



DrumBeat: December 19, 2008

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Topic: [Miscellaneous](#)

['No way' did oil demand plunge](#)



Simmons & Company Chairman Matthew Simmons says the low price of crude is not reflective of a drastic demand decrease.

[Oil settles below \\$34](#)

NEW YORK (CNNMoney.com) -- Oil prices fell sharply Friday, on the last day of the January contract, as the global economic slowdown continues to clamp down on demand.

The price of crude for January delivery fluctuated mid-afternoon, before shedding \$2.35 to settle at \$33.87, nearly a five-year low.

The last time oil traded this low was Feb. 10, 2004, when it settled at the same price.

The February contract, which begins its front-month run on Monday, rose 69 cents to \$42.36 a barrel in a trading day with very little price movement.

[Energy firms socking away cheap oil](#)

NEW YORK (MarketWatch) -- While cheap oil bites into the fortunes of crude production and refining, the oil storage business remains robust as energy players sock away plentiful crude to wait out the current multi-year trough until prices come back.

Storage of oil also offers an instant return of \$10 a barrel or more tied to the so-called "contango" structure of the futures market - a condition where the expected price of oil in coming months trades higher than current prices.

[Gulf Arab Oil Exporters Seen Posting Deficits in '09](#)

DUBAI — Saudi Arabia and other Gulf oil producers will almost certainly run unaccustomed budget deficits next year as they take a double hit from the collapse in oil prices and deep crude output cuts, economists said on Thursday.

Still, huge surpluses amassed during a six-year boom when oil prices rallied as much as seven-fold compared with 2002 levels will allow the biggest oil-exporting region to keep on spending to sustain local economies during a global recession.

[Shell May Revisit Oil-Sand Projects as Procurement Costs Drop](#)

(Bloomberg) -- Royal Dutch Shell Plc said construction and engineering costs may fall in Canada, allowing Europe's largest oil producer to revisit plans to expand oil-sand projects.

"We expect that procurement costs will come down quite a lot," Chief Executive Officer Jeroen van der Veer said today in an interview at an energy conference in London. "If the overheating goes out of the market, the break-even price that you can build an oil-sands project will come down again."

[Companies lock horns over oil hedging](#)

SHENZHEN Nanshan Power Co, a Chinese power producer based in the southern city, and Goldman Sachs Group Inc are in talks to resolve a dispute over oil-hedging contracts that caused losses for the utility.

The parties may take legal action if the talks fail, Nanshan Power said in a statement to the Shenzhen Stock Exchange late Thursday. The Chinese producer is refusing to pay for losses on contracts signed in March based on oil prices ranging from US\$62 to US\$66.50 a barrel.

[Alberta Oil Jobs Evaporating](#)

EDMONTON — Thousands of workers from as far away as the Philippines are watching their jobs in Alberta evaporate as the richest oil boom in the province's history deflates.

Sinking oil prices have forced skittish investors to hedge their bets on half a dozen multibillion-dollar oilsands projects, leaving one of the key engines of Canada's economy teetering on an uncertain future.

Ben Stacey, a pipefitter from Newfoundland, was making as much as \$70 an hour in the oilsands when he was blindsided by sudden layoffs.

“You can make \$70,000 up there in three months,” Stacey, 54, told *The Canadian Press* from his home back in Grand Bank. “If the price of oil keeps on dropping, you're going to see a lot of Newfoundlanders on unemployment here and a lot of people selling their trucks.”

The scramble to mine tar-like bitumen and refine it into synthetic crude stopped abruptly after oil prices, which had soared to US\$147 in the summer, tumbled below US\$40.

[Peak Uranium: What's Going to Fuel All Those Nuclear Plants?](#)

Now that “peak oil” is seemingly in retreat, is the next big worry peak uranium?

The expected nuclear-power renaissance, from the U.K. to India, means dozens more nuclear reactors will likely be built in coming years. Current-generation reactors all need uranium for fuel—but where's all that uranium going to come from? *The Wall Street Journal* reports today that some nuclear operators are getting nervous:

Japan's Kansai Electric Power — which accounts for nearly a third of the country's total uranium demand — says it plans to buy uranium mines to ensure its long-term supply of the fuel. Its chief manager says he worries that in coming years he won't be able to buy what he needs “no matter how much you are willing to pay.”

