



DrumBeat: January 1, 2009

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Topic: [Miscellaneous](#)

[Blackout fear for EU as gas row escalates](#)

Jose Manuel Barroso, the European Commission president, called on Moscow and Kiev to solve the dispute as soon as possible. While Gazprom, the Russian energy giant, says it will continue pumping gas to European customers through Ukrainian territory, there are fears that Germany, Italy and other customers could eventually be hit if the dispute escalates. Two years ago, when Moscow cut supplies to Ukraine in a similar dispute, several EU countries experienced gas shortages after Ukraine tapped into the pipelines.

Washington responded to yesterday's shutdown by warning Russia that a "predictable" energy flow to Ukraine was essential. Urging Moscow to restore supplies, a White House spokesman said Russia should bear in mind "the humanitarian implications" of its action. "The parties should be resolving their differences through good-faith negotiations, without supply cutoffs," Gordon Johndroe said.

[ANALYSIS: Pressures of obtaining energy](#)

Another new year and another arm-wrestle between Moscow and Kiev over gas supplies. Utility bosses in Europe and Ukraine learnt lessons in January 2006 when Gazprom first turned off the tap, causing panic as pipeline pressure dropped in Europe. This time storage tanks are full, but we should not dismiss the confrontation as yet another example of Kremlin insecurity.

[Russian gas row may cost UK customers](#)

Hopes of deep cuts in heating bills for British homes before the winter is out were evaporating yesterday after Russia turned off the gas supply to neighbouring Ukraine over alleged payment arrears, raising concern about the security of supplies throughout Europe.

[Cheaper oil is already fuelling the next spike](#)

Citi analysts stress that they remain "bullish" in the long term, and point out that the

lower prices will contribute to the next spike. The reason is simple - poorer returns mean that there will be less investment in bringing new supplies on stream, which will ultimately mean that demand will once again reach a point where it is outstripping supply.

[Venezuela's oil income soars in early 2008](#)

CARACAS, Venezuela – Record prices boosted Venezuela's oil income by 225 percent in the first nine months of 2008, allowing the state-run oil company to stash \$10.8 billion in government reserves now that oil prices have dropped dramatically.

[Panel wants fuel taxes hiked to fund highways](#)

WASHINGTON -- A 50 percent increase in gasoline and diesel fuel taxes is being urged by a federal commission to finance highway construction and repair until the government devises another way for motorists to pay for using public roads.

The National Commission on Surface Transportation Infrastructure Financing, a 15-member panel created by Congress, is the second group in a year to call for higher fuel taxes.

With motorists driving less and buying less fuel, the current 18.4 cents a gallon gas tax and 24.4 cents a gallon diesel tax fail to raise enough to keep pace with the cost of road, bridge and transit programs.

[Green revolution stalls on cheap oil](#)

Low oil prices and the credit crunch are threatening to stall the green revolution. The value of crude has dropped from a summer high of nearly \$150 a barrel to below \$40, taking the wind out of the sails of turbine manufacturers and others trying to build low-carbon alternatives.

Jeremy Leggett, founder and executive chairman of Solarcentury, says: "Talk of the death of renewables is premature but clearly big solar farms and wind projects are being cancelled. Everything is suffering in the current climate but its my contention that the low oil price is a temporary thing and the growth of renewables will resume."

[Russia, Ukraine Poised to Resume Talks After Gas Halt](#)

(Bloomberg) -- Russia prepared to resume talks with Ukraine in their dispute over the price of natural gas after cutting supplies to its western neighbor for the second time in three years, threatening fuel shipments to Europe.

Ukrainian President Viktor Yushchenko said in a statement the two sides are near a compromise, urging state utility NAK Naftogaz Ukrainy and OAO Gazprom, Russia's gas exporter, to meet again in the next one or two days. Gazprom also proposed talks.

[Houston's Future Is Now](#)

For that reason, when he looks into the distant future, he sees Houston's fate as dependent upon diversification. "We don't want to be the Detroit of the 21st century," he says. "Not to say that we have to rush out right now and close all the refineries...but I think Houston will someday have to face up to how it's going to make a living in the 21st century."

Bishop points to oil industry experts like Matt Simmons, who thinks peak oil is already upon us. "The oil industry might go flat in the teens," Bishop notes.

