



## DrumBeat: December 15, 2008

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### [Red Flags as Washington Gears Up to Remake Energy Policy](#)

President-elect Barack Obama's pick for energy secretary, Dr. Steven Chu, is a Nobel Prize-winning scientist who's on the record calling coal a "nightmare" and advocating raising U.S. gas taxes to European levels to promote conservation. (Here's video of the speech; the "nightmare" quote comes 28 minutes in.)

Mr. Obama himself has so far dismissed the idea of raising gas taxes, and worked hard during his campaign to reassure the utility and coal industries that he didn't plan radical steps to slash the use of coal in power generation.

This apparent difference of opinion between Mr. Obama and his likely nominee is just one of the many red flags waving as Washington gears up for the most ambitious effort to remake America's energy policy since Jimmy Carter slipped on a cardigan.

### [Toyota delays U.S. assembly plant that was to make Prius](#)

NEW YORK -- Toyota Motor Corp. is delaying the start of production at its plant in Blue Springs, Mississippi, indefinitely as the top Japanese automaker copes with the downturn in the auto industry.

The plant was scheduled to begin production in 2010 and make the Prius hybrid.

### [Lt. Gov.: Mass. faces tough transport decisions](#)

BOSTON (AP) -- Massachusetts Transportation Secretary Bernard Cohen was a no-show Monday for the announcement of a new commuter rail initiative, and Lt. Gov. Timothy Murray refused to tamp down speculation Cohen may be on the way out of the administration's Cabinet.

### [Algerian projects captures and buries carbon dioxide](#)

KRECHBA, Algeria (AFP) – On a desolate, wind-pummeled expanse of central Algeria, natural gas is being pumped out of the Sahara Desert and sent on to energy-starved Europe, leaving nearly all its environment-damaging carbon dioxide buried deep beneath the earth's surface.

The In Salah gas project, a four-year old venture grouping energy majors Sonatrach of Algeria, BP of Britain and Statoil of Norway, is described by its managers as the world's first and largest onshore carbon capture and sequestration scheme.

### [Chrysler's plan to beat the Chevy Volt](#)

NEW YORK (CNNMoney.com) -- Chrysler is pinning a huge part of its future on a plan to produce a full line of electric vehicles, at a reasonable cost to both the carmaker and the consumer.

While General Motors is moving ahead with its Volt electric midsize car, Chrysler says it already has plans in place, not just for electric cars, but also for minivans and even off-road vehicles.

Chrysler's strategy hinges on keeping it cheap. The carmaker will dispense with flashy designs in exchange for low cost and flexibility. And it plans to pile on more electric-powered models quickly once the program launches in 2010.

### [Russia's Financial Market Meltdown: Energy Security Implications](#)

The global financial crisis has by definition wrought havoc on all the world's economies: although the pain is not evenly distributed. The Russian economy, a darling of emerging market investors over the past 8 years had been until May 2008 one of the world's best performing markets. But since then the combined Russian exchanges have fallen more than 70% making Russia "one of the world's worst performers over the past few months." It is yet not clear how the implosion of Russia's financial market will affect that nation's oil and gas sectors and in turn Europe's overall energy security. There are however a few indicators to consider.

### [Mexico: Iceberg Dead Ahead!](#)

Mexico is in for a severe crisis. Some of it is due to its unwillingness (or inability) to implement important economic reforms during the previous sexenio. However, much of it is due to factors that are outside its control.

The decline in oil prices will hit Mexico hard. With WTI projected to fall into the mid-30s, the Mexican government will soon face a gaping hole in the fiscal accounts. Oil represents about a third of government revenues.

## [OPEC Looks for Ways to Stabilize Declining Oil Prices](#)

With the economy in the throes of a global recession, oil producers are facing their toughest business prospects in 25 years.

Oil demand is set to decline this year and next, the first drop since the energy shocks of the early 1980s. As economic growth slows down sharply, oil prices have collapsed from their summer peaks in record time.

The stunning speed of the downturn has made for a sudden nightmare for producers, who face shrinking revenues next year. Oil has lost \$100 a barrel, or 70 percent of its value, since July and many analysts forecast further declines as the global economy worsens.

## [OPEC May Seek Russian Cut; Norway Won't Participate](#)

(Bloomberg) -- OAO Lukoil said OPEC may ask Russia to cut output this week to help arrest a five-month slide in oil prices. StatoilHydro ASA ruled out Norwegian participation.

