



DrumBeat: December 31, 2008

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Topic: [Miscellaneous](#)

[The Peak Oil Crisis: Civil Unrest](#)

Before grappling with 2009, it might be useful to remind ourselves that there is a dark side to what lies ahead.

There was a little flurry in the news last week when it was discovered that the Army War College had released a report talking about preparing for civil unrest in the U.S. When you read the report, it turns out to be yet another warning about generals preparing for the last war. It devotes only three pages to the idea that the Army might soon find itself so embroiled in helping local authorities cope with civil unrest that international commitments, such as the war on terrorism, could become secondary concerns.

Since the close of the Civil War, America has enjoyed nearly 150 years of domestic tranquility. There were, of course the Indian wars, some labor disputes and a handful of urban riots in recent decades, but these were isolated and did not last for long. Even during the great depression of the 1930's America's social fabric stayed largely intact. Signs that these idyllic decades may be coming to close are starting to arise. In the last few weeks the deteriorating economic situation has seen serious disturbances in Greece and Thailand. We are beginning to read of disturbances in Russia and China.

[Oil prices surge \\$5 a barrel in pre-holiday trading amid concern about Russia-Ukraine natural gas dispute](#)

COLUMBUS, Ohio – Oil prices jumped above \$44 per barrel on the last day of 2008, wrapping up what has been the most turbulent year ever for crude markets in which crude gave up four years of gains in just five months.

It may be a temporary spike.

An unprecedented collapse in energy prices that began in July came as the world's leading economies sank into recession.

[Gazprom Will Cut Off Gas Supply to Ukraine Tomorrow, Miller Says](#)

(Bloomberg) -- OAO Gazprom will cut off gas supplies to Ukraine from 10 a.m. tomorrow, Chief Executive Alexei Miller said.

[Reports: Ukraine, Russia at impasse in gas dispute](#)

MOSCOW (AP) -- The chance of a deal to avert a New Year's Day shutoff of Russian gas to Ukraine is waning with talks showing no sign of progress as the midnight deadline approaches.

All three Russian news agencies are reporting that the delegation from Ukrainian gas company Naftogaz has been called back to Kiev. The reports cite an unnamed member of the delegation and could not immediately be confirmed.

[Venezuela Halves Travelers Dollar Allowance to \\$2,500](#)

(Bloomberg) -- Venezuela pared in half the amount of dollars it will let people buy at the official exchange rate when traveling abroad to \$2,500 as part of a push by President Hugo Chavez to curb outflows as oil, the country's biggest export, plunges.

[Review: Ditching car OK with Net transit planners](#)

SEATTLE - As a New Yorker, I don't own a car, and I really hate driving.

So I challenged myself to avoid the driver's seat as much as possible during a recent West Coast trip, something made practical with all the online transit planners that have cropped up in recent years.

[More Gulf industrial projects at risk after Dow](#)

DUBAI (Reuters) - More Gulf projects may go the way of Kuwait's aborted \$17.4 billion deal with Dow Chemical or be renegotiated as states take a hard look at spending amid the global financial crisis and an oil price slump.

Gulf Arab states -- which form the Gulf Cooperation Council (GCC), a loose economic bloc -- have enjoyed a six-year boom on the back of soaring oil prices. But oil export revenues have shrunk as crude fell from a record above \$147 in July to \$38 at the year end.

Coupled with the financial crisis, this has led to a big push among Gulf states to revisit contracts as prices in general fall.

[Tough choice for Gulf leaders](#)

As GCC leaders gather in Muscat today, the deepening global economic crisis may force them to choose between multibillion-dollar projects proposed during more optimistic times.

Cancellations or delays of government-backed deals worth tens of billions of dollars have already been announced in industries from petrochemicals to aluminium production and oilfield expansion. On Sunday, the Kuwaiti government issued an 11th-hour reversal and cancelled a US\$17.4 billion (Dh63.9bn) deal to create a petrochemical joint venture with the US company Dow Chemical.

[Russia says slim chance of avoiding gas cut-off](#)

MOSCOW/KIEV (Reuters) - Russia said on Wednesday the chances were receding that a gas deal will be clinched with Ukraine to avoid a threatened January 1 gas cut-off that could disrupt supplies to customers in Europe.

[Ukraine PM cancels trip to Russia - source](#)

KIEV (Reuters) - Ukrainian Prime Minister Yulia Tymoshenko will not fly to Moscow on Wednesday for a last ditch attempt to resolve a gas dispute with Russia, a source close to the Ukrainian government told Reuters.

[Somali pirates to release Saudi tanker](#)

Somali pirates have reportedly agreed to release the Saudi super-tanker, Sirius Star, withdrawing a 25 million dollar ransom demand.