[Rising costs become more important factor in oil price](#)

While prices remain well above the infamous \$10 oil Alaska faced and survived in 1999, many in the industry say \$40 today doesn't buy what it bought just a few years ago.

"The fundamental cost of our business has changed over the past couple of years," Jim Bowles, president of Conoco Phillips Alaska, told members of the Resource Development Council during their annual conference in Anchorage in mid-November.

At the same event, outgoing BP Exploration (Alaska) Inc. president Doug Suttles estimated oil industry costs have increased 15 to 20 percent per year for the past few years.

Costs associated with new facilities at oil and gas fields have risen 9.2 percent over the past six months, according to the Upstream Capital Costs Index, published twice each year by the affiliated consulting firms IHS and Cambridge Energy Research Associates.

The index shows oil-field costs doubling since 2005 after several years of only slight growth. A piece of equipment costing \$100 at the start of the decade now costs \$230.

[Kuwait's Dow deal scrapping highlights crisis](#)

KUWAIT CITY (AP) — Kuwait's decision to scrap a \$17.4 billion joint venture with U.S. giant Dow Chemical has triggered warnings that the oil-rich Gulf nation's fractious politics could undercut efforts to kick-start stalled economic development plans.

Just days before the Jan. 1 launch of K-Dow, the Cabinet backtracked, saying on Sunday the deal was too risky in light of the current global financial crisis and the precipitous fall in oil prices. On the surface, the rationale appeared sound, as other projects throughout

the region have either been canceled or shelved for the same reasons. But the real impetus may have been political, rooted in an ongoing feud between lawmakers and the Cabinet.

[Oil out with a bang with 14% spike](#)

NEW YORK (CNNMoney.com) -- The price of oil jumped Wednesday, capping a volatile year with a swing of \$7 from the session low to the close, as investors responded to news of a possible supply disruption in Europe.

Light, sweet crude for February delivery rose \$5.57, or 14.2%, to settle at \$44.60 a barrel on the New York Mercantile Exchange.

[Gas prices: Waayy up, waayy down](#)

NEW YORK (CNNMoney.com) -- This is a year drivers will never forget - gas prices surged and crashed at unprecedented levels.

"We've never had a year where we had these extremes - 2008 was really a tale of two markets," said Ben Brockwell, director of data pricing for the Oil Price Information Service.

[UK: Tesco petrol hits new record low](#)

TESCO triggered a New Year fuel price war yesterday after slashing the cost of petrol to its lowest level in FOUR YEARS.

[Gulf Oil Blocks May Be at High Risk during 2009 Active Hurricane Season](#)

The outlook for the 2009 Hurricane Season is not a good one for the Gulf coast from Louisiana to Alabama which has a 70% chance of experiencing a landfall of a tropical storm or hurricane. According to Houston based Weather Research Center's meteorologist, Jill Hasling, the Center's outlook is forecasting that the 2009 Hurricane Season will have at least 7 named storms with 4 of these tropical storms intensifying into hurricanes.

[Steve LeVine: For Big Oil, a Day of Reckoning](#)

Most of us are elated with gasoline prices, especially those driving to see relatives. We are down on the Chesapeake shore, and filled up the mini-van for \$1.49 a gallon. But if

you are a petro-state or an oil company, these aren't happy times.

[Output at China's Huge Daqing Oilfield Slows in '08](#)

Crude oil output in PetroChina's Daqing oilfield, China's largest, fell 3.6 percent from a year earlier to 40.2 million tonnes in 2008, or 804,000 barrels per day, Xinhua News Agency reported on Wednesday.

[Sinopec Adds 104MM Tons Oil Reserves in Shengli Field](#)

State-owned Sinopec Group said it has added 104.08 million tonnes, or 760 million barrels of proven geological oil reserves to its largest Shengli oilfield.

That is the 26th consecutive year that annual new discoveries in the field surpassed 100 million tonnes.

[Report: Toyota developing solar powered green car](#)

TOKYO -- Toyota Motor Corp. is secretly developing a vehicle that will be powered solely by solar energy in an effort to turn around its struggling business with a futuristic ecological car, a top business daily reported Thursday.

[Linda McQuaig: Guns, butter and petroleum](#) - *Prices may have fallen but black gold retains its unique ability to fuel international conflicts*

The reality remains that oil is a finite resource, a precious one-time inheritance we've used up recklessly over the past century. As a result, we've already consumed most of the Earth's easily accessible oil. Much of what's left can be produced only with great difficulty, at enormous environmental and financial cost – as Alberta's oil sands illustrate.

