



DrumBeat: December 17, 2008

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Topic: [Miscellaneous](#)

[Chrysler shuts down all production](#)

NEW YORK (CNMoney.com) -- Chrysler LLC announced late Wednesday that it is stopping all vehicle production in the United States for at least a month.

All 30 of the carmaker's plants will close after the last shift on Friday, and employees will not be asked to return to work before Jan. 19.

Chrysler blamed the "continued lack of consumer credit for the American car buyer" for the slow-down in sales that forced the move.

[Plentiful Coal, Not Peak Oil, Is Greatest Global Warming Threat](#)

Even if oil production is nearing its peak in the next few years, there's more than enough coal that could be made into liquid fuel to make up the difference – but doing so would lead to a climate change disaster, according to scientists.

[World Coal Reserves Could Be a Fraction of Previous Estimates](#)

SAN FRANCISCO, California – A new calculation of the world's coal reserves is much lower than previous estimates. If validated, the new info could have a massive impact on the fate of the planet's climate.

[U.S. expects big drop in oil imports](#)

NEW YORK (CNMoney.com) -- Despite the recent rout in oil prices, the government expects crude to shoot back up over the long term. That is expected to result in a drastic drop in oil imports and a greater use of renewable energy.

Oil imports - which currently make up 60% of all the oil consumed in the U.S. - should drop to about 40%, the Energy Information Administration said in its long-term energy outlook on Tuesday.

The drop will largely be the result of higher oil prices encouraging conservation and an expanded use of home-grown biofuels.

[Crude Oil Falls Below \\$40 on OPEC Skepticism, U.S. Supply Gain](#)

(Bloomberg) -- Oil fell below \$40 a barrel for the first time in more than four years as OPEC failed to convince traders that the glut in crude will diminish and the U.S. government said supplies climbed for the 11th time in 12 weeks.

The Organization of Petroleum Exporting Countries agreed that the group's 11 members with quotas will trim current production by 2.46 million barrels a day to 24.845 million barrels a day, OPEC president Chakib Khelil said in Oran, Algeria. OPEC has held four meetings in as many months.

"It's less than meets the eye," said Lawrence Eagles, global head of commodities research at JPMorgan Chase & Co. in New York. "This may stem the bloating in stocks but isn't enough to get rid of the surplus."

Crude oil for January delivery declined \$3.45, or 7.9 percent, to \$40.15 a barrel at the 2:30 p.m. close of floor trading on the New York Mercantile Exchange. Futures touched \$39.88, the lowest since July 2004. Prices have tumbled 73 percent from a record \$147.27 on July 11.

[White House calls OPEC action "short sighted"](#)

WASHINGTON, Dec 17 (Reuters) - The White House on Wednesday called OPEC's decision to cut production "short sighted" and said the oil cartel has an obligation to keep the market well supplied.

"It's not clear that OPEC's actions will be effective given the shift in global demand and the ability of OPEC members to meet the cartel's targets," White House spokesman Tony Fratto said.

"Regardless, OPEC has an obligation to keep the market well supplied and to consider the health of the global economy, so efforts to limit the benefits of lower energy prices are short sighted," he said.

[ExxonMobil receives new LNG tankers](#)

ExxonMobil has received delivery of two of a new breed of massive liquefied natural gas tanker this month, which will ship gas from projects in Qatar to importing markets around the globe.

The Mozah and Umm Slal tankers, owned by Qatar Gas Transport, are expected to

carry up to 80% more LNG than today's average tanker and require around 40% less energy per unit of cargo than conventional carriers, ExxonMobil said in a statement.

[GM delays Volt engine factory](#)

DETROIT - General Motors Corp., which is trying to conserve cash while it awaits a government bailout, has put the brakes on construction of a factory that will make engines for two of its most important new products.

The cash-strapped automaker has delayed big-ticket purchases such as buying structural steel to build the factory in Flint, Mich., about 50 miles northwest of Detroit. The plant will make 1.4-liter four-cylinder engines for the Chevrolet Cruze small car and to extend the range of the Chevrolet Volt plug-in electric car.

Spokeswoman Sharon Basel said Volt and Cruze development will continue as scheduled and the company still plans to bring them to showrooms in 2010. The construction delay, she said, may be temporary until the company figures out its cash situation.

[Small car safety improves](#)

In the latest round of Insurance Institute crash tests, none of the small cars they tested earned top marks, but some still did well.