## [Rosneft may seek \\$5bn bridge loan](#)

Russia's Rosneft plans to seek a Western bridging loan of \$1.0-\$1.5 billion in the first quarter of 2009 and up to \$4 billion from state bank VEB in the whole of 2009 to refinance its debt, an executive said.

"Next year we will need around \$1 billion per quarter for refinancing needs," vice-president Sergei Makarov told reporters.

## [Plans to burn trash with plasma face hurdles](#)

Plans to generate power and eliminate landfill waste by ripping trash apart at the molecular level in Florida and California are running into steep hurdles from local opponents.

The initial proposal in Florida, which has since been scaled back by about 80 percent, would have created the largest plasma arc gasification plant in the world. The proposed plant in Sacramento has been set back by a lack of financial details about just how much electricity would be produced and how much trash would be gasified by plasma.

## [Gas prices retreat after weekend spike](#)

NEW YORK (CNNMoney.com) -- Gas prices posted gains this weekend for the first time in 86 days, according to a national survey of credit card swipes. But on Monday fuel prices began to retreat again.

...Low gas prices are starting to spur demand for fuel again in some areas, according to Jason Toews, co-founder of GasBuddy.com, a service that lets motorists post local fuel prices online.

According to Toews, gas prices could be in for a serious bounce once the spring and summer driving season hits next year.

### [L.A. gasoline spikes on BP refinery upset - trade](#)

HOUSTON (Reuters) - Los Angeles whole gasoline premiums spiked 14.25 cents per gallon on Monday on word the gasoline-producing fluidic catalytic cracking unit was shut at BP Plc's 265,000 barrel per day Los Angeles-area refinery in Carson, California, traders said.

The 102,500 bpd cat cracker at the Carson refinery was shut on Sunday for unplanned repairs, sources familiar with refinery operations said on Monday.

### [OPEC wild cards: Size of output cuts, Russian help](#)

ORAN, Algeria (AP) -- Even before a single barrel of oil is cut from world production, OPEC's strategy of talking up the price of the cartel's commodity appears to be working.

Although OPEC oil ministers will not be deciding on how to prop up the value of crude until Wednesday, a volley of comments from major oil exporters has pushed markets to expect both a substantial output cut as well as the prospect that energy heavyweight Russia might team up with the 13-nation cartel to reduce supply.

### [Reduced Oil Production Hurting Mexican Economy](#)

Much lower oil prices seem to have concentrated the minds of Mexican leaders on their country's fast approaching fiscal crisis. As I've written many times, roughly 40% the Mexican federal budget is financed by oil exports from the state-owned PEMEX oil company. But production is falling rapidly, has been doing so for a couple of years, and promises to continue falling even faster after 2010. Mexico was clever enough to hedge its oil at \$70 a barrel through 2009, but leaders are quickly calculating how large the 2010 budget deficits will be if oil production continues to decline and oil prices do not rise substantially after 2009.

## [Obama to announce energy posts as Blagojevich questions linger](#)

(CNN) -- President-elect Barack Obama is expected to announce key members of his energy team Monday as questions linger and media attention remains on the scandal involving Illinois Gov. Rod Blagojevich.

## [China joins U.S., Japan with shrinking oil demand](#)

BEIJING (Reuters) - China's apparent oil demand fell last month for the first time in nearly three years as the world's second-largest energy consumer succumbed to the global economic crisis, data showed on Monday.

Long a major engine for rising crude oil markets, China now risks becoming a further drag on prices that have already tumbled more than \$100 a barrel from their July peaks as it joins the United States and Japan in registering shrinking use, with worldwide economic woes taking a greater than expected toll.

Chinese oil production and trade figures released on Monday showed the effects of an export-led slow-down in economic growth coupled with domestic fuel prices that haven't been reduced since a shocking 18 percent increase back in June.

## [Emerging Asia will keep fuel prices on tight leash](#)

HONG KONG (Reuters) - A dramatic crash in oil prices this year has prompted governments across emerging Asia to slash heavily subsidized fuel prices, but this should not be confused as a sign that the region is moving toward free energy markets.