For years, critics, including leading geologists and economists as well as prominent Houston investment banker Matthew Simmons, have argued that we're rapidly depleting global reserves of conventional oil, creating a potentially dangerous situation for the world. Governments, however, have ignored or played down the problem.

[Russia cuts all gas supplies to Ukraine](#)

MOSCOW — Russia's Gazprom gas monopoly cut all supplies of natural gas to Ukraine on Thursday after talks broke down over payments for past shipments and a new energy price contract for 2009.

Gazprom officials said the cuts began as planned at 10 a.m. local time (2 a.m. ET) and the Ukrainian gas company Naftogaz confirmed a steady drop in supplies.

[FACTBOX - Top Russian gas customers in Europe](#)

(Reuters) - The following is a list of the top customers in Europe of Russia's gas export monopoly Gazprom, which cut supplies to its neighbour Ukraine on Thursday over a pricing dispute.

[Russian gas volumes transiting Belarus spikes](#)

Minsk - The volume of Russian natural gas transiting Belarus en route to European customers has increased by one-quarter, a Belarusian official told the Belapan news agency on Thursday. The Russian natural gas monopolist Gazprom added 25 million cubic metres of gas sent through Belarusian pipelines over December volumes, according to the report.

The Gazprom increase was reportedly an intentional but nonetheless insufficient compensation for shipping volume potentially lost by the Russian company due to an embargo on gas shipments it imposed on Ukraine as a result of a pricing and payment dispute.

[Roller coaster petroleum](#)

Lots of people have asked me -- and pretty nearly every other geologist in the nation -- what's likely to be in store for fuel prices. In the shorter term, I'm expecting low prices, but in the longer run I fear we're likely to see price spikes again and again.

...A former teacher of mine, Ken Deffeyes of Princeton University, taught me about this cause of "fluttering" prices several years ago. Oil prices will be high, he argues, and they will also be highly variable.

It's not easy to plan for substantial cost variations, but that's our challenge, both individually and as a nation.

[Iran cuts oil output by 545,000 barrels a day](#)

Iran said on Wednesday it would cut oil output by 545,000 barrels per day from Jan. 1 in line with OPEC's decision to reduce production.

[Year-end leap in oil price could bode well for gold in 2009](#)

Longer term the peak oil scenario, which sees production potential reaching a maximum followed by a serious decline, if correct, would suggest a continuing high oil price environment from late in the next decade, although timing of the 'peak' is open to argument. Cognisant of the reserve depletion likelihood, major oil producers may thus be more ready to make production cuts to maintain prices at what they see as reasonable levels with a contrarian effect on the strength of the U.S dollar as, for the time being at least, the world's largest consumer of oil and oil products. Some would say that security of continuing oil supply is what the Iraq Wars have, in reality, been all about.

[Oil Price Vagaries will challenge Obama](#)

There is no more easily accessible oil. Independent audit procedures are needed to measure output. Lower oil prices are likely to impede the massive investment needed to meet increased demand by 2030.

[Obama's big oil decision](#): *Bush opened the door to oil shale, a huge energy source. Will Obama close the door too soon?*

Despite his hopes for renewable energy, Barack Obama faces tough choices early in his term on whether to extract more oil within the US. Americans are still years, maybe decades, from kicking the oil habit. One reserve – with at least a century of supply – lies below the Rockies. Will a "green" president ignore this black ooze?

[Big names help bankroll Obama inaugural](#)

An eclectic group of people have donated to the committee, from financier George Soros to energy expert and author Daniel Yergin, model Rachel Hunter and John Thompson, coach of the Georgetown University basketball team.

[Locals offer wide range of resolutions](#)

James Howard Kunstler, author, social critic and blogger: “My hope for 2009 is that President Obama will usher in a new period of reality-based politics and policy. A changing of the guard in the White House does not guarantee this. It will take courage and resolve, since the problems we face in energy, banking and geopolitics are very severe. Personally, I resolve to resume publishing my local newsletter, Civitas, here in Saratoga. It's time for me to re-engage with local issues.”

