



DrumBeat: December 21, 2008

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Topic: [Miscellaneous](#)

[Shadowed by \\$200 oil](#)

It's not too early to talk about the prospect of \$200 oil.

That may sound crazy, because crude is trading more than \$100 a barrel below its highs from the summer, when it peaked at \$147.

I recently spoke to a group of local energy economists, though, and they weren't worried about how low prices would go, but how high.

The market, too, is more focused on how much prices will rise in the coming year.

[Gas prices continue to slip](#)

NEW YORK (CNMoney.com) -- Gasoline prices dropped for their second day in a row after four straight days of increases, according to a daily survey of gas station credit card swipes.

[Downturn Will Test Obama's Vision for an Energy-Efficient Auto Industry](#)

His writings and speeches on the auto industry suggest a keen interest in finding ways, including new technology, to improve the fuel efficiency of the cars and trucks that Americans drive.

But with Detroit in a fragile financial state, it is unclear how many compromises he will have to make in pursuing his agenda for the auto industry, as he juggles other priorities like providing a stimulus program for the broader economy. The United Automobile Workers union, which backed Mr. Obama, will want a say in the changes he envisions for the automakers.

[Canada Agrees to Its Own Auto Bailout](#)

OTTAWA — Moving to pre-empt a possible shift of auto production to the United

States, the governments of Canada and its Ontario province offered the industry 4 billion Canadian dollars in emergency loans on Saturday.

[OPEC's President Vows to Cut Output until Prices Stabilize](#)

The Organization of Petroleum Exporting Countries' president vowed Friday to cut production to boost sagging prices, setting it on a possible collision course with consumer countries relieved at crude's slump from record highs.

Chakib Khelil indicated the group's desire to protect prices by continuing to cut output until they even out, two days after OPEC agreed to cut output by 2.2 million barrels a day.

"We will continue this reduction until the price will stabilize," Khelil told reporters on the sidelines of a meeting of 27 oil producing and consuming nations in London.

[Gulf bourses plunge on weak oil](#)

Most Gulf Arab stock markets fell on Sunday as plunging world oil prices worsened already negative sentiment.

Dubai's bourse fell the most, tumbling 5.58 percent, with Emaar Properties losing 9.93 percent. "Oil prices have dropped severely and that has exacerbated negative sentiment across the GCC," said Rami Sidani, head of Mena Investments at Schroders Investment Management.

[E.P.A. Ruling Could Speed Up Approval of Coal Plants](#)

WASHINGTON — Officials weighing federal applications by utilities to build new coal-fired power plants cannot consider their greenhouse gas output, the head of the Environmental Protection Agency ruled late Thursday. Some environmentalists fear the decision will clear the way for the approval of several such plants in the last days of the Bush administration.

['Forgotten' lake shows South's tough drought](#)

STARR, S.C. - A decaying highway, plunged deep underwater after Lake Hartwell was dammed in the 1950s, sits exposed once again across what remains of the bay outside Big Water Marina.

It's a depressing reminder of the toll from a stubborn Southern drought that only recently began to abate with replenishing rains this fall. Much of the region has recovered, but a ring stretching from northeast Georgia to the western Carolinas

remains stuck in "extreme" drought.

[Expansion of Biking in Parks Is Proposed](#)

DENVER — Mountain bikers, now barred from most backcountry areas in national parks, could have thousands of miles of trails opened up to them under a rule change proposed Thursday by the Interior Department.

The proposal raised tensions between hikers and bikers, who face off against one another on dirt byways all over the country. Each group is burdened with a stereotype that is part true and part myth: thrill-seeking gear heads on one side, plodding leaf peepers on the other, each group accusing the other of not fully appreciating the great out-of-doors.

[If I'm not a consumer, who am I?](#)

Both the Reuters and Wall Street Journal stories conclude that buying and consuming have become part of the national culture and offer people an identity-the identity of a consumer, which many will now be forced to abandon. Additionally, shopping has become a way for countless individuals to cope with their emotions. Not only do the things we buy allow us to feel good momentarily, but the disease of consumerism has become so pathological that in many instances, people have come to believe that they are what they buy, and the more expensive and coveted brand or product makes a statement about who one is. This is enormously significant because there's obviously more than "survival panic" going on here.

