



DrumBeat: December 30, 2008

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Topic: [Miscellaneous](#)

[Tempers rise over oil-heat lock-ins](#)

Consumers and local governments that locked into long-term contracts for heating fuel and diesel this year to save money as prices soared are feeling buyer's remorse as they watch prices plummet.

"We've never gone through anything like this where prices rise so quickly and fall so quickly," says Dan Gilligan, president of the Petroleum Marketers Association of America.

In Connecticut, more than 500 people have called the attorney general's office in the past two months, trying to get out of the fuel contracts. The national average for home heating oil is \$2.41 a gallon. Some paid more than \$4 this year.

"It's a universal plea: they want us to extricate them from these contracts," says Attorney General Richard Blumenthal.

[Gas falls for 11th day, nears 5-year low](#)

NEW YORK (CNNMoney.com) -- A daily survey of gas station credit-card swipes shows that gas prices are dropping to the lowest levels in nearly five years.

Regular unleaded gas fell for the 11th consecutive day Tuesday to an average of \$1.616 a gallon, down 3 tenths of a cent from the previous day's price of \$1.619, according to motorist group AAA. That's the lowest price since gas hit \$1.6027 a gallon in January 2004.

[Socialism with cheap oil](#)

DURING a turbulent decade in power, Venezuela's president, Hugo Chávez, has been greatly helped by his own remarkable ability to inspire loyalty among ordinary Venezuelans on the one hand, and the sharp rise in the price of oil, the country's only significant export, on the other. But the world price of oil has fallen from a peak of \$147 last July to \$40. And popular discontent with Mr Chávez's corrupt and autocratic

regime is mounting. So 2009 looks like being a difficult year for Mr Chávez and his "Bolivarian revolution".

[Saudi Arabia eyes more cuts to stop oil slide](#)

LONDON -- Top exporter Saudi Arabia is set to cut oil supplies further in the new year, potentially taking output below its agreed OPEC target, as it strives to shore up a collapsing market, oil market sources said on Tuesday.

It lowered supply to 8.2 million barrels per day (bpd) in December as the oil price dived to less than US\$40, far below the US\$75 a barrel named by Saudi King Abdullah as a fair price.

The kingdom had previously increased production unilaterally to about 9.7 million bpd in August to calm an oil market that shot up to a record of nearly US\$150 in July.

Since then, it has reduced supplies by roughly a fifth and further "significant" output curbs are expected in February, trade sources said.

"This is because of the price. The Saudis want it higher," said a major buyer.

[Ukraine Pays Russia for Gas, Says No Obstacle to Deal](#)

(Bloomberg) -- Ukraine agreed to pay as much as \$2 billion to settle arrears for natural-gas imports from Russia, potentially averting a threat by OAO Gazprom to halt supplies and clearing the way for a deal on gas shipments in 2009.

Ukraine has paid in full for imports in November and has made an advance payment for December's supplies, President Viktor Yushchenko's office said in an e-mailed statement today.

[Angola revises February oil exports downwards: traders](#)

LONDON (Reuters) - Angola is likely to reduce its February crude oil exports by about 13 percent from January following OPEC's agreement on supply cuts to help reverse falling oil prices, traders said on Tuesday.

Angola has revised its February loading programme, traders said. The revised programme, which was obtained by Reuters, showed the West African producer's exports for the month would fall to around 1.60 million barrels per day.

[Russia to cut oil export duty to \\$119 per ton from January 1](#)

MOSCOW (RIA Novosti) - The Russian prime minister signed a resolution on cutting oil export duty further down to \$119.1 per ton from January 1 amid declining world oil prices, the government's press office said on Tuesday.

[Big West Utah Refinery Is Purchasing Oil on Day-to-Day Basis](#)

(Bloomberg) -- Big West Oil LLC said its North Salt Lake City, Utah, refinery is purchasing crude on a day-to-day basis after its parent, Flying J Inc., filed for bankruptcy earlier this month.

“We are still working things out to continue to receive our crude supply,” Joel Elstein, manager of the Utah plant, said in a telephone interview. “It’s been kind of a day-to-day thing.”