## [Kurt Cobb: Energy and Ponzi schemes](#)

In the absence of independent contrary information, unsuspecting investors will believe in Ponzi schemes as long as their returns are high. In the same way the public will put its faith in neoclassical economic theories which claim that perpetual economic growth is possible. What most investors and many Americans want is to get rich. Most recently they were led to believe that the stock market was a one-way ticket to wealth. While the stock market as a whole is not a Ponzi scheme, the companies on the exchanges are run on the basis of neoclassical economic assumptions about growth. When those assumptions are undermined, as is happening currently, investors and corporate leaders look for villains and bailouts rather than questioning the assumptions themselves.

In an effort to challenge those assumptions, systems ecologist and energy researcher Charlie Hall has long championed a biophysical approach to economics as an alternative to neoclassical economics which he likens to a Ponzi scheme. Why a Ponzi scheme? Each new wave of lending is made based on the faith that future flows of energy will increase sufficiently to create enough economic growth to pay off the new loans.

## [Is the Second Great Depression Imminent?](#)

The world is currently facing the most serious financial and economic crisis since the Great Depression of 1929. How have countries responded to the crisis? Well as we know it, by lending huge amounts of money through bailouts and other tax cuts. So while the current crisis was caused by excessive lending, such as the subprimes, the only answer our governments and financial elites found was lending even more and making money out of nothing.

All of these measures will have an impact on economies, no doubt on that. Before the end of 2009 an –artificial- recovery will take place. Good news you may think? Not at all

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## [Solar-powered hangar opens in California](#)

A new hangar at Bob Hope Airport in Burbank, Calif., is powered by the sun.

The \$17 million Hangar 25, operated by charter flight operator Avjet, has rooftop solar panels that can provide enough electricity for lights, forklifts and tow vehicles.

## [Scientists urge caution in ocean-CO<sub>2</sub> capture schemes](#)

SINGAPORE (Reuters) - To some entrepreneurs, the wild and icy seas between Australia and Antarctica could become a money spinner by engineering nature to soak up carbon dioxide and then selling carbon credits worth millions of dollars.

To some scientists and many nations, though, the concept of using nature to mop up mankind's excess CO<sub>2</sub> to fight global warming is fraught with risk and uncertainty.

## [Can The United States Drill Its Way to Energy Security?](#)

Those who advocate increased oil and gas drilling generally, and quite reasonably, assume that increased drilling will result in significantly increased production of oil and gas. Drilling is certainly one of the rate-limiting steps to the eventual production of oil and gas. But beyond this crude notion that more is better, the innumerate naïveté of many energy projections is staggering.

In fact, many drilling advocates implicitly assume that the energy gained from increased drilling will be roughly linear: that is, doubling drilling effort is expected to eventually bring something like double the energy resources to market. In reality, the historical data give overwhelming and unequivocal evidence that the energy return on drilling in the United States will certainly be far less than this. For generations now, the energy



return on increased drilling has been a quantitative relationship of sharply diminishing returns with increased drilling effort. In fact, for the last several decades, the relationship of drilling effort and energy return has been so unfavorable that there is little evidence that even vastly increased drilling will significantly increase U.S. domestic energy production. This stark fact must be incorporated into any strategic energy planning. To do otherwise is to put hope entirely before experience.

### [UK: Beyond laissez-faire](#)

When the cabin crew admits to anxiety, it is time to panic. The International Energy Authority has always brushed off claims that oil will soon dry up, adopting the tone of a nonchalant air steward guiding jittery travellers through turbulence. This morning, however, the organisation's chief economist, Fatih Birol, tells the Guardian that he expects global production will stop growing in around 2020. It is a remarkable turnaround for the IEA, which only three years ago was insisting that there was no fundamental reason why oil should not continue to grease the cogs of the global economy.

### [Crude Oil Rises as OPEC's El-Badri Says Sizeable Cut Is Needed](#)

(Bloomberg) -- Crude oil rose, touching \$49 in New York, after OPEC's Secretary-General Abdalla El-Badri said the group needs to make a "sizeable" production cut at this week's meeting in Algeria.

The Organization of Petroleum Exporting Countries, which pumps 42 percent of the world's oil, will probably lower output targets by at least 2 million barrels a day, or 7.3 percent, at a Dec. 17 meeting in Oran, according to 18 of 33 analysts surveyed by Bloomberg. Oil gained 13 percent last week, its biggest five-day gain in four years, on speculation production cuts will revive prices.