[OPEC's Mountain to Climb](#)

Some bulls still regard the oil futures market, showing sharply higher forward prices, as a stairway to heaven.

To OPEC, though, which slashed its output quota by 2.2 million barrels per day Wednesday, it's a mountain to climb. The forward curve for Nymex crude prices currently slopes upward -- known as a "contango" -- and is extraordinarily steep. At \$52.50 per barrel, the May 2009 contract commands more than a \$9 premium to the "front month" or January contract. That spread has widened by over \$5 in the past month. Further out, futures rise above \$70 from late 2012.

[OPEC's Statement on Oil Cut](#)

The following is the text of the communiqué on Wednesday's meeting of OPEC published on the organization's Web site

[Brazil Panel Proposing State Co for Subsalt Oil Reserves](#)

The Brazilian government panel discussing possible changes to the country's oil laws will propose creation of a new state company or agency to control promising subsalt reserves, according to a Tuesday news report.

The newspaper O Estado de Sao Paulo reported that the government panel has decided the safest course of action amid the current global financial crisis is to keep direct control of the subsalt oil reserves in government hands.

[Venezuela May Have to Cut Spending After Oil Decline](#)

(Bloomberg) -- Venezuela, the biggest oil exporter in the Americas, may have to cut government spending next year after oil prices plunged more than 70 percent since July, Finance Minister Ali Rodriguez said.

Venezuela's 2009 budget is based on a forecast that the country's oil exports will average \$60 a barrel next year. Venezuela is "strongly in-line" with Saudi Arabia's view that \$75 a barrel is an "adequate price," Rodriguez told reporters today during a summit in Brazil.

"If you have a drop in income, you have to cut," he said. "We don't yet know how much. We're evaluating different scenarios with different oil prices and levels of production and export."

[Canada heavy oil firms try to weather price storm](#)

CALGARY, Alberta (Reuters) - Producing heavy oil in Canada, much of which comes from the big oil sands deposits of northern Alberta, is a tough business and it's getting tougher.

The tar-like crude trades at a discount to lighter varieties. That wasn't a problem in July, when benchmark oil prices climbed above \$147 a barrel, but after prices slid by more than \$100 a barrel in the months that followed, some heavy oil producers are beginning to feel squeezed.

[Economy Forces Some Oil Cos to Cut Buybacks](#)

Cash-rich oil companies are not going to save the holidays for disheartened investors as the economic crisis forces Big Oil to cut back on share-buyback programs.

Major oil companies made investors happy in recent years by steering billions they garnered from high oil and natural gas prices to share repurchases. When oil prices soared, companies had money to invest in these programs, and increase dividends, boost their spending in capital projects and even make some acquisitions.

But as the financial crisis worsens and oil prices fall - hovering at about \$44 Tuesday or more than \$100 below its all-time high in July - major oil companies now have to be cautious and prioritize spending.

[The Crisis: An Opportunity to Save the Planet](#)

If I were to redo my 2006 report today, I would be even more alarmist, since we've observed an acceleration and an aggravation of the consequences of warming in the interim. That said, these two crises, economic and planetary, have one thing in common: they're the consequence of a system that does not evaluate the risks that its operation generates, that does not take into account the fact that it may end up destroying more than the immediate profit it procures and that, finally, underestimates actors' interdependence.

[Reality Report: Talking with Richard Heinberg about the Green New Deal](#)

The global crises of 2008 all relate to growth in debt, pollution and consumption reaching their limits, but will the incoming Obama administration recognize the new reality? This show discusses "Energy Realism and the Green New Deal" with Richard Heinberg of The Post Carbon Institute. Hear what message Post Carbon Institute is presenting to the incoming U.S. President.

[OPEC agrees to a major cut in production](#)

The OPEC cartel agreed on Wednesday to cut production by 2.2 million barrels a day, the group's largest ever cut, in an attempt to put a floor on oil prices.

After riding a wave of rising oil prices for nearly a decade, the world's top exporters are struggling amid a weakening global economy, a dizzying slump in oil consumption and a sharp downfall in prices.

It is the third time producers reduce their output in as many months. Since September, members of the Organization of the Petroleum Exporting Countries have pledged cuts totaling 4.2 million barrels a day, or nearly 12 percent of their capacity, a record in such a short time.

[2009 to witness global agri-commodity shortage](#)

LONDON: Despite stronger production and falling prices for many food staples in the second half of 2008, the risk of food supply shortages remains acute in world markets. These supply shortage risks stem from reduced producer incentives – and ability - to boost food production.