[Global aid in crisis as cash supply dries up](#)

International aid programmes are in crisis, with governments around the world failing to honour funding promises, individual donors sceptical about aid policies and wealthy philanthropists losing money in the economic turmoil.

Jeffrey Sachs, special adviser to the United Nations, told *The Times*: “We have a terrible situation because the overall aid system is on its knees and that was true even before this global economic crisis.”

[Urban areas struggle to get grocers, fresh food: Inner city 'food deserts' are instead loaded with fast food and fatty snacks](#)

"Deserts are naturally occurring things," said Joanne Kim, chief operating officer of the Community Coalition of South Los Angeles. "We call this food apartheid because people have chosen to locate elsewhere even though there is substantial purchasing power here."

There are only six supermarkets in South Los Angeles, serving a population of about 688,000. By comparison, 19 supermarkets serve West Los Angeles' population of about 395,000.

Retailers blame theft in urban supermarkets, high employment turnover and lack of space for choosing to locate their stores elsewhere.

[Nigeria: Panic As Fuel Queues Resurface in Lagos](#)

Panic buying and long queues in petrol stations are back in Lagos, caused by scarcity which could sour Christmas and New Year celebrations for millions of residents.

The shortage noticed on Thursday is the result of the strike begun on Wednesday by Petroleum Tankers Drivers (PTD).

[U.S. gasoline seen at \\$1 a gallon in 2009: Alaron](#)

CHICAGO (Reuters) - The price of gasoline, which soared to above \$4 per gallon in July and hit motorists and industry hard, could retail at an average \$1 per gallon next year, brokerage Alaron Trading Corp forecast on Thursday.

Alaron energy analyst Phil Flynn told a conference in Chicago he expected crude oil prices to range between \$25 and \$50 per barrel in 2009, with the short-term target being \$35.

"We're not going to see commodities turn around overnight. We're entering a new era in commodities with more stable prices and we will not see the big spikes in prices we've seen in the past," Flynn said.

[Could the Electric Grid Support Far More Wind and Solar?](#)

SAN FRANCISCO — The electric grid may be able to handle more wind and solar power — way more — than previously thought, according to a new preliminary study.

The commonly accepted wisdom in the energy industry is that the grid could only draw

something like 20 percent of its power from wind and solar resources before encountering major reliability problems. But the new power flow simulation, presented for the first time this week at the American Geophysical Union meeting, shows that, at least in California, the power grid might be able to handle three times that much renewable energy without encountering major trouble pushing electrons around the state.

[New ban set on regulating global warming gases: Ruling would tie up President-elect Obama who said he wants regulation](#)

WASHINGTON - The Bush administration is trying to make sure in its final days that federal air pollution regulations will not be used to control the gases blamed for global warming.

In a memorandum sent Thursday, outgoing Environmental Protection Agency Administrator Stephen Johnson sets an agency-wide policy prohibiting controls on carbon dioxide emissions from being included in air pollution permits for coal-fired power plants and other facilities.

[Groups sue to stop Utah oil and gas drilling](#)

WASHINGTON - Conservation groups filed a lawsuit Wednesday to block the Bush administration's last-minute sale of oil-and-gas drilling leases in Utah near national parks and ancient rock art panels.

[Three Gorges Dam tested as water rises](#)

BEIJING (Reuters) - Rising water levels in China's giant Three Gorges Dam have triggered dozens of landslides in recent months, damaging houses, land and infrastructure worth millions of dollars, state media said on Thursday.

[Saudi Arabian varsity banks on solar power](#)

JEDDAH: Saudi Arabia is determined to go the clean energy way. An indication to this was evident when Conergy Asia-Pacific, a regional subsidiary of Hamburg-based Conergy AG, has been given a contract for a 2-megawatt solar power plant for Saudi Arabia's King Abdullah University of Science and Technology (KAUST).