[A New Year's Wish for Coloradans and the United States](#)

Like a 400 pound fat man at an “all you can eat” buffet, the citizens of this country continue devouring their resources, land, water and energy like tomorrow won't arrive! Not only that, they (we) added 3.1 million of humans to this country this year and every year via immigration – to accelerate those consumption levels.

[Wasting Our Watts](#)

This may sound too good to be true, but the U.S. has a renewable-energy resource that is perfectly clean, remarkably cheap, surprisingly abundant and immediately available. It has astounding potential to reduce the carbon emissions that threaten our planet, the dependence on foreign oil that threatens our security and the energy costs that threaten our wallets. Unlike coal and petroleum, it doesn't pollute; unlike solar and wind, it doesn't depend on the weather; unlike ethanol, it doesn't accelerate deforestation or inflate food prices; unlike nuclear plants, it doesn't raise uncomfortable questions about meltdowns or terrorist attacks or radioactive-waste storage, and it doesn't take a decade to build. It isn't what-if like hydrogen, clean coal and tidal power; it's already proven to be workable, scalable and cost-effective. And we don't need to import it.

This miracle juice goes by the distinctly boring name of energy efficiency, and it's often ignored in the hubbub over alternative fuels, the nuclear renaissance, T. Boone Pickens and the green-tech economy.

[Alternative energy companies stung by tight credit](#)

Alternative energy stocks were battered on Wall Street in 2008 as volatile commodity prices, a continuing global recession and tightening credit markets drove one ethanol company into bankruptcy protection and sent shares of others down more than 90 percent.

[UK: Elderly fearful of soaring heating bills](#)

Elderly people in Lancashire are turning off their heating and wearing coats indoors in fear of getting soaring energy bills.

Groups which represent older folk say pensioners are coming to them daily with worries about rocketing prices for gas and electricity.

[Pakistan: Energy crisis reaches new heights](#)

LAHORE - SHORTAGE of natural gas, CNG and LPG has followed petrol crisis and almost everyone has been affected.

The City is in the grip of severe cold weather and citizens are unable to warm their

houses because of shortage of electricity and gas.

Electricity is expensive and available only for a few hours. Gas pressure in many residential areas is inadequate even for cooking or heating homes.

An acute shortage of petrol has affected the mobility of people. Petrol shortage has impacted mostly motorcyclists and luxury car owners who have not converted their vehicles to CNG.

[Pakistan: Massive load shedding triggers violent protests in Faisalabad](#)

FAISALABAD: Massive load shedding brought life in Faisalabad to a standstill on Thursday. Hundreds of power looms workers took to the streets, they protested over continued power outages and blocked city's main arteries.

According to sources, protestors surrounded local Fesco office, burnt tyres and chanted slogans against Fesco officials. A large contingent of police was deployed on the occasion. Agitated workers set a bakery on fire but two labourers were also injured when the bakery guard opened fire.

[California's OriginOil seeks better way to grow algae](#)

LOS ANGELES (Reuters) - One could say they are working on the green slime that could change the world.

In an unassuming converted warehouse in Los Angeles, the 10 employees of OriginOil are working to perfect the way microscopic algae is grown and refined.

[Survey finds water shortage expected for Oregon](#)

The words "Oregon" and "rain" often appear together, but results of round-table talks indicate Oregonians doubt there will be enough water for everyone as the state's population grows and summers become drier with climate change.

The five sessions were held in September and October. Two-thirds of those surveyed at the roundtables across the state doubt whether Oregon will have enough water to cover all its needs 20 years from now.

[Revealed: The cement that eats carbon dioxide](#)

Cement, a vast source of planet-warming carbon dioxide, could be transformed into a means of stripping the greenhouse gas from the atmosphere, thanks to an innovation

from British engineers.

The new environmentally formulation means the cement industry could change from being a "significant emitter to a significant absorber of CO₂," says Nikolaos Vlasopoulos, chief scientist at London-based Novacem, whose invention has garnered support and funding from industry and environmentalists.

[Oak tree deaths herald new pest threat to traditional plants, Kew curator warns](#)

Traditional British plants from the oak tree to the garden cabbage are under threat because of the effects of climate change, the curator of Kew Gardens has warned.

[Bush may be giving Obama breathing room to fight global warming](#)

Recent moves by lame-duck officials, though frustrating to environmentalists, offer the president-elect time and political cover to deliberately craft rules on emissions, energy lobbyists say.



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