



DrumBeat: December 27, 2008

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[Oil giants are itching to invade Iraq](#)

For Iraq the timing couldn't be better. As reserves dry up around the world and national governments tighten their grip on what is left, the industry is more desperate than ever to get its hands on the Iraqi honey-pot. The plummeting oil price, from a high of \$147 a barrel this summer to a new low of \$36 last week, has focused their minds.

Along with Saudi Arabia, Iraq is one of the cheapest countries to extract oil from, costing as little as \$4-\$5 per barrel thanks to the easy geology and high flow rates.

That is a long way from more exotic endeavours such as Canada's tar sands, where extraction can cost \$50 a barrel or more. Labour is also cheap. Addax, which has made \$248m so far this year, pays \$15 a day to the manual labourers who work at Taq Taq.

[Thousands demand separate region for Iraq's Basra](#)

BASRA, Iraq - Thousands of protesters in Iraq's southern oil city of Basra demanded their own federal region on Saturday, akin to minority Kurds' peaceful, prosperous enclave in the country's north.

Some three thousand people took to the streets in mainly Shia Basra, demanding a referendum on whether the city and surrounding province might become a semi-autonomous state.

"Yes, yes for the Basra region," demonstrators shouted.

[Ecuador to Shut Agip's Local Oil Production to Meet OPEC Quota](#)

(Bloomberg) -- Ecuadorean President Rafael Correa has ordered Italian oil company Agip to suspend production in Ecuador as the country moves to meet the output reduction agreed to by Organization of Petroleum Exporting Countries.

In his regular Saturday radio and television broadcast, Correa also today said that Ecuador is losing money on its contract with the Italian company, a unit of Eni SpA.

"That way it will be easy to eliminate more than 20,000 barrels, of the 40,000 we have to reduce," Correa said, adding that other foreign companies he didn't name will also have to cut production.

[Russia inflation to reach 15%](#)

MOSCOW - INFLATION in Russia could climb as high as 15 per cent in 2009 depending on oil price levels, Russian Finance Minister Alexei Kudrin told Vesti-24 television on Saturday.

'This year (2008), inflation could reach between 13.5 and 13.8 per cent,' Mr Kudrin said. 'With (annual) growth of 2.4 per cent and a price of 50 dollars per barrel, inflation will reach 11 per cent in 2009.

'(But) if the price per barrel is lower, at 30 rather than 50 dollars, inflation will be higher and could reach 15 per cent,' he added.

[Nigeria's oil woes draw world attention](#)

LAGOS (Xinhua) -- Nigeria's Niger Delta region, generating huge oil wealth, which is in contrast to the impoverished life of local people, has drawn worldwide attention in 2008 with rampant sabotage on oil facilities and kidnapping.

[Lisa Margonelli: A Green Stimulus for the People](#)

But so far Obama has stuck to the well-worn path of top-down subsidies for wind and solar energy, infrastructure investment and a modest revival of a home weatherization program for the poor. The problem with this plan is that it turns energy consumers as well as power producers into supplicants. Energy-industry subsidies are notoriously poor public investments--yielding few jobs or jobs of short duration because the government money can make the industry too dependent to be sustainable. Subsidies for specific technologies often benefit the well heeled--as with California's Million Solar Roofs initiative. Green is a luxury, out of reach for many Americans struggling with rising energy bills. Energy consumers get the message that they're victims of high prices rather than actors who could play a powerful role in moderating energy demand.

But with a bolder plan to make working families the agents of change, Obama can take a historic opportunity to remodel the way we generate, transmit and use energy, stimulating the economy in the short term and building a broad green constituency of workers and industry in the long term.

[Fuel Efficiency is Easy--Just Don't Let Detroit Tell You How to Do It](#)

For much of the 1970's I was engaged with the U.S. auto industry, countering their endless claims that they could not meet federal vehicle emissions standards. I went to work for Mayor John Lindsay in 1969 as an engineer in the then Department of Air Resources. My job was to figure out what New York City might do to tackle auto pollution. We secured a million dollar grant from the EPA and set about establishing a new agency to design a comprehensive plan and build an emissions test facility. Old timers told me this project would take five years to get underway. I did it in nine months. I built a new building housing an advanced test facility, outfitted it, hired and trained personnel and got underway. The objective was to learn about auto pollution by doing testing cars and trucks. The first thing we did is to install catalytic converters on a dozen city cars including Mayor Lindsay's limousine. We installed catalysts on sanitation trucks. We tested various alternative engines and emissions controls. The point here is that we got our hands dirty. We got to know what auto makers knew. And, we did it five years before auto makers were forced to do it.

