



DrumBeat: December 29, 2008

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Topic: [Miscellaneous](#)

[Gazprom, Once Mighty, Is Reeling](#)

MOSCOW — A year ago, Gazprom, the Russian natural gas monopoly, aspired to be the largest corporation in the world. Buoyed by high oil prices and political backing from the Kremlin, it had already achieved third place judging by market capitalization, behind Exxon Mobil and General Electric.

Today, Gazprom is deep in debt and negotiating a government bailout. Its market cap, the total value of all the company's shares, has fallen 76 percent since the beginning of the year. Instead of becoming the world's largest company, it has tumbled to 35th place. And while bailouts are increasingly common, none of Gazprom's big private sector competitors in the West is looking for one.

That Russia's largest state-run energy company needs a bailout so soon after oil hit record highs last summer is a telling postscript to a turbulent period. Once the emblem of the pride and the menace of a resurgent Russia, Gazprom has become a symbol of this oil state's rapid economic decline.

[Oil palm fruits left to rot in Indonesia as prices fall](#)

PETALING JAYA: Low crude palm oil (CPO) prices and poor transportation have led to fresh fruit bunches (FFB) being left to rot in Indonesia and the situation has been a near miss for Malaysia.

[The 10 Biggest Cleantech Victories of 2008](#)

Last week we brought you the 10 Biggest Cleantech Disappointments of 2008 — such as electric car maker Tesla hitting a wall, and T. Boone Pickens putting his massive wind power project on ice. But nascent industry also saw a lot of significant milestones in 2008. Here are some of the green highlights.

[Ecuador to decide on OPEC meet after supply cuts](#)

QUITO (Reuters) - Ecuador will monitor oil markets after OPEC makes effective its January output cuts to decide whether to back a cartel emergency meeting to stabilize oil prices dragged down by excessive supply, Oil Minister Derlis Palacios said on Monday.

[Venezuela: The Cost of the World's Cheapest Gasoline](#)

CARACAS (IPS) - The world's most inexpensive gasoline is sold in Venezuela, through a longstanding subsidy programme that benefits car owners while depriving the oil industry of a large source of funds for reinvesting.

[Lessons from the Oil Market](#)

Looking ahead (full disclosure: I don't have a crystal ball) it seems likely that the severe downturn in the global economy will depress demand for oil for quite some time. On the supply side, I distrust all the talk about "peak oil." Predictions that the world is running out of oil have a long history. They have all been spectacularly wrong, because they don't understand markets. I could write a whole article on the rosy prospects for future increases in the supply of oil, but suffice it to say here that continually improving technology, plus the removal of political barriers against developing known reserves, combined with the fact that much of the planet has yet to be explored for oil, and you have reasons for optimism.

[Oil Futures Market: Unwinding the Bubble](#)

Almost every day since July, I have been reading (correction, scrolling through and mostly ignoring) articles declaring an oil price bottom and setting "natural" price targets for oil. In August, those targets were in range between \$150 and \$200 (last one by Goldman Sachs, I still want to know if their traders listened to their analysts and if so, how much money they lost in result). Currently, the range moved to something like \$80 to \$100. What a bunch of crap! And I completely refuse to discuss bunk "Peak Oil" theory here.

[EPA: Rivers high in arsenic, heavy metals after sludge spill](#)

KINGSTON, Tennessee (CNN) -- The Environmental Protection Agency has found high levels of arsenic and heavy metals in two rivers in central Tennessee that are near the site of a spill that unleashed more than a billion gallons of coal waste.

[The upside of downward mobility](#)

"Look," said the President, walking across the stage with a microphone in hand, "here's what no one wants to tell you. Structural changes in our economy, and new competition

from countries like China and India, mean that we're in a different world now. That pattern we once took for granted, in which our incomes basically kept rising across the board, turns out to be something we can't sustain. Many of you are earning less than your parents did, and the truth is, many of your children will earn less than you do."

The President paused, watching as the words sank in. "I don't think denial helps any of us. I know it won't help us come together to do the things we need to do as a nation to thrive even amid these new realities."

Don't worry, you didn't miss the news; the scene above has not happened yet. Few politicians would say those things even if they believed them to be true, because it would challenge a notion at the heart of the American dream: the idea that the kids will earn more than we do. This idea has been at the core of American experience for so long that it seems to us the natural order of things, a brand of progress to which we're practically entitled. Political leaders plainly believe we cherish this prospect, because it is central to how they talk about our lives. It's as if relinquishing the certitude that the kids will earn more than we do would be to give up something essential in the American spirit.

