



## DrumBeat: December 20, 2008

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### ['Drill, baby, drill' process has begun](#)

WASHINGTON (CNN) -- Remember "drill, baby drill"? In its last weeks in office, the Bush administration is starting to make it happen by quietly starting the process of exploration and drilling off the coast of Virginia.

The move means that President-elect Barack Obama and brand new interior secretary nominee Ken Salazar -- a Democratic senator from Colorado -- will have to jump feet-first into the decades-old debate over offshore oil drilling. It's an issue where the two disagreed at one point.

Wait. Virginia?

The state is ground zero for the drilling debate because of possible reserves off the coast and what energy experts see as a friendlier government than elsewhere.

### [Peak Oil, Falling Oil Prices, and the Global Economic Crisis](#)

Now is anyone surprised that oil prices have collapsed in the past few months? Demand for oil is way down, since people can no longer afford to consume.

Far from contradicting the peak oil theory, falling oil prices are an expected result of the super-spikes caused by demand trying to grow against a flat rate of production.

### [Recession likely to fuel another roller-coaster ride for oil in 2009](#)

It was the year that broke the banks and the back of the global economy. For oil prices, it was the year of the superspike.

And for governments and companies making plans for the year ahead, it was a year that bequeathed them a massive dilemma: whether to count on oil prices staying near their current level of below US\$40 barrel – roughly a four-and-a-half year low – or to brace for further wild price swings.

## [Oil prices will start rebounding in Jan. '09 - Algeria](#)

ALGIERS (KUNA) -- Oil prices will start rebounding as of next month when OPEC's fresh cuts of 2.2 million barrels per day (bpd) take effect in the first month of 2009, Algerian energy minister Chekib Khalil said Saturday.

## [Robert Bryce: Obama buys the biofuel hype](#)

The senator from Big Corn is now the president-elect. And he's buying the hype on biofuels. On Tuesday, Stephen Power of the Wall Street Journal reported that Barack Obama's transition team has been talking to the Renewable Fuels Association (RFA) – the trade group funded by the corn ethanol producers – about a bail-out for the ethanol industry. And on Wednesday, Obama announced that the former governor of Iowa, Tom Vilsack, would be the next secretary of agriculture. Announcing the selection, Obama said Vilsack would be part of the "team we need" to strengthen rural America, create "green jobs" and "to free our nation from its dependence on oil".

According to Power's story, the RFA provided Obama's team "with some ideas on how to craft the language" on an economic recovery package. Those suggestions include the creation of up to \$1bn in short-term credit facilities that could allow ethanol producers to finance their operations" and "a \$50bn federal loan guarantee programme to finance investment in new renewable fuel production capacity and supporting infrastructure." The RFA also wants the feds to require that any automaker getting federal bail-out money must begin producing fleets that are "flex-fuel" – thus, able burn fuels containing up to 85% ethanol – no later than 2010.

## [Gas prices edge lower](#)

NEW YORK (CNNMoney.com) -- Gasoline prices dropped Saturday after four straight days of increases, according to a daily survey of gas station credit card swipes.

## [Don't Panic! Asia May Yet Stabilize Demand](#)

Countries such as India and China may well fend off recession and continue their growth patterns. If this happens, not only will demand remain at current levels, it may increase according to the IEA's Chief economist, Fatih Birol.

"If those countries continue to consume oil as much as over the last couple of years they may easily make up losses coming from OECD countries," Birol told Reuters in an interview on the sidelines of the World Economic Forum.

[Australia: Bowers run dry but `no shortage'](#)

QUEENSLAND Premier Anna Bligh has tried to allay fears of a fuel shortage over the Christmas-New Year break -- but a local service station has already run dry.

A servo at Banora Point was one of the first affected by the shutdown of Caltex Lytton refinery in Brisbane which has sent jitters through the tourism industry.

[Nepal: Power cut to lead to job loss](#)

Nabin Rijal, owner of a plastic factory in Khanar, said that the energy crisis had made it difficult for industries to pay their workers.

Many factories have changed their working hours because of load-shedding. They have also asked part-time workers to stay on leave. Reliance has slashed production by almost half.

[Nepal - Nation will collapse sans thermal plants: PM](#)

KATHMANDU - Prime Minister Pushpa Kamal Dahal on Friday said that load shedding hours would be extended up to 18 hours in March and April if the government did not bring thermal power generation.

"If a situation arises where there has to be 18 hours of load shedding a day, the country will collapse," he said. "Political speeches will be of no use then."

[Catholic High in Niagara Falls will go to four-day school week](#)

Niagara Catholic students will have three-day weekends throughout next school year, with Mondays off, after the school's board of trustees unanimously decided to give the idea a try in 2009-10.

They hope the move will boost falling enrollment, create more educational and part-time job opportunities for students, and save a few thousand dollars on utility bills.

[Duck and Cover: Climate News Reporting Routinely Draws Big, Loud Pushback](#)

Publish a climate change-related news story, and be ready for pointed attacks, long knives, and brutal dismissals. And expect accusations of political bias and conspiracy.