[Sinopec Group's 08 Equity Oil Output to Rise by 31%](#)

State-owned Sinopec Group sees its overseas equity oil production growing 31 percent in 2008, a company executive was quoted as saying, in a report published on Friday, which was in line with earlier company targets.

Sinopec said earlier this year it aimed to raise its overseas equity oil, output entitled mostly under product sharing contracts (PSC), to 9 million tonnes this year, from 6.87 million tonnes in 2007.

[Australia: The hard times aren't over yet: Fuel, rent, power bills up next year](#)

CONSUMERS are looking at paying more for fuel, rent and electricity by the middle of next year.

It is a warning to households, buoyed by the Federal Government's one-off bonus payments and cheering at petrol prices that fell below 90 cents in some areas before Christmas, that good times are not certain to continue.

[Venezuela Prepares Measures to Cope With Oil Price, Chavez Says](#)

(Bloomberg) -- Venezuela, the biggest oil exporter in the western hemisphere, will deal with falling oil income without cutting social spending, President Hugo Chavez said.

"We guarantee the social investment and current spending," Chavez said in a phone call to state television late yesterday. "We're preparing a series of measures and initiatives to keep the crisis from whipping us."

[Myanmar Gas to Be Exported to China](#)

Natural gas produced from the Shwe Field off Myanmar's Rakhine coast will be exported to China's southwestern region under a new export gas sales and purchase agreement signed between companies from China, Myanmar and South Korea.

[Nigeria: Price Soars, As Fuel Scarcity Hits Borno, Yobe Capitals](#)

FUEL scarcity has hit Maiduguri and Damaturu, the capitals of Borno and Yobe states, with a four-litre can of petrol selling at N700, as against N400 before the Christmas.

Black marketers are cashing in on the scarcity to make brisk business, even as a few petrol stations were found selling the product.

The Guardian investigation reveals that the situation is already causing untold hardships on many motorists. Most of the filling stations belonging to major and independent marketers were empty yesterday, as they no fuel to sell.

[Indonesia: Fuel prices could be cut again, says govt](#)

The government may further cut the prices of Premium gasoline and diesel on Jan. 15, hinting it may even, partly or entirely, float the prices of the two subsidized fuels to keep in line with global crude prices.

[Somali pirates threaten fuel supply to Tanzania](#)

The increased hijack of cargo ships by Somali pirates in the Indian Ocean is threatening fuel supply to Tanzania.

Oil marketers have said unless the piracy is stopped on the Gulf of Aden, Tanzania was likely to experience critical fuel shortages in the near future.

[Zimbabwe's children 'wasting away' - aid group](#)

"We have already been forced to reduce the rations of emergency food we are delivering because there isn't enough to go around," the report said. "If, as we fear, the food aid pipeline into Zimbabwe begins to fail in the new year the millions of people who rely on emergency food aid will suffer."

Zimbabwe is facing its worst economic and humanitarian crisis since its independence from Great Britain 28 years ago. There is an acute shortage of all essentials such as cash, fuel, medical drugs, electricity and food.

[Ready for oil](#)



Workers walk through an underground oil bunker yesterday in Yeosu, South Jeolla. Korea National Oil Corp. announced it has completed the world's largest oil bunker, which can hold 49.7 million barrels of oil.

[Fate of South Korean automaker uncertain](#)

Seoul, South Korea — The fate of South Korea-based automaker SsangYong Motor looks uncertain with the refusal of the Seoul government and its Chinese parent firm to inject bailout cash in the company. Unionized workers in the troubled automaker resist restructuring and other sweeping changes.

South Korea's state-run Korea Development Bank, the main creditor of SsangYong Motor, said on Friday that it would not extend fresh loans to the troubled automaker unless its Chinese parent company provided rescue funding first.

[Cheap seats, danger meet on illegal Manila trolleys](#)

MANILA, PHILIPPINES — The illegal trolley ride along Manila's railway is dangerous. But it has an irresistible draw amid hard times: It's cheap and doesn't use oil.