[Down, not out: encouraging signs for '09](#)

“Americans are going to resume their normal traveling habits in 2009,” says Doug Hecox, spokesman for the Federal Highway Administration (FHWA). “We just don’t know when.” Furthermore, he suggests, the size and timing of that shift probably has less to do with the price of gas than the underlying economic situation.

In a nutshell, Hecox believes we’ll adapt. “The longer the economy remains murky, the more people figure out ways to deal with it,” he says. “People start to justify little luxuries – not Godiva chocolates or trips to Paris, but maybe an overnighter or long weekend away.”

[Utility's plan big on energy efficiency in Colo.](#)

Xcel Energy's plan for providing energy through 2015 includes an aggressive energy efficiency program that could save the equivalent of a coal-fired plant.

[Oil Set for Rebound as Record Drop Spurs OPEC Cuts](#)

(Bloomberg) -- Oil futures may rebound from their worst year to average \$60 a barrel next year as OPEC makes record production cuts to counter the deepest economic slump since World War II.

The forecast, the median of 33 analysts compiled by Bloomberg, represents a 52 percent gain from today’s \$39.48 price. A 14 percent reduction in supply, equal to 4.2 million barrels a day, pledged by the Organization of Petroleum Exporting Countries will erode U.S. crude inventories that rose 10 percent this year as the slowing economy reduced world demand for the first time since 1983.

[Tight Credit Threatens Pipeline Expansion](#)

Steady expansion for pipeline companies is grinding to a halt as tight credit makes it harder to raise construction money, potentially limiting their ability to bring new supplies of natural gas to market.

U.S. gas-pipeline construction boomed in recent years as demand for natural-gas grew and production shifted to new areas, such as north Texas and the Rocky Mountains.

Pipeline demand has remained strong despite falling energy prices, but the financial crisis has made it harder and more expensive for companies such as El Paso Corp., Kinder Morgan Energy Partners LP and others to raise cash to build new conduits.

Canceled and scaled-back pipeline projects are bad news for natural-gas consumers and producers, who now could face higher fees and limitations on how much gas they can move from new production areas.

[This oil man favors a gas-tax hike](#)

NEW YORK (Fortune) -- It's not often you hear a corporate executive advocate a tax on the product he sells, particularly not in the oil business, where opposition to gasoline taxes is fervent. But Paul Foster, the chairman and CEO of El Paso-based Western Refining, is (dare we say use the word after the presidential campaign?) a maverick.

Foster, 51, is a conservative Republican who has spent his entire career in the energy industry. He founded Western Refining (WNR, Fortune 500) in 1997 and in a decade built it into a \$7.3 billion giant (No. 342 on the Fortune 500) that refines various fuels and also sells gasoline to consumers, mostly in the Southwest under the Giant and Mustang brand names.

Foster contends that the country needs to raise the federal gas tax significantly. He points out that, in real terms, we're paying less than we did decades ago. (At 18.4 cents per gallon, the federal tax is currently 16% lower, adjusted for inflation, than it was in 1970.)

Foster argues that the levy should be increased, in steps, to \$2 per gallon or more. He's even willing to credit the Europeans with a good idea or two on this score, as he explains in an interview with Fortune.

[Energy dispute over Rockies riches](#)

A titanic battle between the West's two traditional power brokers -- Big Oil and Big Water -- has begun.

At stake is one of the largest oil reserves in the world, a vast cache trapped beneath the

Rocky Mountains containing an estimated 800 billion barrels -- about three times the reserves of Saudi Arabia.

Extracting oil from rocky seams of underground shale is not only expensive, but also requires massive amounts of water, a precious resource crucial to continued development in the nation's fastest-growing region.

[Byron King: Whither the Oil Markets](#)

“Global Demand for Oil to Plummet,” screams a recent Financial Times headline. Huh? No it won't. Who are they trying to kid?

Global oil demand is not going to “plummet.” And for the FT to say so is just plain silly, if not irresponsible. OK, I know. There's an old saying that they teach in journalism schools. “You have to sell newspapers.” But this declaration by the FT highlights the perils of letting a headline-writer do your thinking for you. It's what I call “arguing a screaming conclusion.” And a wrong conclusion at that.