The problem, as new research shows, is that we have to face a new reality. As many as 100 million Americans now live in families that are earning less in real terms than their parents did at the same age.

[Slowdown risk to Saudi growth](#)

For the past few years, much of the talk coming out of Saudi Arabia has been about opportunity – a chance to use the oil boom to develop the economy and go some way to heading off pressing social and economic pressures that have been building up in the kingdom.

During the late 1980s and 1990s, the economy stagnated while the population ballooned. By the turn of the century, unemployment had reached double digits and, with some 60 per cent of the 17m national population estimated to be under 25, the need to expand the private sector and create jobs was deemed vital to the nation's stability and its future prosperity.

The oil boom and the massive accumulation of petrodollars provided a chance to tackle those issues and rehabilitate decaying infrastructure. But just as the process is beginning to inch forward, the Arab world's largest economy faces a slowdown and is grappling with the prospect of a dramatic fall in revenue following the collapse in oil prices and reductions in crude output.

[Venezuela 2008 Economic Growth Likely Slowed to 4.9%](#)

(Bloomberg) -- Venezuela's economy probably grew 4.9 percent in 2008, the slowest pace in five years, as crude oil prices collapsed and investment shrunk, the central bank said today in its year-end report on the economy.

Central bankers expect the price of oil, which accounted for 93 percent of exports this year, to remain volatile in the “short term,” causing investment to fall in the petroleum sector and forcing the government to dip into its savings to finance spending, the bank said today in an e-mailed statement.

[Russia, Ukraine Scramble for Gas Deal as Cutoff Looms](#)

(Bloomberg) -- Russia and Ukraine failed today to reach an agreement on gas debts, leaving two days to avoid a cutoff that threatens to disrupt fuel supplies to Europe and cause a fresh Russian rift with the West.

[Gazprom tries to stop gas row turning into conflict with west](#)

Gazprom will launch a charm offensive in London tomorrow in a desperate attempt to avoid the latest confrontation with Ukraine over gas supplies turning into a wider commercial and political row with the west.

[Russia's pipeline politics with Ukraine and the West](#)

Ukraine and Russia are at odds again over the price of natural gas and how it is delivered. This latest dispute underlines the need for President-elect Barack Obama to eliminate avoidable causes of friction in the West's relationship with Russia.

[Ruble Falls to Record Low Versus Euro as Russia Weakens Defense](#)

(Bloomberg) -- The ruble fell to a record low against the euro as Russia devalued the currency for the 12th time in seven weeks after the government forecast its first budget deficit in a decade.

[Peering into oil's crystal ball](#)

Saudi Arabia, the most influential member of the Organization of Petroleum Exporting Countries, is looking for an oil price of \$75 a barrel. It's not likely to reach that goal in 2009.

A year ago, oil was around \$100. Some prognosticators expected the price to rise a lot, and some looked for a sharp fall. Both were right. The price per barrel first shot up to \$147 and then fell back vertiginously to \$40. It's enough to make anyone give up the prediction game.

[Kunstler: Forecast for 2009](#)

There are two realities "out there" now competing for verification among those who think about national affairs and make things happen. The dominant one (let's call it the Status Quo) is that our problems of finance and economy will self-correct and allow the project of a "consumer" economy to resume in "growth" mode. This view includes the idea that technology will rescue us from our fossil fuel predicament -- through "innovation," through the discovery of new techno rescue remedy fuels, and via "drill, baby, drill" policy. This view assumes an orderly transition through the current "rough patch" into a vibrant re-energized era of "green" Happy Motoring and resumed Blue Light Special shopping.

The minority reality (let's call it The Long Emergency) says that it is necessary to make radically new arrangements for daily life and rather soon. It says that a campaign to sustain the unsustainable will amount to a tragic squandering of our dwindling resources. It says that the "consumer" era of economics is over, that suburbia will lose its value, that the automobile will be a diminishing presence in daily life, that the major systems we've come to rely on will founder, and that the transition between where we are now and where we are going is apt to be tumultuous.

[Global Oil-Price Roller Coaster Challenges Obama and the World](#)

The global financial crisis has caused a massive slide in energy prices, down to \$40-\$50 a barrel of NYMEX light sweet crude from the July 2008 highs of \$147. While oil prices, along with other commodities, are expected to continue their fall in the short term, over the medium to long term, economic recovery is likely to generate growth in demand, and oil prices are expected to recover as energy markets tighten.