For years, dozens of desperate men in Manila's working-class district of Pandacan have used a two-mile stretch of state-owned rail that cuts through the congested community to ply their dangerous trade.

When no chugging trains are in sight, they sneak their eight-seat trolleys — small, metal-wheeled carts with benches fashioned from scrap wood — on the railway to ferry students, office workers and even policemen on short trips within Pandacan.

The power comes from brute strength.

"I use my feet, my gasoline is my sweat," said Ryan Dejudodes, 28.

[How to prevent the lights from going out across U.S.](#)

The lights might go out in Virginia in two years. As media reports have noted, blackouts are likely in the commonwealth by 2011 because demand for electricity is outstripping supply and the state needs access to new sources of power.

Sadly, Virginia's predicament can be seen around the country. The United States faces an energy crisis: More power generation and more transmission lines are needed, and all this must be created quickly while also meeting climate change goals.

Over the past few months, officials from the National Rural Electric Cooperative Association have met with representatives from the 900 cooperative electric utilities that supply power to 40 million people in 47 states. A common theme has emerged: Our political leaders must develop a national energy policy that funds development of new technologies to keep electricity affordable while meeting climate change goals. Otherwise, a growing number of Americans won't be able to pay for power, and many will be at risk of rolling blackouts and brownouts.

[Making Bulgaria look good](#)

James Howard Kunstler, oft derided as seeking to return America to a pre-industrial state, actually wants to return the country to the glory years of the industrial era, when the major components of our industrial infrastructure were in place and flourishing while Progressive Era reforms were making cities more habitable and humane.

This allowed us to build great cities while ameliorating problems that had overwhelmed earlier cities, such as hypercrowded tenements, which were relieved greatly by the streetcar suburbs, which allowed people of modest means to escape. The cities "sprawled" a bit, but on the whole remained quite dense and compact because they didn't have to devote 50 percent of their surface area to the care, feeding, and storage of automobiles.

[Tough road ahead for new president](#)

Others have certainly encountered moments of intense angst — George W. Bush after 9-11 and John Kennedy after the Cuban Missile Crisis come to mind. But Mr. Obama

faces the Long Emergency (with apologies to acerbic social commentator James Howard Kunstler who wrote a book by that name). He walks onto the world stage at a time of unprecedented turmoil in international economies and financial markets.

How long will this emergency last? How long before we get back to "normal?"

[Bob Moriarty, 321 Gold: Chaos on the Horizon? Invest in Real Assets](#)

We are to the point where we are about 14 feet from going over the edge of Niagara Falls. We haven't gone over the edge yet; we haven't gone to a total collapse. We don't have riots in the streets; we don't have a revolution. That's coming; that's about two to three months off.

[You're on your own](#)

Thomas Homer-Dixon, a teacher and author whose research has focused on how societies adapt to complex social change, said the bleak truth is no one really knows what is going on.

"The experts with real insight and integrity will simply admit they don't know what's happening at this point," he said. "Whether we're talking about the global economy or climate or any one of the other challenges we're facing right now -- any kind of prediction is pointless.

"What's been damaged here is confidence in a really profound way. Every time these experts shift, or jettison some policy that they announced as the sure-fire fix, it gets worse."

[2008 Trades Gone Bad #5: The peak oil trade](#)

This oil trade takes the cake.

At the zenith of the speculative bubble in the oil patch -- when crude hit \$147 per barrel in July -- you had everyone from T. Boone Pickens to Prince Alaweed touting \$200-per-barrel oil by the end of the year.

Crude is now trading around \$40 -- down \$107 per barrel in less than six months. Unbelievable!

[The hybrid wars heat up: Honda's new hybrid throws down the gauntlet to Toyota](#)

PHOENIX — Oil prices are going up. As I sit here writing about Honda's new hybrid, the

2010 Insight, on the desk next to me is the front page of The New York Times declaring that major oil and gas projects now being delayed are setting the stage for "another surge in oil prices once the global economy recovers."

So a spike in the price of oil is really just a matter of time. For Honda right now, the price of oil is not so much an issue of time, but of timing.