[Drill baby drill — a reality check](#)

Many Americans want to believe that the US still has unlimited oil resources within its boundaries, if only the pesky environmentalists would just get out of the way. Throughout the recent presidential campaign, the “Drill baby drill” mantra was exploited relentlessly by John McCain, his supporters and rightwing media sources.

[Apache Resumes Oil Output as Australia Cyclone Eases](#)

Apache Corp has restarted production from two oil fields with combined output of 13,200 barrels per day (bpd) off Australia's western coast after a cyclone weakened and no longer posed a danger to operations, the company said on Monday.

Production at the 8,000 bpd Stag oil field was reactivated on Friday, said David Parker, a Perth-based Apache spokesman. Production at the Ocean Legendre oil field, with a rate of 5,200 bpd, will be restarted later this week.

[Bakersfield Refinery Halts Production After Bankruptcy](#)

(Bloomberg) -- Big West Oil LLC, which has two refineries in the U.S., has halted taking deliveries after parent Flying J Inc. filed for bankruptcy, the Bakersfield Californian newspaper reported, citing a crude supplier.

Big West has refused shipments of oil and may be carrying out maintenance, the

newspaper said, citing David Wolf, chief executive officer of Berry Petroleum Co. Big West has no plans to close or change operations, company spokesman Peter Hill told the newspaper. Flying J declined to comment, the newspaper said.

[Mexico's Fiscal Prudence Fails to Avert a Slowdown](#)

MEXICO CITY — Twice in the last three decades, Mexico has demonstrated that one country's profligacy and mismanagement can spell economic catastrophe beyond its borders.

In 1982, the country defaulted on its foreign debt and set off a Latin American debt crisis that led to a decade of anemic growth across the region. In 1994, the peso collapsed and halted capital flows to emerging markets around the world, until the Clinton administration arranged a \$50 billion Mexican bailout.

But this recession, it is the profligate United States pulling down fiscally disciplined Mexico.

[Argentine government intervenes in troubled natural gas company](#)

BUENOS AIRES, Argentina (AP) — Argentina's government is taking over a troubled gas company after it defaulted on \$22.5 million in debt.

[Cold turns fuel into gelatinous clump](#)

Equipment doesn't run when the diesel inside it gels up to the consistency of clumpy wax.

Severe cold weather is creating a prolonged call for higher grade diesel, and suppliers are having difficulty keeping up with demand.

[Fuel scarcity crisis bogs down festive season in Rwanda](#)

APA-Kigali (Rwanda) As Rwanda waits for dozens of fuel trucks coming from Mombasa, Kenya, as promised by the ministry of Trade, fuel shortage crisis continues to rock the country prompting long queues on almost all pumping stations by Tuesday morning, causing unexpected business paralysis.

The escalating crisis which has persisted for over a week now, has led to a sudden increase in transport fares for upcountry commuters and commodity prices, restraining life especially during the festive season, APA learns.

[Consumers want their SUVs; they just don't want to pay for the gasoline](#)

When the gasoline prices dipped to about \$1.50 -- I paid \$1.38.9 the other day -- guess what? Trucks and sport-utility vehicles began to outsell cars. The numbers show December likely will end that way for the first time since early last year.

If I'm not mistaken, the consumer was less concerned with fuel efficiency than size, luxury and performance, and fuel economy be darned.

And you know what else? This has happened several times in the past few decades, so it's no surprise.

[Getting Ahead of the Data Storage Energy Crisis: The Case for MAID](#)

There is a tremendous amount of focus on energy efficiency these days. Some think it's a nice "green" thing. Others understand the significant financial benefits that can be gained. But for those of us in the storage and networking industry, it's a lot more urgent than that. We are on the brink of an energy crisis that fundamentally impacts all of our professional lives.

[The energy climate plan of Barack Obama](#)

The energy-climate question is one of those areas where the policy of Barack Obama could be most radically distinguished from that of George W. Bush. Under the leadership of the new president, in fact, the United States should quickly adopt an obligatory plan of reduction of greenhouse gases, invest massively in renewable energies and play an active role in the negotiation of a new international treaty to take over from Kyoto, in 2013. The turn is undeniable. We should take note of it, but we should also measure its limits... and dangers.