The project will occupy 11,577 square meters of roof space and produce 3,332 megawatt hours of clean energy annually, while also saving up to 1,666 tonnes of yearly carbon emissions. This is equal ant to carbon offsets for approximately 11,758 million kilometers of air travel.

[World Bank: Russia may need help if oil falls more](#)

MOSCOW -- Russia would come under crippling financial pressure and may need to raise money externally if oil languishes at an average of \$30 a barrel over the next two years, the World Bank predicted Friday.

The bleak scenario would mark a rapid unraveling of Russia's oil-fueled economic gains over the past eight years, during which time the government has paid down most of its foreign debt and built up a vast stockpile of international reserves.

[Oil Futures Slump in New York as Stockpiles Build at Cushing](#)

(Bloomberg) -- Oil futures slumped in New York as concern mounted that rising stockpiles at Cushing, Oklahoma, will leave little room to store supplies for delivery next year.

"World crude oil prices are currently driven by barrels of crude in Cushing and not by the OPEC announcement of a 4 million barrels a day cut," said Olivier Jakob, managing director of Petromatrix GmbH in Switzerland.

Crude oil stockpiles at Cushing, where oil that's traded on in New York is delivered, climbed 21 percent to 27.5 million barrels last week, the highest since May 2007, the government said in a report on Dec. 17. OPEC's biggest production cut in more than a decade this week has failed to stop the slump in prices as the deepening global recession saps demand.

Crude oil for delivery in January fell as much as 7.7% to \$33.44 a barrel on the New York Mercantile Exchange. The contract expires today.

[Oil price has found floor: OPEC president](#)

LONDON (Reuters) - Oil prices have found a floor around current levels, OPEC President Chakib Khelil told Reuters on Friday.

He was asked if he expected the oil price to fall further: "Not really," he said. "I don't believe there is any reason for it to fall any further, I don't see it going lower."

[Oil producers, users call for oil price stability](#)

LONDON (Reuters) – The world's biggest oil producers and consumers called on Friday for cooperation to increase stability in oil prices, improve information on energy markets and help guarantee future energy supplies.

Opening a meeting of energy ministers from OPEC and the big consuming nations as well as energy companies, British Prime Minister Gordon Brown called for action to reduce huge swings in oil prices that he said had damaged the world economy.

"We will need a new partnership between oil-producing and oil-consuming countries," Brown said. "As with the global financial crisis, this global crisis in our energy markets cannot be solved by one nation or one continent alone."

[Recession Shock Hits the Oil Market: Are Future Shocks and Oil Market Volatility Inevitable?: New CERA Analysis](#)

LONDON--(BUSINESS WIRE)--The past 12 months have seen volatility in oil prices on an unprecedented scale. A new special report, *Recession Shock: The Impact of the Economic and Financial Crisis on the Oil Market*, released today by Cambridge Energy Research Associates (CERA) as part of the London Energy Meeting, explores these issues, including: What is driving this extraordinary volatility; the effects on future demand and supply, and the effects on investment and energy security; how the financial crisis and economic downturn is exacerbating the volatility of oil prices, and the possible risks and unanticipated consequences.

[OPEC calls on UK to cut fuel duty or risk a long-term spike in oil](#)

Oil cartel OPEC has called on Western governments, including Britain, to cut duty on petrol prices or risk fuelling a much higher oil price in the future.

[Falling petrol prices – a sign of things to come?](#)

For most of my life the doomsayers have been predicting that oil will soon run out and those voices have become louder over the last 12 months.

Some commentators have suggested that we may already be at the peak of oil production, which could suggest that the price increases we saw during the earlier part of the year becoming a normal part of life over the next few years.

The true picture of oil supply and demand is likely to be very complex, making future predictions extremely difficult.

[My thoughts on Oil, Refiners, Chemicals etc](#)

I see many posts today on oil and surprise that oil broke \$36. What many are not realizing is that oil prices are not only dependent on gasoline demand but also chemical demand... that's where there is big weakness and there are several investment thesis

that flow from this.

First realize that chemical companies are on their backs right now. Consumers aren't buying anything, and manufacturers are making anything... so chemical companies have NO DEMAND for the byproducts of crude oil. So the price of oil is only being supported by heating oil (diesel), gasoline, and jet fuel... all of which are in lower demand than they were a year ago.