[No Furnaces but Heat Aplenty in 'Passive Houses'](#)

DARMSTADT, Germany — From the outside, there is nothing unusual about the stylish new gray and orange row houses in the Kranichstein District, with wreaths on the doors and Christmas lights twinkling through a freezing drizzle. But these houses are part of a revolution in building design: There are no drafts, no cold tile floors, no snuggling under blankets until the furnace kicks in. There is, in fact, no furnace.

[Schools to invest in alternative energy, give students edge](#)

St. Clair County RESA Career Technical Center students will be calculating actual energy outputs from school-owned windmills, solar panels and a hydroelectric plant.

In Warren Consolidated Schools, students will find lessons from a district-owned wind power station integrated into their classes.

Both programs are the result of a trend by a growing number of schools to meld alternative energy into their lesson plans.

[The Gas Tax](#)

President-elect Barack Obama and the Democrats in Congress seem to have a clear vision of the auto industry they think the country needs. It must be financially self-sufficient. It also must be capable of producing highly fuel-efficient, next-generation vehicles that can help the nation cope with climate change and finite supplies of oil.

Yet for all the conditions attached to it, the multibillion-dollar aid package for Detroit's carmakers approved by the White House (with Mr. Obama's support) fails to address one crucial question: Who will buy all the fuel-efficient cars that Detroit carmakers are supposed to make?

The danger is that too few will, especially if gasoline prices remain low. Therefore, it might be time for the president-elect and Congress to think seriously about imposing a gas tax or similar levy to keep gas prices up after the economy recovers from recession.

[Retail gasoline prices drift to 58-month low](#)

Retail gasoline prices tumbled Friday to the lowest level in nearly five years. And while crude futures rose, analysts believed it was a temporary pause in an extended, downward arc as the recession spreads.

"We're paying about a billion dollars per day less than we were in July" for gasoline, said Tom Kloza, publisher and chief oil analyst at Oil Price Information Service. "We could probably bail out some banks and maybe even some of the auto companies with the savings."

[Saudi must urge Russia to join Opec: Experts](#)

Saudi Arabia will have to take the lead in ensuring that Russia becomes a member of Organisation of Petroleum Exporting Countries (Opec), analysts and recent reports from think tanks in the sector suggest.

Russia has not only stubbornly set aside a possibility of joining the Opec, but it has also not announced an anticipated cut in its production to bolster the 2.2m (4.2m if cuts since September 2008 are considered) barrels a day Opec cut that takes effect from the first week of January 2009.

[Iraq Basra oil exports plunge 68pc](#)

Iraq's oil exports from its southern Basra terminal fell by 67.5 per cent to 552,000 barrels per day (bpd) on Saturday, from 1.7 million bpd on Friday, said a shipper.

[Chances of gas cut '50-50', Russia warns Ukraine](#)

MOSCOW (AFP) – There is a "50-50" chance that Russia will cut off gas supplies to Ukraine on January 1 over Kiev's failure to pay its debts, Russian energy giant Gazprom said on Saturday.

[Gazprom says Ukraine has non-cash options to pay gas debt](#)

MOSCOW (Reuters) - Crisis-stricken Ukraine may count its \$2 billion debt for Russian gas deliveries against future fees for Russian gas transit to European customers, a Gazprom spokesman said on Saturday.

...Kupriyanov said another option for Ukraine to pay its debt would be to hand back gas it had stockpiled in underground gas storages to help it live through the winter in the event Gazprom turns off the gas taps.

[Release the Stranglehold on Domestic Oil](#)

Pelosi's plan landed in the headlines just as the oracles of "Peak Oil" were again predicting the demise of petroleum. World production capacity appears stuck at 85 million barrels per day against growing demand in China and India. Until very recently Americans had been paying a heavy price to import 70 percent of our current oil consumption, while Democrats continued to chant: "We can't drill our way out of the problem."

YET GEOLOGISTS report that huge quantities of hydrocarbons (oil and natural gas) still lie buried at various locations around the globe. A recently released international study estimates more than 90 billion barrels of recoverable oil remain in the Arctic alone.

[China to offer incentives to scrap old cars: state media](#)

China plans to offer incentives for car owners to scrap their old models in favour of new ones, in a bid to lift the auto industry as it enters a period of crisis, state media said Saturday.

The measure is part of a new package being prepared in Beijing aimed at avoiding a US-style collapse of the local auto sector, the Xinhua news agency reported.

