



DrumBeat: December 18, 2008

Posted by [Leanan](#) on December 18, 2008 - 9:42am

Topic: [Miscellaneous](#)

[Oil drops 9 pct as demand outlook overshadows OPEC](#)

NEW YORK (Reuters) - U.S. crude prices dropped more than 9 percent to \$36 a barrel Thursday as slumping demand and swelling U.S. inventories offset OPEC's record supply cut agreement.

The Organization of the Petroleum Exporting Countries on Wednesday agreed to cut output by 2.2 million barrels per day from January to counter oil's collapse from record highs above \$147 a barrel in July.

"Following OPEC's announcement to cut so aggressively, market participants are (assessing) the degree of this move as being indicative of just how weak demand is globally for crude oil," said Chris Jarvis, senior analyst at Caprock Risk Management.

The January U.S. crude oil contract settled down \$3.84 at \$36.22 a barrel, after earlier hitting \$35.98, the lowest price since June 2004. London Brent settled down \$2.17 at \$43.36 a barrel.

[A Holiday for Oil: Are we running out of oil?](#)

Hanukkah is all about oil—and a miracle that purportedly stretched one day's worth of oil into light for eight days. The question is: will modern society have to do the same?

Our world relies on oil for everything: fuel, plastic even food. And with prices now plummeting one might predict a return to the age of abundant, cheap fossil fuel.

Not according to the International Energy Agency, which now predicts "peak oil" as early as 2020. Peak oil is the point at which the world's oil producers are drawing as much oil out of the ground as they will ever be able to. Paired with continued growth in demand from places like the U.S. and China, that's a recipe for much higher oil prices.

[Coal Poses Climate Catastrophe as "Peak Oil" Approaches](#)

When will oil production peak and begin to decline? Scientists, engineers and economists

have debated the point for years, on the assumption that emissions of carbon dioxide into the atmosphere will decline when less oil is burned.

Not so, says Ken Caldeira, a climate scientist with the Carnegie Institution in Stanford, Calif. That assumes society switches to low-carbon fuel. But there's a good chance society will jump to the most abundant fuel around: Coal, which emits 25 to 50 percent more carbon dioxide per energy unit than petroleum, according to the Energy Information Administration.

[The Peak Oil Crisis: Parsing Obama's Remarks](#)

In his first paragraph of his remarks, the President-elect got right to his key point; "the future of our economy and national security is inextricably linked to one challenge: energy." He then said "All of us know the problems rooted in our addiction to foreign oil - it constrains our economy, shifts wealth to hostile regimes, and leaves us dependent on unstable regions. These urgent dangers are eclipsed only by the long-term threat of climate change, which - unless we act - will lead to drought and famine abroad, devastating weather patterns and terrible storms on our shores, and the disappearance of our coastline at home."

These are words that the peak oil and environmental communities have been waiting for many years to hear. Not only did the President-elect finger the vast quantities of imported oil that keeps American running, he said it is urgent we do something. The juxtaposition of need to reduce imported energy with the longer term, but potentially more serious, threat of climate change shows that the new administration understands both the relative urgency and long-term importance of these key issues.

[More vandalism at British Columbia gas wells](#)

VANCOUVER, British Columbia (Reuters) - Police are investigating vandalism at more energy facilities in northern British Columbia, but said on Thursday they do not believe it is related to three bombing incidents.

Several natural gas well sites near Fort St. John, British Columbia, had valves tampered with or were hit by gunfire in the incidents last week, the Royal Canadian Mounted Police said in a press release.

[Timing is perfect, but money woes plague electric car maker Think](#)

AURSKOG, Norway (AFP) – Despite a winning and timely concept amid global climate concerns, Norwegian electric car maker Think may see its dreams come to a screeching halt due to a lack of financing.

Only two months after it launched production of its hitherto sole model, the Think City,

the company has decided to temporarily lay-off more than half of its 200 employees until the end of January.

It is in dire need of cash to pay suppliers, who are exercising caution and demanding up-front payment, and has asked the Norwegian government for either a line of credit, loan guarantees, or a capital injection in exchange for a stake in the company.

