low since the Bank of England was formed in 1694.

Reminds me of Mike Hearn's [Interesting economics](#).

[John Michael Greer: Dissensus and organic process](#)

Plenty of proposals for allegedly “natural” or “ecological” societies, communities, and institutions have been floated over the last three decades or so, and most of them are natural in the same sense that Wright’s architecture is organic: they represent one person’s best shot at grasping the natural potentials of a situation. Very often, though, these proposals fail to address issues of substance or process. Substance in a social context refers, among other things, to the people who will presumably take up the new social system, but who inevitably bring to it attitudes and behavior patterns from other social contexts and the evolution of our species; it’s notorious, and also true, that most Utopian schemes would work wondrously well if human beings could just stop behaving like human beings.

[Carter Warns Obama on Energy-Policy Headwinds](#)

ATLANTA -- Almost three decades later, Jimmy Carter recalls vividly what it was like trying to get Americans to turn down their thermostats and kick the oil habit.

"It was like gnawing on a rock," the former president says.

...Mr. Carter offers Mr. Obama this advice: Try to inspire Americans to see the virtue in making energy sacrifices, a notoriously tough sell, especially in the face of falling prices. Get energy legislation to Congress quickly, during the presidential honeymoon. And stick with it.

[Infrastructure: What Not To Build](#)

The government is set to spend hundreds of billions on energy, roads, railways and community development projects. Here's how to get stuff we actually want.

[Mexico says oil exports to fall sharply by 2017](#)

MEXICO CITY (AP) — Mexico said Wednesday that rising domestic consumption will cause oil exports to drop by about 5.3 percent annually over the next decade, although the country hopes to increase crude production to just over 3 million barrels per day by 2017.

[Mexico's Pemex Raises January Crude Pricing Constants For US](#)

MEXICO CITY --Mexico's state oil monopoly Petroleos Mexicanos, or Pemex, said Wednesday it will raise the constants, or differentials, used to price its crude oil deliveries to the U.S. and other markets in January.

[Latin America: An Ex-Exporter?](#)

While economists, investors, and government officials fear that the current global financial crisis will put downward pressure on demand – and in turn, prices – for commodities, a greater threat could be imminent. The region's status as a net energy exporter is at risk from bad government policies; in the long term, energy trade deficits could put pressure on Latin America's economic health.

[Activists irked that 'green' money now goes to bailout](#)

Environmental groups are disappointed that money put aside to aid automakers to produce more fuel-efficient cars is now going to fund their operations.

Although the bill promises the money for retooling plants will be replenished in the future, environmentalists are skeptical. And they're also upset the bailout doesn't ban automakers from suing states that set tougher emissions limits than federal rules.

[Oil will retain leading role, says Saudi Aramco Official](#)

Dubai, SPA -- Presenting his views on the future of petroleum supply and demand in the "The Global Energy and Materials Forum" organized here recently by management consulting firm McKinsey & Company, Saudi Aramco Executive Vice President of Operations Khalid A. Al-Falih said that oil will "retain its leading role among the world's energy sources ... [as] there is consensus that fossil fuels will still be supplying some 80 percent of the world's total energy requirements."

In remarks before an audience of energy and management executives and experts, Al-Falih said that the recent decline in oil prices is due to a "confluence of factors," including lower demand, a surplus of supplies, and a prevailing negative sentiment about the global economy.

Addressing the focus on alternative energy sources, Al-Falih said that "the world will

need energy from different sources, yet, fossil fuels will continue to furnish the lion's share of global energy demand for the next few decades."

[Rubin roasting](#)

It must be hard being Jeff Rubin these days. As chief economist and strategist at CIBC World Markets, Mr. Rubin has not been shy to express his views, especially when they diverge from the safety of consensus opinion. In recent years, he has been especially bullish on crude oil, and its impact on the S&P/TSX composite index – a call that looked good on the way up.

But now, with stocks down and crude oil looking more and more like a popped bubble, he is taking it on the chin from readers commenting on a Globe and Mail article about his updated forecasts.