[Detroit, We Have a Problem](#)

WHEN Toyota, the auto industry's financial Godzilla, forecasts its first operating loss in 70 years, you know times are tough. When senators suggest that General Motors (of "What's good for the country..." fame) should be left to collapse, you know the ground has shifted.

[The road to perdition](#)

This combination of boldness in catering for cars and shyness with public transport, walking and cycling could propel Melbourne down the list of the world's most liveable cities and cancel out its multiple advantages. It will also add to the burdens of poor health, especially through low levels of physical activity, obesity and early onset diabetes. The time is right to make sure that Melbourne's budgets and policy priorities contain a clear map of how the city can celebrate the virtues of walking, cycling and public transport, reduce car trips and reward its residents with cleaner air, less noise, lower greenhouse gas emissions, fewer deaths and injuries and a calmer, more child-friendly and more economically successful city.

[The electric car that can break the speed limit signals a new road order](#)

Forget milk float. Forget golf buggy. The tarnished image of the electric car is about to be smartened up. The first proper-performance, four-seater electric car from a major manufacturer is about to be launched on the UK market.

The i-MiEV – pronounced eye-meev – from Mitsubishi, is a saloon car which will carry four adults and reach a top speed of 87mph. It will be available in the UK, initially for leasing, from the middle of 2009 and can travel up to 100 miles without charging.

[Nicaragua Plans to Reduce Dependence on Oil-based Energy to 3 Percent](#)

Few decades ago the share of renewable energy in Nicaragua's power generation was 70 percent but with growing ties with Venezuela and availability of cheap oil that number declined and now the country gets just 34 percent of its energy from renewable sources. But with the rising oil prices and increasing blackouts the government now seems to be falling back on the locally available and reliable renewable energy sources.

[It was a gas - and that was the trouble](#)

It seemed as if the prophecies of Thomas Malthus, the doomsayer of overpopulation, were coming true. A century ago, the world faced a crisis just as severe as the energy/global warming conundrum that confronts us today: Pundits predicted millions of people would starve as farmers' yields dropped because of a shortage of natural fertilizers, such as manure, guano and Chilean nitrates.

The news set off the equivalent of a nuclear arms race -- the search for a chemical process that could extract nitrogen from the air and transform it into fertilizer. Essentially, atmospheric nitrogen had to be persuaded to combine with hydrogen gas to form ammonia.

[Groups spend millions in 'clean coal' ad war](#)

Interest groups spending tens of millions of television ad dollars in a fight over carbon emissions and the existence of "clean coal."

Coal industry magnates, who would lose big if new pollution standards are signed into law, spent between \$35 million and \$45 million on advertising this year - most of it on television ads aired during the 2008 campaigns - pitching "clean coal" as a new environmentally friendly fuel.

[No Quick Or Easy Technological Fix For Climate Change, Researchers Say](#)

ScienceDaily — Global warming, some have argued, can be reversed with a large-scale "geoengineering" fix, such as having a giant blimp spray liquefied sulfur dioxide in the stratosphere or building tens of millions of chemical filter systems in the atmosphere to filter out carbon dioxide.

But Richard Turco, a professor in the UCLA Department of Atmospheric and Oceanic Sciences and a member and founding director of UCLA's Institute of the Environment, sees no evidence that such technological alterations of the climate system would be as quick or easy as their proponents claim and says many of them wouldn't work at all.

['Japanese Inuit' warns of climate change danger](#)

As the fields of ice surrounding his home rapidly become thinner, Ikuo Oshima knows firsthand that the effects of global warming are not a problem of the distant future, but a present danger.

It was the vast fields of the Arctic ice where Oshima, 61, managed to feed and raise five children, hunting walruses and seals and riding his dogsled. And that self-sustainable life has allowed him to become a member of the Inuit indigenous community in Siorapaluk, Greenland, the northernmost inhabited settlement on the planet.

[Climate change refugees seek a new international deal](#)

Millions of people are predicted to become climate refugees as global warming increases. A new international pact will be needed to protect their rights to live.

[Exxon may emerge as leader in CO2 capture](#)

While Exxon Mobil Corp. has been among the most vocal skeptics of man-made causes of climate change, the company has spent the last two decades forging an expertise in one of the key technologies to combat the problem: capturing and storing carbon-dioxide emissions.



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