[Eni Says Lower Oil Won't Affect Kashagan, Barents Sea](#)

(Bloomberg) -- Eni SpA, Italy's biggest oil company, said the slump in oil prices won't affect its projects at Kashagan in Kazakhstan and the Barents Sea.

Chief Executive Officer Paolo Scaroni said \$30 oil isn't "dramatically" low, though prices in a range of \$60 to \$70 would be better.

[Brazil to boost troops in Amazon, weapons industry](#)

BRASILIA, Brazil – Brazil will beef up troops in its vast Amazon rain forest, build nuclear and conventional submarines to protect offshore oil fields and modernize its weapons industry under a national defense plan outlined in a report Thursday.

[Could plunging oil prices make Tehran more friendly?](#)

Iran will stop exporting fuel oil in the New Year, officials announced yesterday. It needs it for its own people. That is a measure of how the plunge in oil prices from \$140 a barrel to \$40 is hurting the world's fourth-largest oil exporter. Is this the shock that might nudge Iran's leaders to think again about their nuclear ambitions? To be blunt, probably not. Nothing so far has made them budge from the goal of enriching uranium in a way which would put a nuclear weapon within reach.

All the same, the sharp fall in the oil price, coming at a crucial stage in Iran's nuclear work, does strengthen diplomatic efforts to dissuade the Tehran Government. It may even topple that Government.

[Petrobras Oil Hunter Estrella Fights to Keep Finds for Brazil](#)

(Bloomberg) -- Guilherme Estrella found an undersea lake of oil that may transform Brazil's economy forever. Now, the exploration chief for Petroleo Brasileiro SA is at the center of a debate over who will profit from it.

At stake is how much of Brazil's newfound riches will be controlled by the state and how

much will end up in the pockets of Exxon Mobil Corp., Royal Dutch Shell Plc and other oil companies hungry for new sources of crude. Estrella wants to make Western oil companies little more than hired help for government-controlled Petrobras, as his company is known.

[China's electricity consumption increases 6.67% year-on-year](#)

Data recently released by the China Electricity Council (CEC) showed that from January to November, China (excluding Hong Kong, Macao and Taiwan) consumed 3.153089 trillion kilowatt hours of electricity, an increase of 6.67% year-on-year; of which, the nationwide industrial power consumption was 2.344005 trillion kilowatt hours, an increase of 5.27% year-on-year.

[China to Raise Fuel-Oil Consumption Tax Starting 2009](#)

(Bloomberg) -- China, the world's second-biggest oil user, will increase the fuel-oil consumption tax paid by refiners and importers by eightfold to conserve energy use.

The tax will be raised to 0.8 yuan (12 cents) a liter from 0.1 yuan starting next year, according to a statement on the government's Web site today.

[Private oil firms reserve crude for future](#)

Over 200 million tons of idle oil reserve capacity in some of China's private oil enterprises will be utilized in the future, said an official from the Petroleum Circulation Committee under China General Chamber of Commerce.

Zhao Youshan, committee director, told Dow Jones Newswires that the committee has applied to join the State strategic oil reserve base program in a bid to further expand the country's oil reserves under the current low oil price.

If approved, oil reserves in Chinese private oil enterprises will be used, Zhao said.

Zhao said the present time is a good opportunity for China to boost its strategic petroleum reserves.

[Russian lawmakers ratify Caspian gas pipeline deal](#)

MOSCOW (RIA Novosti) - Russia's lower house of parliament ratified an agreement on Friday with Kazakhstan and Turkmenistan on building a natural gas pipeline along the Caspian coast.

[Russia, Georgia argue over damaged gas pipeline](#)

MOSCOW (Reuters) - Russia and Georgia blamed each other on Friday for delaying repairs to a pipeline that pumps gas to the Georgian rebel region of South Ossetia, focus of a war between the two countries in August.

Winter temperatures drop to below freezing in Tskhinvali, the region's war-wrecked main city, and Russian Foreign Minister Sergei Lavrov accused ex-Soviet Georgia of dodging its responsibility to restore the town's gas supplies.