But to no avail, so far.

[Netherlands to strengthen flood fortifications](#)

The Dutch government on Thursday unveiled a multi-billion dollar plan to reinforce dykes and the coastline and augment fresh water supplies in the face of rising sea levels due to global warming.

Two-thirds of the Netherlands lies below sea-level and the country is increasingly worried about the threat of devastating floods.

[Economic meltdown prompts protest in Ukraine](#)

KIEV, Ukraine (AP) -- The currency has lost half of its value, tens of thousands face layoffs, residents in the capital are bundling up in winter clothes as the heat sporadically goes out and Russia is threatening to cut off gas supplies.

It's going to be a tough winter in Ukraine.

"I could understand if this were a village, but for the capital of a European country not to have heating, water and gas - how can this be?" asked Tamara Osipova, one of about 1,000 angry protesters outside the Kiev mayor's office on Thursday.

[OPEC Loses Its Muscle](#)

Why is OPEC's reputation taking such a hit? The market views it as having let things get out of control when prices were surging. Now the cartel can't seem to contain a downward slide, either. "I don't think they even have compliance on [the cuts] they've already done," says John Hall, a London-based analyst attending the conference. OPEC adopts production quotas for each of its members, but it rarely adheres to them. OPEC delegates reckon the 1.5 million-barrel-per-day cut announced in October reduced production by only 1 million barrels—nearly all of it from Saudi Arabia.

[2009 will be challenging for Canada's oil, gas sectors: Bennett Jones](#)

CALGARY -- Next year will be a challenging one for Canada's oil and gas sector, Bennett Jones LLP said in its 2009 business forecast.

Major oil sands projects will continue to be delayed or downsized as companies wait for the return of US\$100 a barrel oil and easy credit, necessitating the renegotiation of supply arrangements, the Calgary-based law firm said to its clients. Smaller oil sands developers, meanwhile, will continue to look for a way out.

[Natural gas extraction method may be subject to more rules](#)

There's a move in Congress to impose tighter regulations on a key process used to recover natural gas in the Barnett Shale.

Hydraulic fracturing uses a mix of water, sand and chemicals to create tiny cracks in the rock and release the gas. But it's been under fire for years from environmentalists who question whether the chemicals are safe.

[Venezuelan oil refinery idled by power failure](#)

CARACAS, Venezuela (AP) -- Venezuela says one of its main oil refineries has halted operations because of a failure in the refinery's electrical system.

[Experts detail the 3 rules for technological fixes](#)

TEMPE, Ariz. – Technology can do great things, but it also can be over sold as panacea for a host of social ills. A better use of technology can be gained if those who guide technology policy, and thus investment, are clear about how to apply it and know what to expect from their efforts.

This is the conclusion of an opinion piece in this week's (Dec. 18) *Nature* magazine written by Daniel Sarewitz of Arizona State University and Richard Nelson of Columbia University. Sarewitz and Nelson describe three rules that can help technology and science policy makers become smarter about where to apply technological fixes and what to expect as a result.

[Climate outcome 'hangs on coal'](#)

Some commentators have argued that falling reserves of oil and gas will automatically limit CO₂'s rise.

But at an American Geophysical Union meeting, researchers said reserves of coal dwarfed those of other fuels.

It was even possible oil's demise could trigger an acceleration in emissions through more coal use, they added.

[Oil Falls Below \\$38, Lowest Since July 2004, on OPEC Doubts](#)

(Bloomberg) -- Crude oil fell below \$38 a barrel for the first time since July 2004 on speculation that OPEC hasn't trimmed production enough to bolster prices as demand drops.

Futures have tumbled 74 percent from a record \$147.27 on July 11 as inventories increased and consumption declined. The Organization of Petroleum Exporting Countries agreed to cut output by 2.46 million barrels to 24.845 million barrels a day at a meeting yesterday in Oran, Algeria.

"Even though OPEC announced a substantial cut yesterday, the market doesn't seem to have any confidence in their ability to manipulate the market," said Tom Bentz, senior energy analyst at BNP Paribas in New York. "Even if they make the promised cuts, it will be a long time before we see evidence of it here."