[Will the U.S. Move From Arab Oil Dependence to Asian Battery Dependence?](#)

A consortium of chemical and battery manufacturers is seeking \$1 billion from the U.S. federal government to build a domestic industry for electric car batteries.

[Possible air hazards rarely considered in plans for schools](#)

MIDDLETOWN, Ohio — The students at Amanda Elementary School here already breathe what appears to be some of the most polluted air in the nation.

Now, a plant that makes coke — the coal-based fuel that melts iron ore for steel mills — is scheduled to be built behind the school, just past the ball fields.

"I can't believe this is possible," says Jena Manley, a college junior who attended the school and lives nearby. "How much pollution are we supposed to take?"

[USA's trashed TVs, computer monitors can make toxic mess](#)

SEATTLE — Hong Kong intercepted and returned 41 ship containers to U.S. ports this year because they carried tons of illegal electronics waste from the U.S., according to the Hong Kong Environmental Protection Department.

By turning the containers away, Hong Kong thwarted attempts by U.S. companies to dump 1.4 million pounds of broken TVs or computer monitors overseas and an estimated 82,000 pounds of lead, a known toxin, in the devices.

But thousands of other shipments probably slipped through, says Jim Puckett, head of the Basel Action Network, or BAN, a three-employee environmental non-profit that over eight years has become a respected watchdog over the rapidly growing electronics recycling industry.

[October oil demand down 4.07 pct from year ago: EIA](#)

WASHINGTON (Reuters) - U.S. oil demand in October was 598,000 barrels per day more than previously estimated and down 833,000 bpd from a year earlier, the Energy Information Administration said on Monday.

U.S. oil demand in October was revised up by 3.14 percent from the EIA's early estimate of 19.045 million bpd to the agency's final demand number of 19.643 million bpd, and was 4.07 percent less than demand of 20.476 million bpd a year earlier.

The final numbers, in the EIA's monthly petroleum supply report, always differ from initial estimates in the weekly petroleum report.

[Oil near \\$40 as investors eye Gaza conflict](#)

VIENNA, Austria – Resurfacing concerns over the world economy sent crude prices lower Tuesday, eclipsing fears that the conflict between Israel and Hamas could inflame tensions in the oil-rich Middle East.

Prices have blipped upward over the past few days because of the fighting. But with the conflict in its fourth day Tuesday, the market refocused on the turmoil roiling economies internationally — and the negative fallout for oil demand.

[OPEC is pumping below target: report](#)

LONDON — Output from OPEC members bound by supply targets fell by 400,000 barrels per day (bpd) in December, consultant Petrologistics said on Tuesday, as the group more than complied with a deal to try to boost oil prices.

Supply from 11 exporters was expected to average 27.1 million bpd in December, down from about 27.5 million bpd in November, said Conrad Gerber of Petrologistics, an established tracker of oil tankers.

[Is Time Right To Top Off U.S. Oil Reserve?](#)

At a time that the federal government is printing money faster than postage stamps, any dollar windfall comes as welcome news.

Such is the case with the Strategic Petroleum Reserve. Last May, with oil surging toward its historic peak near \$150 a barrel, Congress ordered a halt to filling the emergency reserve in a near-unanimous vote.

Timing is everything, and this is one instance where Congress got it right. Since their July peak, oil prices have dived by nearly \$110 a barrel. Just in time to take advantage of this collapse, the suspension ends Dec. 31. In the New Year, the U.S. is free to resume filling the Strategic Petroleum Reserve.

[Heavy crude may hit light-sweet parity on Reliance](#)

SINGAPORE (Reuters) - Middle East sour crude could extend this year's rally to reach an unprecedented parity with gasoline-rich sweet grades in coming months, as the world's biggest new refinery in a decade fires up its furnaces.

Indian Reliance's 580,000 barrels per day plant, formally commissioned on December 25 in time to meet a year-end target, enters a global oil market that has turned upside down since it was launched in mid-2005 amid a global refining capacity squeeze and as OPEC pumped every barrel it could.