Reduced access to trade credit, rising costs, bio-fuel competition, and infrastructure shortages are among key factors that continue to weigh on trend growth in world agriculture supply. Inventory levels are also low relative to their long run averages, highlighting the underlying tightness in food markets at present.

Tightening and more expensive credit is limiting the ability of producers to borrow to finance seasonal inputs – notably seed and fertilizer. The costs of these inputs has increased dramatically over the past few years, with the USDA estimating that US total inflation-adjusted farm costs have increased 28.5% since 2002 (a 52% increase in nominal terms).

[Middle East to cut jet fuel exports by 11 pct in 2009](#)

DUBAI/SINGAPORE (Reuters) - Middle East refiners will cut jet fuel exports by 11 percent in 2009 as surging domestic demand mops up supplies even as the global downturn bites, analysts and traders said. Just when European and North American airlines are struggling with falling passenger travel and cargo demand, the Middle East aviation sector is pressing ahead with fleet and airport expansion plans being funded by the region's bulging oil revenues.

[Saudi Arabia: Gas stations up petrol and diesel prices by 30 percent](#)

MADINA – Several fuel stations across the Kingdom have unilaterally increased the price of petrol and diesel under the pretext of an increase in transportation costs.

An informed source said the earlier decision for the reduction of diesel prices by 32 percent and petrol by 30 percent has not been implemented in all the regions of the Kingdom.

The source stressed that the branches of the Ministry of Commerce are well aware of the overcharging by gas stations but turn a blind eye to the violation of the price code.

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

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

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

[Mexico seeks bids for wells](#)

Drilling - Mexico's State oil company Pemex said Tuesday it will seek bids from drilling contractors for 500 new development wells in the chicontepec area, which Pemex is banking on to replacing dwindling output from other fields.

The vast chicontepec area in Eastern Mexico is thought to contain billions of barrels of oil, but recovering crude from the area is difficult due to challenging geology.

[UK: Are we powerless to avoid blackouts as 'energy crunch' looms this winter?](#)

History, like fashion, comes in cycles and for a while now Britain seems to have seen a return to all that was bad about the 1970s.

Unemployment has begun to creep upwards, struggling businesses are considering three- or four-day weeks, the national debt is mounting and any light at the end of the tunnel may have just been snuffed out by predictions of power cuts.

[Lights out? Colorado faces energy crisis by 2025](#)

STERLING — The state of Colorado is approaching a deficit that is not directly tied to money. The deficit is electrical energy.

In a Colorado Energy Forum held Monday night at the Ramada Inn, industry officials and state legislators discussed what needs to be done to keep up with energy needs in the coming years. At issue is how to move electricity produced in the northeast corner of Colorado to areas it is needed, and how to do it efficiently.

[Declining oil prices threaten Iraqi stability](#)

Plummeting oil prices may force Iraq's government to slow ambitious reconstruction plans, and the country could face a budget shortfall by next summer, U.S. and Iraqi officials said.

"We're in a situation where Iraq is ... potentially going to be in a deficit mode next year," said Paul Brinkley, who leads Pentagon efforts to aid Iraq's economy.

The trend worries U.S. officials who say a strong economy is needed to lock in the security gains made over the past year. "The long-term stability of the country heavily depends on a vibrant economy," Brinkley said.

[Nigeria: Country to Supply 25 Percent of U.S. Oil By 2015](#)

Nigeria's crude oil export to the United States will leap to 25 per cent by 2015. The Minister of Foreign Affairs, Chief Ojo Maduekwe, made the revelation while delivering a speech at the Southern Center for International Studies, Atlanta, Georgia, entitled "Old Ties in New Times: Nigeria and the next USA Administration."

The estimate is a progression from the current 15 per cent Nigeria exports to the country and may be an indication of US government's shift from Middle East oil to African sources.

[Connacher cuts oil sands output as prices slide](#)

CALGARY (Reuters) - Connacher Oil and Gas Ltd said on Monday it will cut bitumen production at its Alberta oil sands project as prices sink below costs, the first Canadian producer to take such action in the wake of falling oil prices.

Connacher said it will restrict output from its Great Divide project to 5,000 barrels a day for an undetermined period, down from recent rates of about 9,000 barrels a day.