[ANALYSIS - Oil prices can rise if OPEC delivers cuts](#)

LONDON (Reuters) - OPEC must deliver fully on its promise to tighten supply by a record amount if oil prices are to stabilise above \$40 a barrel and eventually return to much higher levels.

The 12 members of the Organization of the Petroleum Exporting Countries vowed on Wednesday to remove 2.2 million barrels per day (bpd), starting in January, to halt a \$100 price collapse from a July peak.

"The proof of OPEC's pudding this time really will be in the eating," said Simon Wardell of Global Insight. "If OPEC can implement the cut it is promising, then oil prices will recover over time. If not, then it is quite a different scenario."

[T. Boone Pickens comments on OPEC decision to cut oil production](#)

"This is in line with what I predicted would happen last week. OPEC's decision will likely lead to an increase in oil and gas prices in America and proves the point that we must reduce our dependence on foreign oil. This is further evidence that OPEC's interests are not aligned with ours. You can't fault them for trying to maximize the value of a commodity they have, but you have to fault us as a nation if we don't move fast in the next Administration to significantly reduce our dependence on foreign oil and the threat it poses to our national security and economy. We have the domestic resources in wind, solar and natural gas to get the job done on energy and transportation, so let's use them."

[OPEC losing game of dare with consumers](#)

For now, the consumer has replaced OPEC as oil's boss. It'll take a dramatic jump in demand to get the market to reverse course, said Rob Giegel, energy market specialist with MF Global Canada Co.

"This year everyone actually acted upon their musings of the past, and we saw a huge shift in consumer behavior in terms of more fuel-efficient vehicles, people starting to walk to work, people taking public transit," said Mr. Giegel, based in Calgary. "We have seen demand extinction, because a lot of these people will never go back."

[BP's Thunder Horse fully online, finally](#)

BP's star-crossed Thunder Horse field in the Gulf of Mexico has begun full production now that its third and fourth wells are flowing, the company said today.

The field is pumping more than 200,000 barrels of oil equivalent per day. A nearby field, Thunder Horse North, is set to begin producing within in the next six months.

[Richard Heinberg: Surviving a reduction in social complexity](#)

Complexity costs energy, and so complexity emerges only in societies that have energy to spare: at a minimum, agricultural surpluses, but better yet forests to cut or fossil fuels to mine or pump. One of the reasons that returns on complexity begin to decline is that growth in exploitation of energy sources cannot be sustained: soils erode, forests disappear, or—could it really happen?—fossil fuels deplete.

Because fossil fuels have given us such an enormous energy subsidy, we industrial humans have been able to elevate societal complexity to an art form. It takes a little perspective to appreciate this, because we take it so much for granted.

...It takes linked systems of money creation and distribution, manufacturing, transportation, resource extraction, and regulation to keep all of this going.

And it all costs enormous amounts of energy to maintain.

As energy becomes more scarce and expensive, society will simplify itself. This much is clear. The questions that bedevil us: How will that simplification occur?, and, How simple will society become?

[Mexico To Benefit From OPEC Oil Cuts Without Chipping In](#)

MEXICO CITY (Dow Jones)--Oil-exporting Mexico stands to benefit from the Organization of Petroleum Exporting Countries' 2.2-million-barrels-a-day oil cut without turning off its own spigots.

Mexico, along with other non-OPEC exporters Russia and Norway, worked closely with OPEC during the 1998-1999 price crash. But this time the world's sixth-largest producer has made clear it won't shut in any producing wells.

"Pemex and Mexico will, undoubtedly, benefit from OPEC production cuts as Pemex maintains a strategy of production independence," said Gianna Bern, president of Brookshire Advisory and Research Inc., a Chicago-based management consulting and energy-economics research firm.

[Huge Siberian Field to Produce 1MM Tons of Oil, Boost Production in '09](#)

The oil company Verkhnechonskneftegaz, developing the Verkhnechonskoe oil and gas condensate field, one of the largest fields in Eastern Siberia, is going to produce 1 million tons of oil in 2009 and raise its annual production of hydrocarbons up to 7-8 million tons by 2014, Igor Rustamov, General Director of Verkhnechonskneftegaz, said to journalists on Tuesday.