Moreover, lower oil prices are likely to impede the massive investment needed to meet rising demand by 2030, delay introduction of energy-saving technologies, and make alternative fuels less competitive. The tight credit environment will also make it more difficult for energy firms to obtain the necessary funding for financing the capital-intensive growth in production capacity, especially necessary for expensive and difficult offshore production, exploration and development, and heavy oil, oil sands, or oil shale production.

[German Gas Providers to Maintain Supplies Amid Ukraine Dispute](#)

(Bloomberg) -- Natural-gas suppliers in Germany, Europe's biggest energy market, expect to maintain deliveries of the heating fuel even as stockpiles fall to a seven-month low and Russia threatens to halt shipments to Ukraine.

[Nigeria arrests suspected militant commander](#)

PORT HARCOURT, Nigeria: Nigeria's military says it has arrested a suspected member of a militant group in connection with attacks on oil facilities in the troubled Niger Delta.

[Offshore drill ban floated](#)

AUGUSTA, Maine — Drilling for oil or natural gas off the coast of Maine would be banned under legislation being proposed by Rep. John Martin, D-Eagle Lake, a bill sure to generate controversy.

"I am convinced that the coast of Maine is too precious to let drilling happen off that coast," he said in an interview, "and I am convinced if we don't have a ban in place, somebody will drill."

[Bogus money goes mainstream](#)

Counterfeiting arrests in the USA jumped 28% this year over 2007 — the highest number since 2004, according to the Secret Service, a division of the Homeland Security Department that safeguards the nation's currency. Counterfeiters passed \$64.4 million in fake cash into the economy, a 5% increase over 2007 and also a five-year high, says Special Agent Darrin Blackford, spokesman for the agency.

"It's not just the criminal element, but we're also seeing more students that maybe use a counterfeit \$20 bill to buy pizza or someone trying to do it to purchase gas to get to work," says Brian Marr, Secret Service special agent in charge of the Little Rock field office. Marr says reports of fake bills spiked this year when gas prices hit record highs.

[Environmental headlines: Is the world falling apart?](#)

The environment was top of mind for much of this year, with mostly gloom and doom science stories about everything from shrinking ice at the poles, to the ever-expanding hole in the ozone layer making headlines around the world and causing us to wonder whether our world is falling apart.

[Why Crude Oil Will Present Investors with a Golden Opportunity in 2009](#)

Back in 1988, for instance, Saudi Arabia raised its proven-reserve figure from 170 billion barrels to about 260 billion barrels. That figure has remained more or less constant since then, despite the fact that billions of barrels of oil have been pumped out of the ground.

"Saudi Arabia has announced for 20 years in a row that they have 260 billion barrels of oil in reserve," Rogers told *Money Morning* during an exclusive interview in Singapore recently. "It's astonishing. The figure never goes up and it never goes down. They have

produced dozens of millions – billions – of dollars of oil in that period of time.

“Every oil country in the world has declining reserves except Saudi Arabia,” Rogers said. “And I know that every oil company has declining reserves. So unless somebody discovers a lot of oil very quickly in very accessible areas, the surprise is going to be how high the price stays, and how high it goes.”

Simmons thinks oil prices could hit \$300 a barrel – and could possibly even surge as high as \$500 a barrel – during the next several years.

[Oil jumps above \\$40 on Gaza conflict](#)

VIENNA, Austria – Tensions generated by a widening conflict between Israel and Palestinian militants sent crude prices up sharply to above \$40 a barrel Monday, with gasoline and heating oil also making sizable gains.

Prices also were supported by indications that key OPEC members were acting on commitments to cut back production, in line with a decision earlier this month to take a daily 2.2 million barrels off the market.

Light, sweet crude for February delivery rose \$2.56 to \$40.27 a barrel in electronic trading on the New York Mercantile Exchange by midday in Europe.

[Oil said to back near \\$100 by 2010-2015](#)

ISTANBUL (Reuters) - Oil prices may rebound to around \$100 per barrel between 2010 and 2015, International Energy Agency Chief Economist Fatih Birol predicted on Monday.

Birol told an energy conference that he saw downward pressure on oil prices in 2009 but said he expected prices to move up again in 2010 with a recovery in the world economy.

Oil is on track for a nearly 60 percent loss this year, the biggest annual fall since futures began trading 25 years ago.

[China to Increase Oil, Gas Imports on Lower Prices](#)

(Bloomberg) -- China, the world's second-biggest energy consumer, will take advantage of lower prices to boost imports of oil and natural gas as reserves are being built, the head of the National Energy Administration said.

Companies will be encouraged to utilize their spare oil- storage capacity while state and commercial reserves of other ``strategic resources" will be set up, Zhang Guobao, also the vice chairman of the National Development and Reform Commission, wrote in an

article in the official People's Daily today.