[Germany Moves from Atoms to Photons](#)

Germany has adopted a seemingly contradictory set of policies in its effort to reduce carbon dioxide emissions and increase energy security. While it has greatly emphasized renewable energy, the government remains committed to a phase-out of nuclear power and to the construction of new gas pipelines from Russia.

[Conergy to develop solar power plant in KSA](#)

Conergy Asia-Pacific, a regional subsidiary of Hamburg-based Conergy, has been awarded a contract for a 2-megawatt solar power plant for Saudi Arabia's King Abdullah University of Science and Technology.

[Mexico pledges greenhouse gas cuts](#)

POZNAN, Poland: Mexico says it will cut greenhouse gas emissions by 50 percent from 2002 levels by 2050.

Environment Secretary Juan Rafael Elvira says he hopes the target will push richer countries to help Mexico with investments needed to meet the goal.

[World oil demand to grow in 2009, shrink in 2008: IEA](#)

LONDON (Reuters) - World oil demand growth will return in 2009 after shrinking this year for the first time since 1983 due to the global economic slowdown, the International

Energy Agency (IEA) said on Thursday.

The IEA's view is in stark contrast to the U.S. Energy Information Administration, which on Tuesday said demand is expected to shrink by 450,000 barrels per day in 2009 following a predicted 50,000 bpd decline in 2008.

[Saudis Signal Deeper Oil Output Cuts Than Expected](#)

(Bloomberg) -- Saudi Arabia, the world's biggest oil exporter, cut production more than traders and analysts had estimated last month, reflecting the nation's commitment to halt the \$100 plunge in crude prices.

Oil rallied after Oil Minister Ali al-Naimi said in an interview in Poznan, Poland, that the kingdom pumped 8.493 million barrels of oil a day in November. That's 287,000 barrels a day less than estimated by the International Energy Agency, and close to Saudi Arabia's OPEC quota of 8.477 million barrels. Libya's top oil official Shokri Ghanem said previous OPEC cuts haven't been enough.

[Oil Outlook to Worsen as OPEC Action Fails, Deutsche Bank Says](#)

(Bloomberg) -- A likely cut in crude oil production by OPEC will fail to support prices because of weakening demand, with oil potentially dropping as low as \$30 a barrel by the end of next year, Deutsche Bank AG said in a report.

[The price of oil returns to 'normal'](#)

As the world price of crude oil soared up toward \$150 a barrel earlier this year, even some of the most stalwart defenders of the ability of man to keep oil flowing began to lose faith. Despite the long history of oil's downward price drift over most of the past 140 years, the idea that this time was different became almost a new law of the world energy markets: Oil had reached its peak, the world was running out, the fundamentals of market forces were at work, the price must soar and the result would be economic turmoil.

As it turns out, the opposite has happened. Oil traded at \$43.72 yesterday. Philip Verleger, of the Haskayne School of Business in Calgary, said yesterday that oil could go to \$20 a barrel as the economic slowdown drags on through the next year or more. Price recovery could take few years, before oil returns to "normal" levels.

The question now is: What's normal?

[UK: Government turns up heat over power price cuts](#)

The tension between the Government and Britain's biggest power companies escalated last night after British Gas, the country's biggest supplier, ruled out any price cuts until the spring, despite steep recent falls in wholesale prices and demands for action "as soon as possible" from Ed Miliband, the new Energy Secretary.

[North Sea operator aims to boost output by 10%](#)

OIL and gas company Nexen, whose principal production area is in the UK North Sea through its operated Buzzard field, said yesterday it expected to increase worldwide output in 2009 by about 10% year-on-year.

It said its daily net production should grow to 220,000-235,000 barrels of oil equivalent, gaining it cash flow of more than £1.5 billion, based on an average oil price above \$50 a barrel.

[Russia-Serbia deal triggers Serb government split](#)

BELGRADE, Serbia (AP) -- An energy deal with Moscow, involving the sale of Serbia's oil monopoly to Russia in return for the construction of a strategic pipeline through the Balkan country, has triggered a split within Serbia's coalition government.