Now, instead of hoovering up discounted, surplus heavy-sour crude from OPEC, Reliance may be chasing fewer barrels as the cartel cuts output by record volumes in a bid to cope with shrinking demand and put a floor under prices that have fallen more than \$100 since July.

[Dow Chemical Plummets as Kuwait Cancels Investment](#)

(Bloomberg) -- Dow Chemical Co. plunged the most in at least 28 years and Rohm & Haas Co. tumbled after their \$15.4 billion merger was threatened by the collapse of a deal between Dow and Kuwait that would have provided some of the funding.

[Drillers eye oil reserves off California coast](#)

The federal government is taking steps that may open California's fabled coast to oil drilling in as few as three years, an action that could place dozens of platforms off the Sonoma, Mendocino and Humboldt coasts, and raises the specter of spills, air pollution and increased ship traffic into San Francisco Bay.

[Texaco Toxic Past Haunts Chevron as \\$27 Billion Judgment Looms](#)

The ruined land around Cevallos's home is part of one of the worst environmental and human health disasters in the Amazon basin, which stretches across nine countries and, at 1.9 billion acres (800 million hectares), is about the size of Australia.

And depending on how an Ecuadorean judge rules in a lawsuit over the pollution, it may become the costliest corporate ecological catastrophe in world history.

If the judge follows the recommendation of a court-appointed panel of experts, he could order Chevron Corp., which now owns Texaco, to pay as much as \$27 billion in damages.

The case, which has languished for 15 years in U.S. and Ecuadorean courts, highlights the growing human and environmental toll of the global quest for oil.

[Dollar Falls on Concern Israel-Hamas Conflict May Choke Off Oil](#)

(Bloomberg) -- The dollar declined against the euro as Israel's assault on the Hamas-controlled Gaza Strip in response to rocket attacks raised concern exports of crude oil to the U.S. may be reduced.

[Profiting from Oil's Inevitable Rebound](#)

The price of oil is down, way down. Last June's \$142/bl has recently been below \$35/bl. Now may be a very good time to invest in oil stocks. On the other hand, prices still seem to be heading south. You have the "falling knife" risk.

Yet, how low can it go? Unlike derivatives, we are talking real assets here. At a certain point, pumping won't pay. And, of course, low prices stoke demand. It is not a matter of if oil prices will rebound, it is a matter of when and to what extent. There is also the geopolitical risk and the "Peak Oil" scenario. Events in the Middle East can flare oil prices up on a moment's notice.

[Seeing the bottom and strength of investments](#)

Well, I do agree with the peak oil theory, and there's evidence that it's happening. The reason we got to \$140 oil is the supply and demand numbers were coming together. There wasn't a lot of excess supply. Let's say there was an extra 1.5 to 2 million barrels between OPEC nations, but that isn't necessarily easily brought on stream. It would be there, but it might require some capital, and there is some question whether those estimates are even valid as to how much extra there is. But the point is that you are getting to a level that it's hard to replace natural declines.

As a result of this low price, a lot of large projects are either outright cancelled or deferred. And we have seen a lot of that in the oil sands; probably, when all is said and done, we might see the deferral of between half a million and a million barrels of production. The world is producing 86 million barrels a day now; the decline rate in that production is 6% to 7%. So, just to keep production flat, you have to add 5 to 5.5 million barrels of production a day per year.

[Libya orders further oil cuts of 20K bpd](#)

TRIPOLI, Libya (AP) -- Libya's oil chief says his country will cut production - starting in January - by almost 20,000 barrels per day more than Libya's OPEC quota.

National Oil Corporation head Shukri Ghanem says the latest cuts would bring Libya's total output reduction to 270,000 barrels per day from September levels. That is about 20,000 barrels more than the country is required to cut under its OPEC quota.

[Gazprom renews Ukraine gas threat](#)

Russia's Gazprom has reiterated it will cut gas supplies to Ukraine on 1 January if no new contract is signed.

"The last round of talks with Ukraine is beginning. We are counting hours," the firm's head Alexei Miller said.