That's still the rule for the nation's veteran environmental and science reporters,

despite changing attitudes on climate change from the public at large.

### [A word about Easter Island and other calamitous feedback loops](#)

Deep ecologists tell us the wealth of nations is founded on drawing down deposits of natural energy placed in this earth by the sun over billions of years. In this, “the last syllable of recorded time,” to quote Shakespeare, we’re drawing those deposits down, turning them into money and ruinous greenhouse gases.

England stripped her landscape of most primordial forests in a couple of centuries and then turned to coal, mostly in the 19th century. Then, along with America, Germany and many other countries, she discovered the power of oil, bestowing prosperity on millions, yet contributing to wars around the world. It’s been little noted that Japan bombed Pearl Harbor in part because of our oil embargo against that country.

### [Glut of oil creates short-term storage problems](#)

Traders locking up storage space for crude created a huge rift in prices Friday between oil that must be delivered in several weeks and oil that can be taken in February.

The January contract for crude expired Friday and with stockpiles rising at the key storage facility in Cushing, Okla., the price dropped close to a five-year low as brokers and traders attempted to unload supply for whatever price they could get.

"If you could find storage for it, it's a way to get rich real quickly," said Peter Beutel, an analyst with Cameron Hanover.

### [Does Matt Simmons still expect \\$200 oil in two years?](#)

The price for a barrel of oil has fallen from \$145 in July to less than \$40.

So you might think investment banker Matthew Simmons is worried about his wager that oil will be worth five times that amount two years from now. Convinced that oil production can’t keep up with global growth, Simmons bet New York Times columnist and blogger John Tierney \$10,000 that the average daily crude price in 2010 will be more than \$200.

Is he having second thoughts?

“God no,” he said on the phone the other day. “We bet on the average price in 2010. That’s an eternity from now.”

## [Tropical Cyclone Billy Rampages on Australian Coast](#)

Australia's northwest, the site of most of the nation's oil and gas output, may have more tropical cyclones than average this season, potentially threatening operations, the bureau said in October. The region may have five to seven cyclones from Nov. 1 to April 30, up from four last year, it said then.

Woodside Petroleum Ltd. and Royal Dutch Shell Plc were among oil companies that suspended drilling exploration or appraisal wells in the Browse Basin on Dec. 16 and evacuated workers because of the possibility of a cyclone forming.

## [Kuwait urges compliance with OPEC cut](#)

Kuwait's oil minister urged fellow OPEC producers to comply with a record oil supply cut agreed by the group to shore up oil prices, the official KUNA news agency late on Friday.

"There is commitment in general to agreed [production] levels but there is a need to enhance it," Mohammad al-Olain told KUNA. "Kuwait will be committed to its quota."

## [Analysis: Worse to come?](#)

The Arab Gulf states will take a double hit from the collapse in oil prices and deep crude output cuts, economists said yesterday.

Omani government has drawn up alternative plans in case oil prices continue their slide, Ahmed bin Abdulnabi Macki, minister of national economy and deputy chairman of the Financial Affairs and Energy Resources Council, said on Wednesday.

## [Kazakhstan increases wheat and fuel oil shipments to Tajikistan this winter](#)

DUSHANBE, Asia-Plus -- Practical implementation of bilateral agreements was a major topic of bilateral talks of Tajik President Emomali Rahmon with his Kazakh counterpart, President Nursultan. They agreed to expand and strengthen integration processes to mitigate effects of the global financial crisis, according to Tajik presidential press service.

## [3 foreign workers fall victim to Nigeria attacks](#)

LAGOS, Nigeria – A private security official says a Filipino ship captain was killed and two Russians were kidnapped in attacks in Nigeria's troubled oil-producing region.

The two Russians were seized by gunmen in speedboats during a pre-dawn raid

Saturday in the southern state of Akwa Ibom. The captain of an oil services supply vessel was shot dead during a similar attack in the same state late Friday.

### [A Crude Reality: Canada's Oil Sands and Pollution](#)

Because the oil in the sands is low grade crude, extracting and refining one barrel of it requires three times as much energy as producing a barrel of conventional oil, and releases three times as much carbon dioxide into the atmosphere. At the same time, side effects of increasing oil extraction, including vast deforestation, also contribute to ever-growing emissions. The area is now the most rapidly increasing source of greenhouse gas emissions in Canada. Furthermore, washing the bitumen to separate the oil and sand wastes over 12.7 billion cubic feet of water per year. This results in both a lack of local water resources and a large amount of water pollution. Reports have also surfaced of deformed fish in the toxic lakes surrounding the extraction area.

### [Oil sands spell energy security](#)

Any serious approach to national security and energy policies must include a significant reduction on the dependence of oil from hostile countries such as Venezuela and Iran. It should include maximum use of a vast energy resource: Canada's 174 billion barrels of oil sands. This oil can be recovered with existing technology, but Congress has been too preoccupied with global warming and the emission of greenhouse gases to recognize that it is essential to our national security.