[Is the U.S. Rig Count about to Enter Freefall Territory?](#)

Barely a month ago, Wall Street analysts became concerned about a drop in the U.S. rig count due to weakening commodity prices, and in particular natural gas prices, and the impact of the credit crisis on producer access to capital. The talk initially was about whether the rig count would fall by 100-200 rigs or experience a more severe correction of 300-400 rigs.

As soon as investors began to focus on the impact of the larger drop, market conditions worsened with crude oil falling to the \$50 a barrel level in response to weakening global oil demand. Falling oil prices and a further tightening of credit markets caused analysts to begin to think that the rig count drop might be even greater than they had been thinking.

Recently, the view began to target the potential for a 600-rig drop during the seasonally weak early months of 2009. Last week the prospect of a 700-800 rig drop emerged as a possibility and as that view began to gain some traction, the oilfield service stocks began to dive. The Philadelphia Oil Service Index (OSX) fell Thursday by 11.06 points to 104.14, a decline of 9.6%. Intraday the OSX dropped 13.47 points to 101.73, a fall of

11.7%. It dropped further early in Friday's trading (to the 98 level) as crude oil plunged into the \$41 a barrel range.

[Asia refiners bracing for possible supply cuts from Mideast](#)

SINGAPORE: Middle East crude oil producers may be pushed next week to cut term-contracted shipments to customers in Asia, even though demand for high-sulphur or "sour" grades is perking up.

After the Organisation of Petroleum Exporting Countries signed off on its biggest supply cutback this week, the five Middle East Opec members bound by output quotas will be under pressure to toe the line on policy.

[The Good, the Bad, and the Inaccurate Oil Forecasts](#)

Here's the good oil forecast: back in the fall of 2005, I predicted oil prices going back down to \$35.

Here's the bad forecast: I said it would happen by the end of 2006.

Right price target, wrong time span. So what went wrong?

[Capitalism, 'decreasing' and ecosocialism](#)

Climate change is much more than one ecological problem among others: it is the chemically pure expression of the fact that the irrepressible capitalist logic of accumulation is leading humanity to destroy the environment in which civilizations have developed for six thousand years.

[Pakistan: KESC admits it lacks funds for furnace oil](#)

KARACHI: Karachi Electric Supply Company (KESC) is going through a major financial crisis, as no funds are available to purchase furnace oil for the power plant, said KESC Chief Executive Officer Naveed Ismail.

[Kenya: New twist in biting fuel shortage](#)

The fuel shortage crisis is set to deepen after the Government contracted a company in financial distress to import the crucial commodity for this month.

Triton Petroleum Company, which on Friday was put in receivership over a Sh1.6 billion

debt, imported 56,000 tonnes of crude and refined oil against the country's monthly demand of 80,000 tonnes. This partly fuelled the shortage.

However, it's now unable to meet its contractual obligation owing to the financial crisis it is facing. The latest development has sent shockwaves in the struggling energy sector already constrained by supply predicament.

[Chevron Picks Site for Proposed Australia LNG Project](#)

Chevron Corp has chosen a production site in Australia for its proposed Wheatstone liquefied natural gas project, the company said on Friday.

After narrowing its search to three locations, the oil and gas major said it preferred to build the project, potentially one of the largest of its kind in Australia, at Ashburton North.

[Sawdust shortage seen](#)

MEADVILLE -- Animal exhibitors would be wise to pack their own bedding material for the Crawford County Fair in 2009.

The mounds of sawdust that fair officials have provided at no cost have been shrinking in recently, thanks to higher demand for a material once considered waste.

[Barclays sees drop in oil, gas spending in 2009](#)

NEW YORK (Reuters) - Global spending on oil and gas exploration and production will shrink 12 percent to \$400 billion in 2009 as the steep slide in energy prices and tight credit markets reverse a six-year trend of rising budgets, analysts at Barclays Capital said on Friday.

Spending in the United States is expected to show the sharpest drop, falling 26 percent to \$79 billion from the 2008 mark of \$106 billion, Barclays analysts James Crandell and James West said in their semiannual report based on a survey of oil and gas companies.

[The List: The World's Largest Untapped Oil Fields](#)

In a world running low on oil, several countries are still sitting on massive supplies. If only they could get to them.