[U.S. gasoline demand drops despite lower prices](#)

NEW YORK (Reuters) - Retail gasoline demand in the world's largest consuming nation fell 2.5 percent in the week ended December 12 even as prices at the pumps dropped more than a dime, according to a MasterCard SpendingPulse report released Tuesday.

Gasoline demand averaged 9.098 million barrels per day during the week, down 2.5 percent from the previous week and down 5.4 percent from the same week a year ago, according to the weekly report.

The decline in consumption came even as pump prices fell 11 cents to average \$1.67 a gallon, according to the report.

[Oil prices ready to recover after \\$100 fall](#)

LONDON (Reuters) - Oil's collapse by more than \$100 a barrel has made July's all-time high above \$147 seem a distant memory but many analysts now expect a rebound and say crude's bear market may prove to have been exceptionally brief.

Oil prices could already have hit rock-bottom for 2008 when they touched lows near \$40 a barrel this month, and are poised to climb despite the dire outlook for the global economy.

[Declining energy prices extend to electricity](#)

After years of steep increases, costs to build power plants and transmission lines have started to fall, promising to temper electricity rate increases for consumers, according to a report out Wednesday.

The development is notable because the nation is poised to build the biggest wave of plants in a generation to meet rising electricity demand, and capital costs make up 50% of utility rates, says Larry Makovich, a managing director of Cambridge Energy Research Associates. CERA conducted the study.

[Gas exporting nations to meet in Russia](#)

MOSCOW (AP) -- Leading gas exporters are set to gather in the Russian capital next week, officials said Wednesday, as the diverse group of nations seeks to strengthen cooperation.

The loose grouping of gas producers, known as the Gas Exporting Countries Forum, will meet in Moscow on Dec. 23 to sign a new charter to formalize the organization, officials at the Russian Energy Ministry said.

[Sifting through wreckage of '08](#)

The underlying demand/ supply picture for oil was thwarted by the actions of pension funds, hedge funds and traders and by the desire by some governments like Venezuela, Iran and Russia, along with leading investment banks, to perpetuate the peak-oil price theory. As global demand contracts, the true demand/supply picture is being unearthed.

[OPEC may consider Russia's membership at meeting](#)

MOSCOW (RIA Novosti) - The Organization of Petroleum Exporting Countries (OPEC) could consider Russia's membership to the cartel at a meeting on Wednesday where production cuts are expected to be announced amid falling oil prices.

[Russia wishes to have permanent observer status in OPEC](#)

ORAN, Algeria (Itar-Tass) -- Russia wishes to have the status of a permanent observer in OPEC, Deputy Prime Minister Igor Sechin said at the organization's meeting on Wednesday.

[Russia, Azerbaijan, Kazakhstan May Reduce Oil Supply](#)

(Bloomberg) -- Russia and the former Soviet republics of Azerbaijan and Kazakhstan may cut oil supply next year to bolster their economies as a global recession reduces demand for crude.

Russia may slash exports by 320,000 barrels a day if oil stays at current prices, Deputy Prime Minister Igor Sechin told reporters in Oran, Algeria, today, where OPEC is holding a meeting. Kazakhstan may also pump less crude, Sechin said. Azerbaijan is willing to cut as much as 300,000 barrels a day, Oil Minister Natig Aliyev said.

[Chavez sees fair oil price at \\$70 to \\$90](#)

COSTA DO SAUIPE, Brazil, Dec 17 (Reuters) - Venezuela President Hugo Chavez said on Wednesday a "fair" price of a barrel of oil would be between \$70 and \$90 per barrel, as OPEC ministers met to slash global oil supply.

"We think it should stabilize at \$70, \$80, \$90. That would be fair," Chavez told Reuters on the sidelines of a summit of Latin American and Caribbean leaders near Brazil's northeastern city of Salvador.

[Auto suppliers fear White House bailout ignores them](#)

As the Bush administration prepares to throw a life ring to Detroit automakers, industry parts suppliers fear they will be left to drown.

"We have suppliers in the very same shape as General Motors (GM) and Chrysler," warns Neil De Koker, president of the Original Equipment Suppliers Association. "They don't have access to capital."

[BA cuts fuel surcharge on tickets as oil prices slide](#)

LONDON (AFP) – British Airways said on Wednesday it was cutting fuel surcharges on long-haul plane tickets by as much as a third because of tumbling oil prices which slash the cost of jet fuel.

"British Airways will drop its fuel surcharge by as much as a third on longhaul services from Thursday, December 18," the airline said in a brief statement.

