



My Top 10 Energy Stories of 2008

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Tis the season for Top 10 stories, and here are what I think were the Top 10 energy stories of the year.

1. Unprecedented volatility in the energy markets

Oil prices raced to [nearly \\$150 a barrel](#), and then [fell to the \\$30's](#) by year end. This marks the highest ever prices for oil, followed by the lowest prices in four years. Gasoline, diesel, and natural gas prices demonstrated the same kind of volatility. There are multiple factors behind the volatility. The [role of speculation](#) was hotly debated, and the economic collapse - fueled by cash-strapped consumers who had overextended themselves - resulted in a [sharp drop in demand](#). [Some even argued](#) that the real reason behind the plunge in prices was closure of the so-called "Enron loophole."

2. Oil price volatility fallout

A consequence of the incredibly volatility was the economic damage done at both ends of the price spectrum. At the upper end, [airlines were going bankrupt](#) and [car companies were in deep financial trouble](#) as consumers stopped buying the higher profit margin SUVs. After oil prices plunged, some non-integrated oil companies found themselves in financial trouble, including [Flying J who declared bankruptcy](#).

3. Barack Obama elected

In a normal year, this would have been my #1 story, considering that the new administration has put such a major focus on energy and is likely to [attempt a major shift away from fossil fuels](#). My prediction is that reality is going to collide with enthusiasm, and while gains are likely to be made along several fronts, aggressive renewable energy targets will not be met.

4. Ethanol producers struggle

Despite production mandates and generous federal subsidies, ethanol producers struggled to make a profit. A combination of high corn prices followed by falling fuel prices pushed even some of the [largest ethanol producers to bankruptcy](#). Corn growers fared much better, as higher prices and mandated demand from the ethanol industry provided them with the same sort of windfall seen recently by the oil industry ([prompting some to ask](#) whether a windfall profits tax on corn would be good for consumers). [Xethanol finally ceased operations](#), as [I had predicted in early 2007](#).

5. Somali pirates hijack supertanker

Somali pirates, emboldened by recent multi-million dollar ransom payments, hijacked a Saudi supertanker [carrying \\$100 million worth of oil](#). At the time of this writing, the situation remains unresolved, although the value of the oil at current market prices is now considerably less than \$100 million.

6. 2nd generation ethanol is delayed

The story this year was supposed to be "[2nd generation ethanol production begins](#)", but alas the over-promise, under-deliver meme that I have been critical of continues. Range Fuels had initially intended to start producing in 2008, but that was [delayed to 2009](#) and now production isn't forecast to [begin until 2010](#). Meanwhile, other 2nd generation ethanol companies continue to promise the world, including Coskata who claims they can make ethanol for "[under US \\$1.00 a gallon anywhere in the world](#)." (I took a good look at those claims [here](#).) Finally, according to [this source](#) (another [here](#)), of the six cellulosic ethanol projects selected to receive [\\$385 million in federal funding](#) in February 2007, almost two years later only one plant is actually under construction (Range Fuels).

7. Peak oil becomes fashionable, then unfashionable again

High oil prices demanded an explanation, and peak oil was ready to [provide that explanation](#). 2008 was probably the year that the mainstream began to seriously discuss and debate peak oil. However, when prices began to plunge, the peak oil skeptics began to say "[I told you so](#)." Others suggested that this was just a [continuation of the normal cycles](#).

8. Gas stations in the southeast run out of gasoline in the wake of Hurricanes Gustav and Ike

Some major oil refineries that shut down in the face of Hurricane Gustav had to remain shut down with Hurricane Ike following closely behind. Gasoline inventories heading into the hurricanes were low, so it wasn't long before [spot outages began to show up](#) across the southeast. As I predicted during a panel session at this year's ASPO conference, the outages were likely to be short-lived, and inventories would recover as refineries came back online. This was in response to wide-spread concern, [partially fueled by Matt Simmons' presentation](#), that the outages were the beginning of something much more widespread. (I think my answer was literally "This situation is temporary. I expect inventories a month from now to be substantially higher.")

9. "Drill here, drill now"

Momentum for more exploration and production in U.S. waters increased along with oil prices. This became a campaign theme for Republicans, who adopted the slogan "[Drill here, drill now](#)." President Bush [lifted a moratorium on offshore drilling](#). Democrats initially responded with calls for oil companies to be forced to drill on current leases before opening up new ones. However, Congress - facing constituents unhappy with high gas prices - ultimately followed suit and [allowed the 25-year moratorium to expire](#). The response from then candidate Obama was that he wasn't happy to see the moratorium expire, and that he favored "responsible" drilling as [part of a broader energy package](#). [My own proposal](#) was to allow drilling and funnel the lease proceeds to alternative energy, mass transit, and other initiatives designed to reduce oil consumption. This proposal later received quite a lot of attention when [Paris Hilton proposed the same thing](#).

10. Record profits by US energy companies

On the back of high oil prices, the integrated oil companies (those who produce both oil and refined products like gasoline and diesel) [once again saw record profits](#). There was an interesting dichotomy, however, as downstream profits in the refining sector vanished as gasoline consumption fell. Pure refiners like [Valero saw their profits crash](#).

That's more or less what I think were the Top 10 stories of 2008. There were quite a few in the honorable mention category, such as [T. Boone Pickens energy plan](#), the decision by OPEC to reverse direction and propose big production cuts, falling oil production in Russia and Mexico, and postponed investments in the wake of lower prices.

So, what did I miss? Which stories do you think should be ranked in a significantly different order?

In closing, Happy Holidays to all readers. I am going to be offline for a while to spend some good family time. Here's hoping that you all have the same opportunity.



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