"We decided to respect the request of Saudi Foreign Affairs Minister Saud Al-Faysal who asked us to release the ship..." Press TV correspondent quoted pirate's spokesman Mohammed Said as saying.

[2008 was the year forecasters got it all wrong](#)

Oil to soar to \$200 US a barrel.

This is a good time to buy stocks.

A lot of things economic took a battering in 2008 -- from stock markets to autos to consumer confidence -- but the list wouldn't be complete without adding the pride of professional economic forecasters.

With commodities soaring in the first half of the year and plunging in the second, Wall Street financial giants collapsing, the Detroit Three teetering and the world heading into recession -- all surprises -- 2008 may be remembered as the year nobody got right.

[Byron W. King: Comments on \\$37 oil](#)

Today oil is trading in the range of \$37 per barrel, or about \$110 less than its price back in July. That's a dramatic, 75% change downwards. Back when oil was selling at \$147, I said that the world does not run very well at such lofty energy prices. A lot of things just stop working at \$147 for a barrel of oil, particularly things with a large energy component. The airlines come to mind. So something had to give. The world economy could crash (no jokes about airlines here...), or the price of oil could come down.

As it turned out, we had both events. The world economy hit the wall, and the price of oil came down in almost a straight line over five months. I believe that the high oil prices of late spring and early summer – with gasoline prices well over \$4 per gallon (and over \$5 in some parts of the country) – had a lot to do with triggering the financial crash that we saw in the fall.

[The Impact Of Asian National Oil Companies In Nigeria](#)

There is no shortage of literature on the renewed interest in Africa by Asian countries seeking oil and other minerals to fuel their rapid industrialisation. Most attention has been focussed on China, and on India and others to a lesser extent. But there are few case studies.

This paper tries to fill that gap. It addresses the experience and impact of Asian National Oil Companies (ANOCs) in Nigeria, Africa's premier oil producer. The study suggests that many of the general assumptions about the enhanced Asian presence in Africa need to be re-visited. However, Nigeria may be a special case.

[Refinery fire's Interior impact unknown](#)

FAIRBANKS — Petro Star officials say it could be three weeks before they know the extent of the damage to a Valdez refinery following a major blaze Sunday night.

Until then, officials also say it's unclear how the Interior will be affected by stalled production at one of the state's four refineries.

[Australia: Fuel shortage fears](#)

FUEL shortages are likely to continue at service stations after another fault discovered at the Caltex refinery on the weekend pushed the re-start time back a week.

[Students in Nepal cut electricity to protest power cuts](#)

KATMANDU, Nepal – Students stormed an electricity transmission office and shut down power in western Nepal affecting hundreds of thousands of residents in a protest against government imposed power outages.

[Will Mexico Fail in 2009 or 2010?](#)

The Mexican government needs \$70-per-barrel oil prices to balance its budget. For now, government spending is covered. But by the end of 2009, its fixed-rate contracts to sell oil at \$70 will have expired.

If oil prices are still low by the end of next year, the government could be in real trouble. If oil had to be sold at today's prices, almost 20 percent of the government's budget would disappear.

[Economic crisis has small car sales making a U-turn](#)

No other vehicle segment saw such sales volatility in 2008. First, it was falling gas prices that slowed small-car sales. Now, it's the inability of recent college graduates and other price-conscious drivers to qualify for loans.

[RWE advances plan for new nuclear plant on Anglesey](#)

RWE has unveiled plans for massive new nuclear capacity in Wales by obtaining grid connections for 3.6 gigawatts of electricity and buying up land for up to three new atomic power stations.

The British arm of the German-owned business, RWE nPower, said it was intending to make a "multibillion-pound investment" that could provide light and heat for 5m homes from 2017.

[Ford Exec Admits Hybrid Battery Shortage](#)

The new 2010 Ford Fusion Hybrid—the first mid-size sedan to break the 40-mpg mark in city driving—could become the hit that Ford so desperately needs. Unfortunately, Ford is already claiming that it can't get enough hybrid batteries to meet potential demand.

[Stern hope over US climate deal](#)

Economist Lord Stern has said he is optimistic a global deal to reduce carbon dioxide emissions will be struck under Barack Obama's US presidency.

[Is oil cheap only because of the recession?](#)

Several commenters on Tierney's blog seem to acknowledge that he's likely to win. (Oil is below \$40.) But they say he lucked out with the severe global recession, which has depressed the demand for energy. The oil-price plunge, these commenters suggest, says nothing about long-term resource sustainability and long-term resource prices.