The volume of oil production in the Verkhnechonskoe field in 2008 will amount to approximately 150,000 tons. Oil will be supplied to the Eastern Siberia – Pacific Ocean pipeline, to which the field was connected in October 2008.

[Kenya: Vandals to blame for oil shortage, says national distributor](#)

The national oil distributor has blamed a fuel shortage in various parts of the country on vandals who destroyed the fibre-optic link to its various pumping stations, causing a communication breakdown.

Speaking to The Standard yesterday, Kenya Pipeline Company's (KPC's) Managing Director, Mr George Okungu said the vandals also cut Kenya Power and Lighting Company (KPLC) cables around Jomo Kenyatta International Airport (JKIA), causing a blackout in various parts of Nairobi that also affected the oil distributor's sub-stations.

[Caltex warns of petrol shortage in Queensland and New South Wales](#)

MOTORISTS can expect fuel shortages across southeast Queensland and northern New South Wales following a fire which shut down the Caltex refinery in Brisbane.

Caltex said some of its service stations would run short of fuel in coming days, following the fire last week.

[New driving habits create new budget problems](#)

About 58 percent of the Idaho Transportation Department budget comes from the mostly gas-tax filled Highway Trust Fund, the federal government's primary source for financing highway, bridge and transit projects. That's more than in most states, including many of Idaho's large Western neighbors.

The next largest source of cash for state roads? Idaho's own gas tax, which makes up 23 percent of the budget.

Both revenue sources are declining as cars become more gas-efficient and as people stay off the road.

[John Michael Greer: Why dissensus matters](#)

Civilizations, like speculative bubbles, have promoters who insist they can keep on going forever; just as with bubbles, announcements of that sort have historically been a clear sign that serious trouble is not too far off. It's a safe bet, in any case, that every bubble will pop and every civilization will decline and fall. Those who are heavily invested in a particular bubble or civilization will of course insist that it's different this time, just as their predecessors did; those claims have been wrong so far, and the evidence isn't favoring them this time, either.

It's quite possible, in turn, to predict the kind of things that will happen as industrial civilization lurches down the uneven slope of decline. Plenty of civilizations have done that before, and the common features stand out clearly from history; some of these features are already visible in the present case – it's educational to page through Spengler or Toynbee and note how many features of a declining civilization had not yet appeared in their time, but have shown up on schedule in ours. What nobody can know in advance is just how these trends will work out in detail.

[Exxon Mobil to pay \\$6.1 million fine over air pollution](#)

WASHINGTON (CNN) -- -- Federal officials have fined Exxon Mobil more than \$6 million after it violated a three-year-old agreement to decrease air pollution at four of its refineries.

[Methane Hydrates: What are they thinking?](#)

What is the next energy source that will give us what oil, coal and natural gas give us today? You may be surprised to hear that it may be the other hydrocarbon fuel. A Great many scientists, industry leaders and governments throughout the developed world believe that will be methane. More specifically they believe it will be *methane hydrates*.

[Iran to halt fuel oil exports in Q1; eyes winter](#)

DUBAI/SINGAPORE (Reuters) - Iran, a regular exporter of fuel oil, will halt spot exports in first-quarter 2009, as it looks to meet domestic demand for power generation during winter, giving more support to a recovering Asian market, industry sources said on Thursday. The National Iranian Oil Company (NIOC), which typically exports around three to four fuel oil cargoes monthly between January and March, will offer spot cargoes only if domestic requirements ease.

"We cannot offer spot cargoes because we have to manage our requirements for power generation in Iran during the winter," a source familiar with the fuel oil export programme said.

[Costs rise despite economic slowdown, analysts say](#)

HOUSTON -- Despite the global recession, construction costs for upstream oil and gas facilities have reached a record high, as have those for the design and construction of refining and petrochemical projects, say IHS Inc. and Cambridge Energy Research Associates (CERA) in their most recent upstream capital costs index (UCCI) and downstream capital costs index (DCCI).