### [China to support 9 crisis-stricken industries](#)

China plans to initiate a policy package in the coming new year to revive nine industries heavily hurt by the unfolding global financial crisis, the Ministry of Industry and Information Technology (MIIT) vowed at the meeting.

The nine industries to receive national support include light industry, textile, steel, non-ferrous metal, automobile, petrochemical, ship-making, electronics and telecommunications.

### [Kunstler: Change You Won't Believe](#)

The peak oil story has not been nullified by the scramble to unload every asset for cash — including whomping gobs of oil contracts — during this desperate season of bank liquidation. The main implication of the peak oil story is that we won't be able to generate the kind of economic growth that defined our way of life for decades because the primary energy resources needed for it will be contracting.



## [Cycles of History](#)

Among the results of the 1873 Panic & Long Depression (lasting until 1896) were the labor movement and religious fundamentalism in the US, modern anti-semitism in Europe, and (according to Hannah Arendt) the origins of totalitarianism.

As for transportation networks and pandemic, they were actually connected issues. In 1872, equine influenza took hold in the US, infecting close to 100% of all horses, with a mortality rate ranging from 1-2% to 10%. The "Great Epizootic of 1872" froze horse-drawn transportation (even leaving the US cavalry on foot), which in turn stalled trains because of the lack of coal transport.

As a preview of peak oil it's admittedly shallow, but the similarities are there. The damage to transportation and industry in 1872 was a significant multiplier to the financial crisis; a modern collapse of transportation—even if equally temporary—would be potentially even more devastating.

## [Contagious Defections](#)

As global markets weather a new period of turmoil and instability, Sachs' ultimate confidence in the world economy's abundance will fail to comfort many. Whereas Sachs dismisses concerns about peak oil on the grounds that "[w]e might run out of conventional petroleum in a few decades, but we have centuries left of coal and other nonconventional fossil fuels, such as tar sands and oil shale"—which new technology, of course, will allow us to effectively exploit—there is no shortage of analysis suggesting that limits on natural resources are real and that the consequences are dire. Likewise, there are ample observers of capitalism's recurrent downturns who will note that the unfettered market is not just limited in its ability to do good, as Sachs would have it. It can also do ill, creating crises—financial and environmental—virulent enough to raise serious doubt about neoliberalism's sustainability.

## [A flaming toothbrush](#)

Suddenly, a bright light in the bathroom caught my eye. Something was flaring in there. I ran in just in time to see the votive candle forming a column of flame, involved in a chemical reaction with the plastic toothbrush hanging well above it.

...It was the first, and the worst, of several little candle incidents over the next few days, as we struggled to make sure splattered wax and wayward flames didn't get the upper hand in our quest for safe light. We weren't alone in discovering that there's more to keeping multiple candles going safely for hours at a time than there is to burning a couple for mood lighting. I mentioned our "learning curve" on this to a friend who was also without power, and she replied, "Yes, my son caught his hair on fire leaning over a candle!"

The flaming toothbrush haunts me because of the questions it raises about learning

curves.

### [Saudis biggest donors to Clinton foundation](#)

The foundation promotes efforts to fight disease, poverty and climate change around the world.

The disclosures on Thursday include the Kingdom of Saudi Arabia giving 41-million-dollars in donations, and other Middle Eastern governments giving multi-million-dollar contributions.

### [Methane Leaking Into Arctic Ocean](#)

The carbon pool beneath the Arctic Ocean is leaking. A study on the East Siberian Arctic Shelf found an increase in methane bubbles rising from chimneys on the seafloor in 2008. In fact more than 1,000 measurements registered the highest dissolved methane concentrations ever seen in the summer Arctic Ocean. Methane is a greenhouse gas 20 times more powerful than carbon dioxide.

### [Global warming 'causing more tropical storms'](#)

Los Angeles - Global warming is increasing the frequency of extremely high clouds in the Earth's tropics that cause severe storms and rainfall, according to a Nasa study released on Friday.

The space agency's Jet Propulsion Laboratory (JPL) said a study by its scientists "found a strong correlation between the frequency of these clouds and seasonal variations in the average sea surface temperature of the tropical oceans."

### [Environment Ohio Warns State Economy Vulnerable to Climate Change](#)

"It's not just about the polar bears and Arctic ice-caps anymore," said Amy Gomberg, Environment Ohio's program director. "Climate change poses threats to Ohio's environment that could have a negative impact on our economy, as well."

"Not only could climate change lower the water level in Lake Erie, damaging Ohio's fishing, shipping and tourism industries, but it also could harm Ohio's agriculture and timber industries," she warned.

### [Advocates for Action on Global Warming Chosen as Obama's Top Science Advisers](#)



President-elect Barack Obama has selected two of the nation's most prominent scientific advocates for a vigorous response to climate change to serve in his administration's top ranks, according to sources, sending the strongest signal yet that he will reverse Bush administration policies on energy and global warming.



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