[Myanmar signs gas deal with SKorea, India, China: state media](#)

YANGON (AFP) – Military-run Myanmar has signed a deal with South Korean and Indian companies to pipe natural gas from the energy-rich nation's offshore fields to China, state media reported Monday.

The Myanmar Oil and Gas Enterprise inked the deal last Wednesday with South Korean companies Daewoo and Korea Gas Corporation and Indian energy firms ONGC Videsh and GAIL to supply gas to the China National United Oil Corporation.

[Tumult in the life of a Calgary oil trader](#)

CALGARY - There were days this year when Rob Gigiel felt as if he were watching a space shuttle blow up in slow motion. There were days this year when Mr. Gigiel felt as if he'd won the Stanley Cup.

But the day a barrel of oil hit US\$100 - now that was a day to remember.

[Russia continues gradual devaluations as econ slows](#)

MOSCOW (Reuters) - Russia allowed the ninth mini-devaluation of the rouble this month on Monday, bringing the currency's losses to more than 18 percent since August as the oil-funded economy faces growing risks of recession.

Russia's central bank began a gradual depreciation of the rouble a month and a half ago due to downward pressure on the currency from slumping oil prices, a worsening economy and investors' flight from emerging markets.

[Kuwaiti Partner: Dow Deal Still in Effect](#)

PHILADELPHIA (AP) - Rohm & Haas Co. said its proposed acquisition is still in effect even though the Kuwaiti government has canceled a \$17.4 billion joint venture with U.S. petrochemical company Dow Chemical Co.

On Sunday the Kuwait government said the joint venture, known as K-Dow Petrochemicals, was "very risky" due to the global financial crisis and low oil prices. The move came just days before the joint venture's Jan. 1, 2009 startup date.

[Saudi Aramco, Total award first contract for Jubail](#)

DUBAI (Reuters) - Saudi Aramco's and French oil major Total awarded a construction contract for its \$12 billion joint-venture refining and petrochemical facility in Saudi Arabia, the companies said on Monday.

The contract, which is required to support the construction phase of the complex at Jubail, is an indication of the companies commitment to push through the project.

[Ukraine must pay a fair price](#)

No country can be expected to continue supplying gas to a customer which refuses to meet its bill.

[Ukrainian speaker in favor of gas consortium with Russia](#)

MOSCOW (RIA Novosti) - The speaker of Ukraine's parliament said on Monday that he was in favor of reviving a proposal to establish a gas consortium between Russia and Ukraine.

"The idea has been discussed, all the basic documentation has been signed. We should examine this very seriously and gain a mutual advantage. The idea is good, and it needs to be brought back," Volodymyr Lytvyn told Ekho Moskvyy radio.

[Gazprom sees record 10% reserves boost](#)

The hydrocarbon reserves of Russia's Gazprom rose by a record 10% this year after the government granted it 10 major gas deposits and its oil arm boosted oil reserves, according to reports.

Vedomosti business daily quoted two unnamed Gazprom officials as saying Gazprom and its subsidiaries increased reserves by 4.7 billion barrels (601 tonnes) of fuel equivalent in 2008.

[Russia's initial investment in Bolivian gas fields to hit \\$4 mln](#)

MEXICO CITY (RIA Novosti) - Immediate investment by Russian companies in the exploration of new gas fields in Bolivia could reach \$4 million, Mexican media reported, referring to Bolivian Energy Minister Saul Avalos.

According to Avalos, geological prospecting will begin as soon as January.

[Lower gas prices helping Ohio police departments](#)

WILLOUGHBY (AP) - Police chiefs said they're relieved gas prices have fallen so much in recent months, especially after record high prices strained department budgets over the summer.

But with 2008 gas prices ranging from \$4 a gallon to the current \$1.60 a gallon, some northeast Ohio officials are wondering how much to set aside in 2009 to keep patrol cars on the road.

[Green building stalls amid falling home prices](#)

PHOENIX - Homebuilders slapped on solar panels and added other eco-friendly enhancements as energy prices soared earlier this year, hoping greener homes would lure reluctant buyers.

But since July, the cost of oil has plunged from \$147 a barrel to about \$36, while home prices continued to fall. Together, these headwinds have stalled low-energy housing developments around the country, including projects by Meritage Homes and Shea Homes.

[Demand grows for U.S.-style suburbs overseas](#)

A growing number of architects and urban planners are finding work overseas as the domestic real estate slump persists. An emerging affluent class abroad is drawn to suburbs with U.S. names that mimic the American ideal — down to the master bathroom and tree-lined sidewalk.