"According to our estimates, Georgia could repair the problem very quickly," he told the Russian upper house of parliament.

[Norway to use oil wealth to fight financial crisis](#)

OSLO, Norway (AP) -- Norway will spend more of its vast oil wealth next year to fight the economic crisis, part of a package of new stimulus measures to be revealed on Jan. 26, Prime Minister Jens Stoltenberg said Friday.

Norway is a major oil exporter and has put aside more than 2 trillion kroner (\$290 billion) in a fund for foreign investment. Normally, the government limits spending of oil wealth to 4 percent of the fund's total value - the expected annual return on investment - to not deplete the fund.

But Stoltenberg said it can spend more in troubled economic times and pledged new economic stimulus measures.

[Exhaust Pollution and All That Jazz](#)

A major problem that we are all facing, and it promises to get worse, is the shortage of fossil fuels that is leading to what is called 'peak oil.' Peak oil basically is where the maximum production of oil from known sources is less than the demand/consumption.

Various governments are facing up, at last, to the fact that energy, as we currently know and use it, is getting scarcer, so the 'Greens' who have been screaming for years that nuclear energy must never be used, and coal is 'too polluting,' are all being hushed up because nuclear is actually better than people dying of cold and industry falling apart because it has no power to manufacture products, and so on. And the new systems of using good quality coal, a product of which we still have many millions of tones underground in Europe, promise that with new power stations designed to 'capture the carbon output,' we can actually get to the stage where OPEC will be begging us to buy their black liquid gold because they will not have enough storage facilities for it. But what about vehicle exhaust pollution?

[John Holdren to be Obama's Science Advisor](#)

In his salad days, Holdren was a paid-up member of The Limits to Growth club. For example, in his 1971 Sierra Club book, *Energy: A Crisis in Power*, Holdren declared that "it is fair to conclude that under almost any assumptions, the supplies of crude petroleum and natural gas are severely limited. The bulk of energy likely to flow from these sources may have been tapped within the lifetime of many of the present population." More recently, Holdren has declared that the world is not running out of energy and that even "peak oil" is debatable.

[Japan launches first solar cargo ship](#)

TOKYO (AFP) – The world's first cargo ship partly propelled by solar power took to the seas on Friday in Japan, aiming to cut fuel costs and carbon emissions when automakers export their products.

[Climate change: 'We need to unleash the power of the masses'](#)

Achieving mass mobilisation hinges upon reaching out to people who are currently not engaged or passionate about climate change issues. This means working with civil society groups that have a wide and broad reach such as faith groups and trusted established bodies such as the Scouts and Women's Institute.

It also means creating structures that both support meaningful dialogue across, not simply within interest groups and give individuals a voice through mechanisms such as e-petitions. The conversation and the vote must be brought together, to ensure voice is the product of these all important conversations not the usual isolated opinion.

[ANALYSIS - Now China is growing slower, can it grow cleaner?](#)

SHANGHAI/BEIJING (Reuters) - China's dramatic economic slowdown is paying an environmental dividend, slashing emissions levels from the world's biggest greenhouse gas emitter as its highest-carbon industries begin to contract.

The question Beijing will soon face is how it will manage to sustain those curbs once growth is restored. Some say it's moving in the right direction; others are far less certain, as the government, facing a threat to the economic miracle on which its credibility was built, rushes to pump growth up again.

[Weather or not, we're getting warmer](#)

Even so-called daily records, as in the first example above, can tell a compelling tale when gathered over a long enough period. For nearly a decade, a friend of mine has been patiently tallying record highs and lows reported by NOAA from many hundreds of stations across the United States. Thus far he has counted about 230,000 record highs and about 110,000 record lows. In some years, such as 2008, the ratio is closer than in others. But every year since 2000 has seen more record highs than lows.

Climate change has soured my once-wholesome love of statistics like these. I find it harder to take pleasure in a virtually snow-free autumn like the one we just saw in much of Colorado. Almost every fall since 2000 has seen less-than-average snowfall in the Denver area. When you contemplate humanity's influence on the atmosphere, the highs and lows - but especially the highs - become much more ominous.



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