Not true. Granted, the recession does force energy prices lower, and the recession won't last forever. But recessions and limits to growth are a crucial factor in favor of anybody who's betting against long-term resource inflation. Until recently world GDP was growing close to an annual rate of 5 percent -- an astonishingly fast pace. The idea that it couldn't keep up was crucial to anybody betting against higher oil prices. Unsustainable demand was a key factor in the oil bubble.

But the business cycle is only one way economies adjust to seemingly scarce resources. When resources become expensive, we buy fewer of them. When resources become expensive, people switch to alternatives. When resources become expensive, entrepreneurs seek new sources or invent technology to better exploit old ones. All of these things have been going on with oil in the last two years. They are real but unmeasurable factors in its price decline. It's not just the recession. Tierney didn't luck out. He knew the odds favor the resource optimists for many reasons.

[Crude Oil Falls a Second Day, Heading for Record Annual Decline](#)

(Bloomberg) -- Crude oil fell for a second day, heading for a record annual drop, on speculation that U.S. fuel stockpiles are increasing as the recession cuts demand.

...Crude oil for February delivery dropped as much as \$2.09, or 5.4 percent, to \$36.94 a barrel on the New York Mercantile Exchange and traded at \$37.07 as of 11:50 a.m. London time. Prices are down 61 percent this year, the first annual decline since 2001 when oil fell 26 percent, and the biggest slide since trading began in 1983.

[Iran May Scrap Subsidies on Fuel as Oil Income Drops](#)

(Bloomberg) -- Iran's parliament may vote to scrap energy subsidies after a motion presented by President Mahmoud Ahmadinejad was approved by a majority of lawmakers yesterday, Iran's Press TV reported.

Domestic fuel and utility prices will rise if an economic reform bill is passed, with some funds redistributed to low-income families, the state-run satellite news channel said, citing Ahmadinejad. A further vote is required.

Iran, holder of the world's second-largest oil and gas reserves, relies on oil revenue for at least half of the government's budget. The slide in oil prices -- the biggest annual decline since futures trading began in 1983 -- has prompted the government motion and could lead to social unrest, observers said.

"It shows that they're running out of dough," said Dalton Garis, associate professor of economics at The Petroleum Institute of Abu Dhabi in the United Arab Emirates. "It is extremely dangerous for the regime as it may precipitate some grass-roots action that could get out of hand, and the ultimate result might be quite chaotic in the short run."

[Iraq opens oil fields](#)

BAGHDAD (Reuters) -- Iraq on Wednesday opened up some of its most prized oil and gas fields to international firms that have been excluded for decades, part of new deals that could more than double its output within a few years.

[PetroChina Parent's Crude Oil Output Rises to Record](#)

(Bloomberg) -- China National Petroleum Corp., the country's biggest oil company, boosted crude-oil output to a record in 2008 as the nation stepped up production to meet increased demand and build fuel reserves.

This is the seventh straight year in which the company's crude output has grown ``steadily," China National said in a statement on its Web site today without giving details. The company's crude production rose 2.2 percent to 137.6 million metric tons in 2007. Natural-gas output expanded ``rapidly" this year, the statement said.

[Gazprom accuses Ukraine of 'blackmail' on gas transit: Gazprom](#)

MOSCOW (AFP) – Russian state gas monopoly Gazprom accused Ukraine on Wednesday of "blackmail," saying it had threatened to confiscate Russian gas en route to delivery to customers in Europe.

"We are in a situation when transit volumes to western Europe are in danger," Gazprom's deputy chief executive, Alexander Medvedev, said at a news conference. "This position cannot be called anything but blackmail."

[Oil price collapse wreaks havoc on forecasts and budgeting](#)

The global economic slowdown which unfolded in the second half of 2008, hit Russia hardest through the collapse in oil prices. They have fallen more than 70% in 6 months, making a mockery of predictions earlier in 2008 and undermining the entire Russian economy.

[Sfakianakis Says Oil's Decline Threatens Sovereign Funds: Video](#)

(Bloomberg) -- John Sfakianakis, chief economist at Saudi British Bank, talks with Bloomberg's Erik Schatzker about the impact of lower oil prices on sovereign wealth funds in the Persian Gulf.

Crude oil's biggest decline since 1983 may push the biggest oil producers in the region into budget deficit, limiting the nations' ability to invest in foreign companies stung by the global credit crisis.

[The Last Road Trip](#)

It is the frightening rule du jour: the cheaper gas gets right now, the more completely screwed you know we are. At the same time, a cheap tank of gas is one of the few strokes of fiscal relief we have right now, a tiny reprieve from the brutal economic turmoil. What a thing.