[Nepal faces severe power cuts](#)

KATMANDU, Nepal — Nepal's government announced Thursday that consumers would face 10 hours per day of power cuts after declaring the country's utilities in crisis.

Nepal produces only about half its electricity needs, in part because of unusually low levels this year in reservoirs that feed the country's hydroelectrical plants. The amount of power that Nepal imports from neighboring India is not enough to make up the shortfall.

[An energy crisis fades](#)

No worries here, folks. Gas is cheap, relatively speaking, once again, and might even get cheaper. Like that crazy talk about human activity being responsible for global warming, all that worry about a dwindling supply of oil was just liberal fear mongering. Why, the supply of oil is probably replenishing itself underground as we speak.

[The promise of fusion](#)

With rising oil prices, concerns over greenhouse gas emissions and dwindling fossil fuel reserves no one could fail to be aware that the world is facing an energy crisis. Whilst many sustainable energy technologies such as wind and solar power show great promise, it may be hard for them to meet the entire global power demand especially in countries with limited space and low levels of wind and sunshine.

In bridging this gap, the low greenhouse emissions of conventional nuclear plants has made them an attractive power generation option to many nations. Especially since they are compact, create large amounts of power and operate day and night. Offset against this is the concern over the storage of nuclear waste products many of which will be deadly for thousands of years.

But it doesn't have to be this way. There is an alternative nuclear technology, fusion, that has the potential to offer the best of both worlds: vast amounts of power with no greenhouse emissions.

[Russia's Gazprom threatens Ukraine cutoff over debt](#)

MOSCOW (Reuters) - Russian gas export monopoly Gazprom geared up for a new confrontation with Ukraine on Thursday, saying it would cut off its neighbour from January as Kiev was unable to meet its arrears by the end of the year.

The company's deputy chief executive, Alexander Medvedev, told a news conference Gazprom understood Ukraine was able to pay only \$800 million of arrears of more than \$2 billion.

Gazprom executives said they would warn European customers about the risks of gas transit via Ukrainian territory in view of the dispute over debt payments.

[Oil hovers near 4 1/2-year low despite OPEC cut](#)

Oil prices hovered near 4 1/2-year lows Thursday as persistent investor pessimism over global crude demand outweighed the news of OPEC's largest-ever production cut.

Light, sweet crude for January delivery edged up 47 cents to \$40.53 a barrel in electronic trading on the New York Mercantile Exchange by midday in Europe. Earlier, it fell as low as \$39.19 — a level not seen since at least July 2004.

Overnight, the contract fell \$3.54 to settle at \$40.06 a barrel, after touching \$39.88.

The Nymex contract for February delivery, which analysts said better reflected oil price trends, was up 82 cents to \$45.43 a barrel.

[Energy agency: Oil imports, demand slowing](#)

WASHINGTON – U.S. dependence on foreign oil will drop dramatically over the next two decades as Americans are expected to confront rebounding oil prices, use more biofuels like ethanol and drive more fuel-efficient cars, the Energy Department predicted Wednesday.

...It is the first time in more than 20 years that petroleum demand in the United States is projected to be essentially flat for years to come, said Howard Gruenspecht, the EIA's acting director. It "breaks this trend" of steady annual petroleum demand increases dating back to the 1980s, he said. The reversal began this year with U.S. petroleum use expected to decline by a million barrels a day, or about 5 percent, compared with 2007.

[Biofuel Industry Won't Meet Government Production Targets After All](#)

The United States will not be able to meet the mandate to use 36 billion gallons of biofuels by 2022, reported the U.S. Energy Information Administration Wednesday.

The country could meet that goal by 2030, with most of the biofuels coming from corn-based ethanol, the EIA said in its preliminary annual report. The report looks at the country's generation and use of energy, from electricity to transportation fuels from 2007 to 2030 (see [EIA charts](#)).

[China Slashes Fuel Prices as Economy Enters Slowdown](#)

(Bloomberg) -- China cut fuel prices for the first time in almost two years after crude oil slumped, seeking to reduce costs for companies and factories as the economy enters its deepest slowdown in almost two decades.