[Abandoned horses are on the rise](#)

Horse abandonment is on the rise across the USA, livestock and agricultural officials say. As the economy worsens and the cost of feeding and caring for horses rises, more people

are abandoning their animals into the wild, where many starve and die.

No national numbers are available, but there are "definitely thousands of them out there," said Dave Duquette, an Oregon horse trainer and president of the United Horsemen's Front.

"Folks have to decide whether to feed the kids or feed the horses," said Dr. Kerry Rood, a veterinarian at Utah State University.

[Switching To Green-Collar Jobs](#)

A growing number of midlife career-changers like Horowitz are trading in their nine-to-fives for jobs more in line with their convictions and concerns for Mother Earth. So-called "green-collar jobs" are on the rise -- the current tally of 8.5 million U.S. jobs in renewable-energy and energy-efficiency industries could grow to as many as 40 million by 2030, according to a November report commissioned by the American Solar Energy Society.

And the burgeoning industry is claiming scores of experienced workers who can put to use the skills they've acquired in more established fields such as construction, finance, and marketing. In some cases, the high demand for green career-changers translates into a larger paycheck. But more often, the satisfaction of making a positive difference in the world is enough of a boost.

[Change, but at what price?](#)

After 2008 started with panic over food prices, the world seemed to be waking up to global warming. But then the recession hit.

[The New Era of Ecological Civilization](#)

The problems we face today are the effects of a failed paradigm. It is a system of thinking that has resulted from our increasingly objective view of nature; we enjoy its aesthetic beauty in photographs, study its characteristics under a microscope and conquer it with the latest technological innovations. As I paddled down the South Kawishiwi River, it became clear to me that many of us have lost the ability to understand the connection we have with nature. Humans have evolved as an integrated part of this ecological system, and our failure to admit this could ultimately determine the fate of life on this pale blue dot. Only after we are able to understand this will we be able to propose policies that truly are "a gesture of responsibility and an acknowledgment of an essential condition of ethical action," as Elizabeth Kolbert put it in a commentary for *The New Yorker*.

['World is Flat' author calls for radical climate action from Obama](#)

"Our next president is going to be called on to be more radical -- I am talking crazy, wild-hair, paint-on-your-face, ring-in-your-nose radical -- in what he does, than any president since FDR," he said, referring to Franklin D Roosevelt, US president during the 1930s depression and the Second World War.

"The real question I have is... will he have the courage of our crisis? I think our crisis is so deep that only truly radical behaviour will be required to get us out of it."

[Cooperation helped Louisville clean up air](#)

LOUISVILLE — For years, Louisville has been known for fast horses, fine bourbon, a love of college basketball — and lousy air.

People who lived near a complex of chemical plants, called Rubbertown, put up with odors, burning eyes and fears that their every breath might contribute to asthma, cancer or other illnesses.

But that began to change about a decade ago, after a minister from the predominantly African-American neighborhoods around Rubbertown organized protests, demanding aggressive government action to clean up the toxic air and reduce the chemical emissions from factories.

[Cosmic Rays Do Not Explain Global Warming](#)

ScienceDaily — A new study supports earlier findings by stating that changes in cosmic rays most likely do not contribute to climate change. It is sometimes claimed that changes in radiation from space, so-called galactic cosmic rays, can be one of the causes of global warming. A new study, investigating the effect of cosmic rays on clouds, concludes that the likelihood of this is very small.

[Humans started causing global warming 5,000 years ago, UW study says](#)

Global warming didn't start with the industrial revolution, but began 5,000 to 8,000 years ago with large-scale agriculture in Asia and extensive deforestation in Europe, according to new research by University of Wisconsin-Madison scientists.

Using powerful supercomputers and advanced climate models, the researchers concluded that methane and carbon dioxide - the building blocks of global warming - began rising with the introduction of rice cultivation and large-scale tree removal.

[Arctic ice volume lowest ever as globe warms: U.N.](#)

GENEVA (Reuters) - Ice volume around the Arctic region hit the lowest level ever recorded this year as climate extremes brought death and devastation to many parts of the world, the U.N. weather agency WMO said on Tuesday.

...A report presented by Jarraud at a news conference showed Arctic ice cover dropping to its second lowest extent during this year's melt season since satellite measuring began in 1979.

However, the Geneva-based agency said, "because ice was thinner in 2008, overall ice volume was less than in any other year." It added: "The season strongly reinforced the 30-year downward trend in the extent of Arctic Sea ice."



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