Prices are being "buoyed by expectations that OPEC will make a significant cut," Robert Laughlin, a senior broker at MF Global Ltd. in London, said by phone today. "The necessity for cuts has never been so vital."

Crude oil for January delivery rose as much as \$2.72, or 5.9 percent, to \$49 a barrel in electronic trading on the New York Mercantile Exchange. The contract traded at \$48.52 at 12 p.m. London time.

### [OPEC's oil supply cut could be its deepest](#)

ORAN, Algeria (Reuters) - OPEC ministers could make their deepest oil supply cut ever when they meet on Wednesday to combat shrinking demand, bulging stocks and a \$100 collapse in prices.

For many in the Organization of the Petroleum Exporting Countries, up to 2 million

barrels per day (bpd) must be removed to keep up with a slump in consumption that has knocked two-thirds off prices since July.

### [Saudi makes oil cut ahead of OPEC meet - OPEC chief](#)

ORAN, Algeria, Dec 15 (Reuters) - The world's top oil exporter Saudi Arabia has already cut supply in anticipation of OPEC agreeing further curbs at its meeting on Wednesday, OPEC's President said on Monday.

Chakib Khelil said the kingdom's oil minister Ali al-Naimi informed him Riyadh had cut its supply by eight percent. OPEC's last overall cut of 1.5 million barrels per day (bpd), agreed in October, was just over 5 percent.

### [OPEC's divisions will be on display at meeting](#)

CAIRO, Egypt - OPEC, the oil-producing group that consumers worldwide love to hate, is fine tuning its strategy heading into a meeting this week in Algeria, determined that its fourth attempt in as many months to reverse plummeting crude oil prices will succeed.

Working against the Organization of Petroleum Exporting Countries is its own past — a history pockmarked with the rival priorities of its 13 member states and major policy blunders in times of economic crises.

### [Lukoil: OPEC Expects Russia To Cut Oil By 300,000 B/D](#)

MOSCOW (Dow Jones)--The Organization of Petroleum Exporting Countries expects Russia to cut its production of between 200,000 and 300,000 barrels a day, Vagit Alekperov, chief executive of Russia's biggest independent oil firm OAO Lukoil (LKOH.RS), said Monday.

OPEC member states meet Wednesday in Algeria to discuss lowering production for the third time this year, with oil prices now around a third of record levels reached in July. Members have called for non-OPEC producers, including Russia, to join the cut.

### [Russia's oil output down 0.6% to 2.9 bln barrels in Jan-Oct.](#)

MOSCOW (RIA Novosti) - Russia's oil production declined 0.6%, year-on-year, in January-October to 406.4 million metric tons (2.9 billion barrels), the country's top statistics body said on Monday.



### [Russia takes on OPEC challenge](#)

OTTAWA — Russia - the world's second largest oil exporter - has signalled its willingness to work with OPEC this week to prop up crude prices through another round of production cuts to be announced at a meeting in Algeria.

But for all its talk of the need to protect its national interest amid declining revenues, Russia is unlikely to contribute meaningful reductions beyond already expected declines in the country's production that are resulting from underinvestment.

### [Let's Give Inflation a Chance](#)

OK, so I was wrong about the \$100 oil before \$150 but \$200 before \$50 forecast. The commodity markets have been clobbered by this global economic crisis. The World Bank's latest forecast for commodities is "real food prices are expected to fall by 26 percent between 2008 and 2010, oil prices by 25 percent, and metals prices by 32 percent." With the news that China's exports are falling, the Baltic Dry Index in freefall and down over 90% from its peak this year and other signs that the global growth is plummeting, is there any hope for oil and other commodities?

### [Areas near parks dropped from oil drilling plan](#)

SALT LAKE CITY – The Bureau of Land Management has dropped more than half the parcels it originally proposed for an oil and gas lease sale next week, many of which were criticized because of their proximity to southern Utah national parks.

### [Falling prices hurt some small gas stations](#)

Small independent service station owners say they can't keep pace with plunging gas prices. By the time they empty a storage tank of gas, prices have fallen so far that the amount they must charge to recoup the purchase price appears exorbitant compared with high-volume chains.

### [Nigeria oil worker hostage freed](#)

An Aberdeen oil worker taken hostage in Nigeria has been released.

Bruce Strachan, from Cults, was seized in November in the Port Harcourt area, but was set free at the weekend by his captors.