[LNG carriers idling on project delays in Qatar; rates decline](#)

Singapore: The world's biggest liquefied natural gas tankers are idling because delays at projects in Qatar, including that of Exxon Mobil Corp, have pushed down freight rates.

[Kuwait earns \\$4.6 bln in Nov, lowest in 8 months](#)

KUWAIT (Reuters) - OPEC-member Kuwait posted an income of 1.254 billion dinars (\$4.56 billion) in November, the country's lowest monthly earnings in its 2008/09 fiscal year, on lower-than-expected oil prices, official data showed on Sunday. Revenue in the world's seventh-largest oil exporter was 1.95 billion dinars in October and 1.69 billion dinars in September, the government data showed.

In calculating the budget, Kuwait has assumed its crude, the country's main revenue earner, would fetch \$50 a barrel over the year to March 31.

But Kuwaiti crude plunged to \$35.62 on Friday, after peaking at \$135 in July, according to state news agency KUNA, amid a gloomy global economic outlook.

[Even OPEC is powerless to stop the plunge in crude oil prices](#)

HOUSTON — To understand why OPEC's largest single production cut ever failed to lift oil prices, look no further than today's headlines.

OPEC and other oil-producing countries can't cut production fast enough to stay ahead of plummeting demand as millions of people lose their jobs and stop driving, factories shut down and the world settles in for the worst economic slowdown in a generation.

In other words: Even if OPEC talks about cutting the supply of oil, those cuts are nothing compared to the way the slumping economy is pushing demand downward. So prices keep sliding.

[Russia and Ukraine again face New Year gas showdown](#)

MOSCOW (AFP) – Russia is heading towards another New Year's showdown with the embattled Ukrainian government over its failure to pay off gas debts amid apparent deadlock in negotiations, analysts say.

Talks between Russian gas monopoly Gazprom and Ukraine's Naftogaz have failed to reach any breakthrough and Gazprom has warned it has no obligation to pump the gas if the debts are not settled.

[Iran planning bourse bailout](#)

Tehran: Iran is considering a \$300m financial bailout plan for companies listed on its weakened stock market, a newspaper reported, as share prices falter for businesses hurt by sagging oil and commodity prices. According to a report in the daily Kargozaran, the chief of the Tehran Stock Exchange is pressing the government to put up cash to stop the collapse of the stock market, which has dropped to a five-year low since oil prices began plummeting this fall.

[Don't destabilize Russia, Putin warns foes](#)

MOSCOW (Reuters) - Prime Minister Vladimir Putin warned Russia's foes on Friday against trying to destabilize a country facing broadening economic crisis, Russian news agencies reported.

Putin did not specify who might pose a threat to Russia's stability. But in the past, he has often blamed Western security services of trying to destabilize the country using opposition groups and non-governmental organizations as their instruments.

[So is this really the great new idea - saving the gas-guzzler?](#)

Why should public money be used to protect an incipiently archaic business which, iconic or not, is run by India's Mr Tata? Who, though he may be concerned about manufacturing jobs in the Midlands, has just agreed to slosh some of his corporation's vast profits in the direction of Ferrari's Formula One team? Which, with our date with peak oil now fixed for 2020, would appear to be almost as unedifying a use of cash as would be our own, to guarantee the continued production of Land Rovers and Jaguars. We know better, after the rescue of our still unreformed banks, than to expect the government to demand improved standards of competence and responsibility in exchange for civic support.

[Gwynne Dyer: International Energy Agency says peak oil is coming sooner](#)

As the cities grew, even more horses were needed and the problem grew steadily worse. One writer in the *Times* in 1894 estimated that in 50 years, the streets of London would be buried under three metres of manure.

In fact, within 35 years the streets of London were almost completely free of horses, and filled with automobiles instead. They created a different kind of pollution, but at least you didn't step in it.

The same fate is likely to overtake oil-fuelled vehicles in the next 35 years.

[Utah energy exploration lease sale deal reached](#)

WASHINGTON (Reuters) - The Interior Department has reached an agreement with environmental groups over the controversial sale of energy exploration leases for 100,000 acres of land in Utah scheduled for Friday.

The lease sale will proceed as planned, but the Interior Department's Bureau of Land Management will not finalize any sales of leases on 80 parcels of environmentally sensitive land for 30 days, giving a judge time to issue a ruling on the lease sales. The 80 parcels of land include areas adjacent to national parks.