[OPEC Cuts, Oil Falls: Something's Not Sustainable](#)

My advice to the cartel: to stop trying to manage supply, let oil prices fall as they may; cheap oil will stimulate the world economy and you guys will be able to make more money in the long run. My advice to America: cheap oil is not sustainable; we need to either start developing alternative fuel sources now or start preparing to fight China, Russia and India for the world's dwindling supplies.

[Russian oil output will decline as demand falls](#)

MOSCOW (Reuters) - Falling global demand for oil and gas will lead to a natural decline in Russian production, Russia's Deputy Energy Minister Anatoly Yanovsky told a news conference.

[Venezuela to slash oil output by 189,000 barrels per day under new OPEC cuts](#)

CARACAS, Venezuela (AP) — Venezuela says it will slash oil output by 189,000 barrels per day under new OPEC production cuts.

Venezuela's Energy Ministry announced the figure in a statement Wednesday after the Organization of Petroleum Exporting Countries agreed to a historic 2.2 million-barrel-per-day reduction.

[Many in denial over rising population](#)

The United Nation's Population Fund is concerned population growth in Asia averages 1.1 per cent a year. Australia, as a First World country, should have a much lower growth rate. It does not. By the end of the Howard era, our annual population growth had risen to a stunning 1.5 per cent: almost off the First World scale and high even for Third World countries. (Indonesia's, by contrast, was then 1.3 per cent, but has recently come down, with much effort, to 1.2 per cent.)

Under the Prime Minister, Kevin Rudd, our rate has increased. According to Bureau of Statistics figures, it is now 1.7 per cent. Both natural increase and net migration continue to rise. At this rate, one which many are determined to maintain or increase, our population will reach 42 million by 2051. By the end of the century, it will pass 100 million.

This is far above any credible estimate of the population Australia could hope to feed.

[Bartlett pushes legislation for flex-fueled cars](#)

A Republican congressman who has pushed for energy conservation is supporting legislation that would require all automobiles sold in the United States to be able to operate on gasoline, ethanol, or methanol.

Representative Roscoe Bartlett (R-Maryland) has been leading efforts to change U.S. energy policy to address the challenges of what he calls "peak oil." He says U.S. oil production peaked in 1970 and is in permanent decline.

[Peak Moment TV's Economic Meltdown Sale: Peak Oil DVDs at Bargain Prices](#)

The summer's gas prices may have gotten us hopeful of real change – but even as our economy melts around us, collective amnesia already seems to be settling in. But not everyone forgets. From protecting your money in a declining economy through backyard permaculture in Oregon to Matt Simmons' warnings that the oil crunch will dwarf the financial crunch, the folks at Peak Moment TV have been a valuable resource for information about peak oil and what we can do to adapt. But even they are not

completely independent of our current economy – so they’ve decided to hold an “economic meltdown sale” on all DVDs. Read on for some of the great titles you can purchase at up to 40% discount. With the IEA Chief Economist warning about imminent peak oil, these could make perfect last minute holiday gifts for the oilholics in your life.

[Slovakia to build new nuclear plant with Czech CEZ](#)

BRATISLAVA, Slovakia – The Slovak government has chosen the Czech Republic's main power utility CEZ AS as its strategic partner to build a new nuclear power station in Slovakia.

CEZ spokesman Ladislav Kriz said Wednesday the two planned to establish a joint company next year that will build and operate the plant by 2020.

[Study tracks disasters, odds of dodging death](#)

Rural areas, coastal zones with bad weather and the South were among those areas with the greatest death risk. Those places are more prone to natural hazards and significant population growth, the researchers say.

Meanwhile, the Midwest and parts of the Northeast had the lowest rates of mortality.

Cutter says severe storms and tornadoes in the South, mixed with feeble structures like manufactured homes and a lack of emergency radios, can bode poorly for rural residents.

[Glut of hot years a coincidence? Fat chance](#)

Thirteen of the hottest years since records of global temperatures began in 1880 have clustered in the last 17 years. It is tempting – and it sure makes good headlines – to blame it on climate change. But does science support such a claim?

According to new statistical research, it does. The recent glut of unusually hot years is incredibly unlikely to happen in a stable climate.



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