[Natural Gas Transportation Is a Win-Win Technology](#)

My question is a very simple one: why in the world isn't the US embracing natural gas powered transportation? In spite of a very prestigious economic team including a plethora of PhD's, I have yet to hear one Obama economic adviser even mention natural gas transportation as a priority. Nor have I heard any Congressmen question the "big" three auto CEOs about natural gas cars and trucks. Why? Since the economic case to use natural gas for transportation is so obvious, there must be some technology, cost, or environmental reason why policy makers are not supporting such a common sense solution. Let's discuss these issues one at a time.

[Collège de France Creates a Sustainable Development, Environment, Energy and Society Chair in Cooperation with Total](#)

In cooperation with Total, Collège de France is creating a chair of sustainable development, energy and societal issues.

Endowed for five years, the chair will be held annually by an eminent, internationally recognized figure who will lecture on core sustainable development issues such as climate change and its impact on health and the economy; the impact of human activities on water, carbon and nitrogen cycles; food and nutrition; biodiversity; and the future of energy. Scientific, engineering and social science aspects will be considered.

[Energy secretary pick argues for new fuel sources](#)

WASHINGTON – Steven Chu, the Nobel Prize-winning physicist who is President-elect Barack Obama's choice for energy secretary, has been a vocal advocate for more research into alternative energy, arguing that a shift away from fossil fuels is essential to combat global warming.

Chu, a Chinese-American who currently is director of the Lawrence Berkeley National Laboratory in California, has in recent years campaigned to bring together a cross-section of scientific disciplines to find ways to counter climate change.

If action is not taken now to stop global warming, it may be too late, he argues.

[Wind, Water And Sun Beat Biofuels, Nuclear And Coal For Clean Energy](#)

ScienceDaily (Dec. 10, 2008) — The best ways to improve energy security, mitigate global warming and reduce the number of deaths caused by air pollution are blowing in the wind and rippling in the water, not growing on prairies or glowing inside nuclear power plants, says Mark Z. Jacobson, a professor of civil and environmental engineering at Stanford.

And "clean coal," which involves capturing carbon emissions and sequestering them in the earth, is not clean at all, he asserts.

[White House backs down on easing air-pollution rules](#)

WASHINGTON — The Bush administration on Wednesday abandoned efforts to relax pollution controls on coal-fired power plants and industries it started with Vice President Dick Cheney's energy plan in 2001, bringing to a sudden end a long White House fight with environmental groups.

However, the Environmental Protection Agency also finalized a third rule that would allow for more polluted dust from mines, animal farms and other sources.

[Calif. set to adopt sweeping global warming plan](#)

SACRAMENTO, Calif. – California's utilities, refineries and large factories must transform their operations to cut greenhouse gas emissions as part of a new climate plan before state regulators.

On Thursday, the California Air Resources Board was expected to adopt what would be

the nation's most sweeping global warming plan, outlining for the first time how individuals and businesses would meet a landmark 2006 law that made the state a leader on global climate change.

[UN's Ban: invest in fighting climate change](#)

POZNAN, Poland – U.N. Secretary-General Ban Ki-moon on Thursday warned the world against backsliding in the fight against climate change as it battles financial crisis, calling for a renewed sense of urgency in facing "the defining challenge of our era."

..."The economic crisis is serious; yet when it comes to climate change, the stakes are far higher," Ban told the conference. "The climate crisis affects our potential prosperity and our people's lives, both now and far into the future."

[A healthy planet? Top 10 environment articles in 2008](#)

Climate change has continued to dominate environmental science in the past year. There are plenty of other issues out there, though, whether it's a surprise cause of diabetes, or the precious metals we leave behind in waste dumps.

NewScientist.com is now making free all in-depth articles from the past 12 months. In case you missed them, here are the top 10 best features on environmental science.

The free articles now include the [The Folly of Growth](#) issue from Oct. 2008, with articles like [Why politicians dare not limit economic growth](#), [Does growth really help the poor?](#) and this [interview with David Suzuki](#).



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