[Amazon pollution case could cost Chevron billions](#)

LAGO AGRIO, Ecuador – When the sun beats particularly hot on this land in the middle of the jungle, the roads sweat petroleum.

A Rhode Island-sized expanse of what was once pristine Amazon rainforest is crisscrossed with oil wells and pipeline grids built by Texaco Inc. a generation ago. And for the past 15 years, a class-action lawsuit has been winding its way through the courts on behalf of the more than 125,000 people who drink, bathe, fish and wash their clothes in tainted headwaters of the Amazon River.

[Biofuel Development Shifting From Soil To Sea, Specifically To Marine Algae](#)

ut of the '70s oil crisis came U.S. government funding for research evaluating the prospects of new fuel sources derived from terrestrial plants such as corn and soybeans, as well as algae. But when oil prices plummeted in the late 1980s and '90s, interest in such biofuel programs waned and support dried up. Now 21st century gas prices—which bolted upward to \$4.50 a gallon in California earlier this year—have sparked a renaissance in the search for new biologically based energy solutions.

[Promoters overstated the environmental benefit of wind farms](#)

The wind farm industry has been forced to admit that the environmental benefit of wind power in reducing carbon emissions is only half as big as it had previously claimed.

[Give your garden a global-warming makeover](#)

Home gardeners can do a lot to address global climate change. Options include everything from choosing self-reliant plants that need less water and fertilizer to reducing energy use by trading in mowers and blowers for rakes and hand clippers.

[Purdue Study Suggests Warmer Temperatures Could Lead To A Boom In Corn Pests](#)

Climate change could provide the warmer weather pests prefer, leading to an increase in populations that feed on corn and other crops, according to a new study.

Warmer growing season temperatures and milder winters could allow some of these insects to expand their territory and produce an extra generation of offspring each year, said Noah Diffenbaugh, the Purdue University associate professor of earth and atmospheric sciences who led the study.

[Water vapor's effects on atmosphere are debated](#)

WASHINGTON — Ron Ace's idea to cool the planet by evaporating water could provoke controversy because it collides head-on with a concern of environmental scientists: that water vapor is a potent greenhouse gas.

A recent Texas A&M University study, based on satellite data from the National Aeronautics and Space Administration, warned that if water vapor levels in the atmosphere continue to rise, it "could guarantee" an increase of several degrees Celsius in the Earth's temperatures over the next century.

[Against the runway: It would soon be a white elephant](#)

And so we come to air transport and Gordon Brown's imminent decision over Heathrow's third runway. Although only making up 2% of the global CO₂ problem at present, this is a rapidly growing sector and one that will resist decarbonising. The technology of low-carbon air flight is still some distance away. Long-haul flights for meetings can be minimised, for example, through the use of the uncannily realistic broadband video conferencing now emerging. But there will be continued public demand. Short-haul flights, however, will become increasingly phased out as they face better competition from rail, including high-speed rail, and the penalties of CO₂ pricing, as the EU cap and trade process morphs into a global process aimed at diminishing emissions.

[Rising Seas, Severe Drought, Could Come in Decades, Says U.S. Report](#)

The United States could suffer the effects of abrupt climate changes within decades--sooner than some previously thought--says a new government report. It contends that seas could rise rapidly if melting of polar ice continues to outrun recent projections, and that an ongoing drought in the U.S. west could be the start of permanent drying for the region. Commissioned by the U.S. Climate Change Science Program, the report was authored by experts from the U.S. Geological Survey, Columbia University's Lamont-Doherty Earth Observatory and other leading institutions. It was released at this week's

meeting of the American Geophysical Union.

Many scientists are now raising the possibility that abrupt, catastrophic switches in natural systems may punctuate the steady rise in global temperatures now underway. However, the likelihood and timing of such "tipping points," where large systems move into radically new states, has been controversial. The new report synthesizes the latest published evidence on four specific threats for the 21st century. It uses studies not available to the Intergovernmental Panel on Climate Change (IPCC), whose widely cited 2007 report explored similar questions. "This is the most up to date, as it includes research that came out after IPCC assembled its data," said Edward Cook, a climatologist at Lamont-Doherty and a lead author of the new study.



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