### [Battle in a poor land for riches beneath the soil](#)

A battle is unfolding on the stark mountains and scalloped dunes of northern Niger between a band of Tuareg nomads, who claim the riches beneath their homeland are being taken by a government that gives them little in return, and an army that calls the fighters drug traffickers and bandits.

It is a new front of an old war to control the vast wealth locked beneath African soil. Niger's northern desert caps one of the world's largest deposits of uranium, and demand for it has surged as global warming has increased interest in nuclear power. Growing economies like China and India are scouring the globe for the crumbly ore known as yellowcake. A French mining company is building the world's largest uranium mine in northern Niger, and a Chinese state company is building another mine nearby.

### [Australia fast-tracks renewable energy funding](#)

SYDNEY (AFP) – Australia will bring forward millions of dollars in funding for solar and other renewable energy sources, in part to help boost the economy, Prime Minister Kevin Rudd said Sunday.

Rudd said the government's 500 million dollar (329 million US) renewable energy fund will now be spent over the next 18 months rather than spread over six years as previously planned.

"It's time for Australia to begin the solar revolution, a renewable energy revolution and we have got to fund it for the future" he told reporters in his home state of Queensland.

### [China battery company launches plug-in hybrid car](#)

(AP:SHANGHAI, China) Battery maker turned car company BYD Co. has launched China's first homegrown hybrid vehicle for the retail market, seeking an edge over its crisis-stricken international rivals.

BYD presented the vehicle, known as the F3DM, in a ceremony in the southern city of Shenzhen, where local officials have pledged to buy some of the cars in support of the project.

The vehicle can run up to 100 kilometers (62 miles) on its electric engine, and when it runs low on power shifts to a back up gasoline engine. Its battery can fully charge in nine hours from a regular electrical outlet, or much faster at BYD's own charging stations, the company said in a statement.

The car will sell for 149,800 yuan (\$22,000), about the same as many Chinese-made mid-sized cars, it said.

## [Cheaper Plastic Solar Cells In the Works](#)

Unlike the vast majority of today's solar cells, which are expensive because they are made from silicon-based, or inorganic, semiconductors, the solar cell we are creating will be less costly as it will be made from organic, or carbon-based, semiconductors made from polymers. We will use two different types of polymers: one which is electron-deficient, an organoborane polymer, and one which is electron-rich, a thiophene polymer.

## [Driven out by mud in Indonesia](#)

The mud erupted here during exploratory drilling for natural gas, and it has grown to be one of the largest mud volcanoes ever to have affected a populated area.

...The steaming mud keeps bubbling up from under ground, spreading across the countryside, driving people from their homes, burying fields and factories and forcing the relocation of roads, bridges, a railroad line and a major gas pipeline.

As the earth disgorges the mud and the lake grows, the land is sinking by as much as 13 meters, or 42 feet, a year and could subside to depths of more than 140 meters just one hour's drive from Indonesia's second largest city, Surabaya, according to Richard Davies, a geologist at Durham University in Britain who specializes in mud volcanoes.

## [The biggest con job in the history of man](#)

People like former governor Angus King and energy expert Matt Simmons are smart. They see the global warming rainbow coming and are placing their pots at the end of it.

## [Australia to cut pollution 5 to 15 percent by 2020](#)

CANBERRA, Australia – Australia said Monday it plans to cut its greenhouse gas emissions by as little as 5 percent by 2020 – a reduction that critics say undermines international efforts to reach an effective global pact next year to avert dangerous climate change.

## [After dangerous lull, war on climate change faces crunch year](#)

POZNAN, Poland (AFP) – After a year in which it nearly lost its compass, the campaign against climate change heads into 2009 needing top-level political commitment, creative thinking and a deep well of money.

Next year holds a big dream: by its end, the world will have forged a treaty in

Copenhagen to shrink global warming from mankind-threatening juggernaut to manageable problem.

### [Obama left with little time to curb global warming](#)

WASHINGTON – When Bill Clinton took office in 1993, global warming was a slow-moving environmental problem that was easy to ignore. Now it is a ticking time bomb that President-elect Barack Obama can't avoid.

Since Clinton's inauguration, summer Arctic sea ice has lost the equivalent of Alaska, California and Texas. The 10 hottest years on record have occurred since Clinton's second inauguration. Global warming is accelerating. Time is close to running out, and Obama knows it.



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