[Gazprom Offers to Prepay Ukraine for Gas Transit](#)

(Bloomberg) -- OAO Gazprom, Russia's natural-gas export monopoly, offered to prepay fees for shipping gas to Europe via Ukraine to help the country pay its debt and avoid a cutoff.

The proposal is "under discussion," Sergei Kupriyanov, a spokesman for Gazprom, told reporters in Moscow today.

[Gazprom sets up action group to start gas cuts to Ukraine](#)

MOSCOW (RIA Novosti) - Gazprom has set up a special action group to begin preparations to halt gas supplies to Ukraine if the former Soviet state fails to repay its outstanding debt, the Russian energy giant's CEO said on Tuesday.

[Indonesia's Oil, Gas Revenue Rises 63% in 2008 on Higher Prices](#)

(Bloomberg) -- Indonesia's revenue from oil and gas production climbed 63 percent this year as crude prices reached a record in July.

Income from petroleum surged to 303 trillion rupiah (\$27.4 billion) this year from 186 trillion last year, Energy Minister Purnomo Yusgiantoro said in Jakarta today. The country's mining industry, including coal, brought in 42 trillion rupiah this year, 13 percent higher than a year earlier, he said.

[Getting renewable power to the people](#)

The Southern California desert could produce a gusher of renewable energy.

Strong sunlight bathes its open plains, even in winter. Powerful winds stream through its mountain passes. Fractures in the earth along the San Andreas Fault heat pools of underground water - the perfect fuel for geothermal power plants.

There is, however, a problem. Most Californians don't live there.

[Hydro power shows signs of comeback](#)

America's search for cleaner electricity has developers studying dozens of government flood-control dams from North Carolina to Oregon to see if it makes financial sense to retrofit them with hydroelectric turbines.

The studies are part of a broader trend that has developers looking at everything from millpond dams in New England to locks and dams on navigable waterways such as the Mississippi and Ohio rivers.

[NZ airline flies jetliner partly run on veggie oil](#)

WELLINGTON, New Zealand - A passenger jet powered in part by vegetable oil successfully completed a two-hour flight Tuesday to test a biofuel that could lower airplane emissions and cut costs, Air New Zealand said.

One engine of a Boeing 747-400 airplane was powered by a 50-50 blend of oil from jatropa plants and standard A1 jet fuel.

[Answers To Huge Wind-Farm Problems Are Blowin' In The Wind](#)

While harnessing more energy from the wind could help satisfy growing demands for electricity and reduce emissions of global-warming gases, turbulence from proposed wind farms could adversely affect the growth of crops in the surrounding countryside.

Solutions to this, and other problems presented by wind farms - containing huge wind turbines, each standing taller than a 60-story building and having blades more than 300 feet long - can be found blowin' in the wind, a University of Illinois researcher says.

"By identifying better siting criteria, determining the optimum spacing between turbines, and designing more efficient rotors, we can minimize the harmful impacts of large wind farms," said Somnath Baidya Roy, a professor of atmospheric sciences at the U. of I.

[The Floral Majority](#)

How the split between creation care's leaders and its grassroots activists is dictating the future of the green evangelical movement.

[Clean future starts now](#)

"CURRENT global trends in energy supply and consumption are patently unsustainable – environmentally, economically, socially ... What is needed is nothing short of an energy revolution." I have said similar things myself, but this quote is from a new "World Energy Outlook" by the International Energy Agency.

The change is as amazing as if the Pope were to support contraception or the Business Council to call for stabilising the population. Until last year, the energy agency was still deep in denial about the problems of climate change and peak oil, and was talking about world energy use doubling and an increasing use of coal.

[Food lessons from the Great Depression](#)

When she was a kid, for a treat Pat Box and her seven siblings got "water cocoa," which is pretty much what it sounds like and nothing special today. But that was in the 1930s, when her father's business was reselling bakers' barrels to coopers, and the family would get first crack at them, scraping the wood for any traces of sugar or cocoa left behind.

[The Malthus Gun](#)

Adapting to climate change and decreasing agriculture's environmental impact, while substantially increasing its productivity, are among the key challenges confronting us in the twenty-first century. Despite the bad rap they've gotten, the GM crops in use today have already contributed to meeting both challenges.



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