[Brazil unveils plan to expand ethanol sales in Asian market](#)

Brazil's giant oil and gas corporation Petrobras has plans to open next year its first service stations in Japan to promote the distribution of ethanol, of which Brazil is the world's second leading producer, according to a report from O Estado de Sao Paulo. Petrobras already operates an oil refinery in Japan.

Japan would be the first step in a long term plan to conquer the Asian ethanol market. Brazil currently exports 380 million litres of ethanol (made out of sugar cane), but the target is to reach 12 billion litres in a decade.

[Biodegradable plastic made from plants, not oil, is emerging](#)

Here is one word about an up-and-coming innovation in plastics: cornfields.

Bioplastics — most of which are now made from corn — are poised to grab a bigger share of the plastics market as concerns about the environment and U.S. dependence on foreign oil promote alternatives to products made from petrochemicals.

[Canada's vast oil cache hides dirty environmental secret](#)

FT. MCMURRAY, Canada - From here in the far north of Canada through a web of transcontinental pipelines down to a network of refineries ringing the Chicago area, a new supply of precious oil has begun flowing into the gas tanks of more Americans, tapped from a source so vast it could one day furnish close to half of U.S. oil needs for 50 years or more.

This Canadian oil is stable and reliable. It promises to substantially reduce America's future dependence on volatile Middle Eastern sources of oil. And much of it is profitable to produce even with oil prices hovering around \$50 per barrel, which explains why some of the world's largest oil conglomerates have invested tens of billions of dollars here despite wild short-term swings in international oil prices.

But what few American consumers know as they routinely fill up their tanks is that this new petroleum bonanza, drawn from dense, tarry deposits known as oil sands, ranks as what environmentalists call the dirtiest oil on the planet. Extracting it causes widespread ecological damage - and could accelerate global warming.

[Million dollar question: how to get oil from shale](#)

Opinions differ about what role oil will play in the energy future of the United States and what role oil shale should have. Should oil shale be developed and, if so, when and how? Many geologists, engineers, physicists, chemists and others have been studying oil shale and its potential for years and have established some basic facts.

[Re-igniting the global warming debate: Here's what will make headlines in 2009](#)

3- Talk of peak oil goes mainstream.

Earlier this month Fatih Birol, chief economist of the International Energy Agency, told British journalist George Monbiot that conventional oil production will plateau — that is, peak — in 2020 and that it's "not good news from a global oil-supply point of view." It was an unprecedented statement coming from a conservative organization that has traditionally sugar coated the long-term oil outlook.

It seems odd, when you consider that members of the Organization for Petroleum

Exporting Countries are making unprecedented curtailments of supply.

But that's a reaction to a short-term fall in demand. More dangerous is that unconventional oil projects that represent future supply, such as those in the oil sands, have been put on hold because of tight credit markets and low oil prices. When demand picks back up, and it will happen fast, supply just won't be able to keep up. Given this scenario, expect more talk of "peak oil" next year, and not just from fringe groups shouting from the sidelines.

[Humans, Oceans Shaped North American Climate Over Past 50 Years, NOAA Report Says](#)

While a general trend toward warmer ocean conditions is expected with increasing greenhouse gases, regional differences in sea surface temperature trends can be either natural or human-caused, according to Dole.

The assessment found that an increase in greenhouse gases is likely responsible for more than half of the average continental warming of 1.6° Fahrenheit observed during the past 50 years. Greenhouse gases, emitted by fossil fuel burning and natural sources, trap heat in Earth's atmosphere and warm the surface.

[Energy secretary Ed Miliband says 2009 is crunch year for climate change](#)

Energy and climate change secretary Ed Miliband said 2008 was an historic year for confronting the twin challenges of developing a low-carbon economy and combating climate change, thanks to the agreement on European energy and emission targets, the passing of the world-first Climate Change Act, and strong growth in the UK renewable industry.

But he said 2009 will be crucial when it comes to meaningful action on climate change.

[Natural Disasters Cause Higher Losses in 2008, Munich Re Says](#)

(Bloomberg) -- Losses from natural catastrophes rose to the third-highest level on record as climate change fueled cyclones and hurricanes and China was hit by the Sichuan earthquake, according to a report from Munich Re.

Worldwide insured losses related to natural catastrophes increased about 50 percent to an estimated \$45 billion last year compared with 2007, the world's biggest reinsurer said in an e- mailed statement today. Overall losses more than doubled to about \$200 billion, the Munich-based company said.



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