But on the whole, it is not good news. Normally, the price of a barrel of crude drops a couple hundred percent in less than a year and we'd be out celebrating, joyous in the knowledge that ExxonMobileShellScrewYou must've just shoved an enormous drill bit the size of Sarah Palin's vacuity deep into Russia or Venezuela or a precious Alaskan wildlife preserve and come up with enough pure, sweet crude to last us until you're very, very dead and your grandkids are using the burned-out hull of your Chevy Tahoe XLT as a bomb shelter against the global warming food riots.

[Gold was the best, oil the worst](#)

Ironical, isn't it, that gold should be the best performing commodity in a year when crude oil turned out to be the worst? After all, gold prices have historically marched in-step with crude oil. Remember that gold attained its previous record of \$850 an ounce during the oil crisis of the eighties. In 2008, gold prices (in dollar terms) have gained 6 per cent while crude oil has lost 62 per cent.

[The Gold to Oil Ratio Does Matter](#)

Producing gold is essentially converting energy into bullion. How many calories go into producing a one ounce gold coin? In some cases to produce a single ounce hundreds of

tons of rock are moved. Ultimately, money is about energy. To make it personal, how much value should you put on that nice steak dinner, bottle of water from Fiji or 3,000 mile Caesar salad? Well, think through the supply chain and how much energy the good or service represents.

[UK: The future for renewable energy](#)

Renewable energy will be a highly dynamic part of the cleantech spectrum for several decades to come. The drivers for the sector are aligned and strengthening all the time. And remember these go beyond just climate change. Energy security too is a key plank of policy, especially in countries like the UK and the US whose domestic oil and gas supplies are a dwindling part of the energy mix.

[Russia's RTS Ends Worst Year Since 1998: Gazprom Tumbles](#)

(Bloomberg) -- A 72 percent drop in the RTS Index made Russia the worst index among the world's 20 biggest equity markets this year and gave investors in the country their biggest losses since Russia defaulted on its debt 10 years ago.

GAZPROM dropped from being the world's third-biggest company to 47th, and other stocks slumped amid falling oil prices, capital flight following the August war with Georgia and forced selling by investors and billionaires who faced margin calls from banks and brokers.

[Ukraine govt delegation due to fly to Russia-source](#)

KIEV (Reuters) - Ukrainian Prime Minister Yulia Tymoshenko is to fly to Moscow shortly to try to resolve a gas dispute with Russia before a deadline to cut Ukraine from supplies, a source close to the negotiations said.

[Feds approve gas drilling plan for Montana](#)

BILLINGS, Mont. – The Bush administration has approved a plan that could allow more than 18,000 natural gas wells to be drilled in southeastern Montana over the next two decades.

The decision by C. Stephen Allred, assistant secretary for land and minerals management at the Department of Interior, would allow companies to proceed with plans to drill on more than 1.5 million acres of federal land in Montana's remote Powder River Basin.

[China Datang to Build Wind Farm as Government Speeds Approvals](#)

(Bloomberg) -- China Datang Corp., the nation's second-biggest power producer, received state permission to build a 4.5 billion-yuan (\$659 million) wind farm as the government expedites project approvals to spur economic growth.

[Winds of change come to country plagued by power blackouts](#)

The forest of white windmills that make up Asia's largest wind farm can be seen from miles away. Dotted across 2,000 square kilometres of hills and villages on a basalt plateau in western India sit more than 800 turbines - generating more than 1,000 megawatts of electricity.

The towering machines, which stand 80 metres tall, cast shadows across fields tilled by man and buffalo - a stark juxtaposition of ancient and modern India. For one man, however, the windmill farm in Dhule is a fitting riposte to the critics who derided his dream to build a global green energy business from a country plagued by crippling power cuts.

[Ethanol sales top gasoline sales in a first in Brazil](#)

SAO PAULO (AFP) – Ethanol sales for 2008 for the first time are outpacing those of gasoline in Brazil, a top ethanol producer, the National Petroleum Agency reported Tuesday.

[Geothermal energy a booming business](#)

PROVO, Utah - Within six months of discovering a massive geothermal field, a small Utah company had erected and fired up a power plant — just one example of the speed with which companies are capitalizing on state mandates for alternative energy.

Anticipation of new energy policies has sparked a rush on land leases as companies like Raser Technologies Inc., based in Provo, lock up property that hold geothermal fields and potentially huge profits.

[Global warming may spread tick-borne disease](#)

The brown dog tick (*Rhipicephalus sanguineus*) rarely bites people, far preferring the taste of dog. But global warming could be changing that, exposing people to dangerous diseases as a result.

[2009 to be one of warmest years on record: researchers](#)

LONDON (Reuters) - Next year is set to be one of the top-five warmest on record, British climate scientists said on Tuesday.

The average global temperature for 2009 is expected to be more than 0.4 degrees celsius above the long-term average, despite the continued cooling of huge areas of the Pacific Ocean, a phenomenon known as La Nina.



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