



## DrumBeat: May 19, 2009

Posted by [Leanan](#) on May 19, 2009 - 9:24am

Topic: [Miscellaneous](#)

### [Jeff Rubin: A coming world that's 'a whole lot smaller'](#)

But unlike many previous peak oil books, which typically don't get much past "we're in big trouble," Mr. Rubin's conclusions are refreshingly optimistic. His world of the oil-starved future, at least for Western societies, looks a lot like the bygone years of our fond memory, where people work and vacation nearer to home, eat locally grown foods and buy locally produced goods, and suburban sprawl is replaced by revitalized cities.

"I think it will really restructure the economy in ways that people haven't even begun to imagine," he said. "But I think, ironically, it's going to be a return to the past ... in terms of the re-emergence of local economies."

Indeed, the book's title is derived from this central argument - that expensive fuel will force a reversal of globalization, as long-distance trade becomes increasingly expensive and impractical. The only alternative may be a relentless cycle of economic shocks triggered by oil price surges.

### [Energy, carbon taxes and the winds of change](#)

Commercial air travel, like many other industries, is lubricated by cheap oil. Mr. Rubin, the former chief economist of CIBC World Markets, has now bet his career on a single idea – that the cheap oil era is dead and globalization is about to wither along with it. But the most fascinating part of his thesis has nothing to do with geology or Hubbert's peak oil theory. It's about the reindustrialization of North America. Those unemployed airline workers could be looking for work – and finding it – in the revitalized factories of Southern Ontario.

This, for some, could be expensive energy's upside. It will render foreign manufacturers (read: China) less competitive. We saw a glimpse of this as oil climbed to its peak of nearly \$150 (U.S.) a barrel last year. Shipping costs rose so much that North American steel plants began to claw back the advantage over Asian exporters. They were increasing their production, until the U.S. economy imploded.

### [Oil prices rise as holiday weekend nears](#)

Energy prices resumed their climb into summer driving season Monday, a show of confidence that Americans will overlook dismal economic news as they head out on their Memorial Day weekend trips.

Benchmark crude for June delivery jumped \$2.69 to settle at \$59.03 a barrel on the New York Mercantile Exchange after dropping \$2.28 Friday to \$56.34.

### [Don't 'Underestimate' Oil's Coming 1980s-Style Down Cycle, Raymond James Warns Investors](#)

Only a week after declaring that global oil production has “peaked,” investment firm Raymond James & Associates is warning investors that the oil industry “may be in the early stages of a multi-year down cycle.”

In a May 4 research note, the advisory firm said it believes “mankind better get ready to live in a peak oil world,” because it appears global oil production topped out in the first quarter of 2008.

Apparently, however, the world won't be starved for oil anytime soon. In a May 11 research note, Raymond James said it looks like the oil industry's immediate future will be a severe down cycle that will look “eerily similar to the early 1980s,” which was when the world was awash with oil, causing prices to plunge and drilling activity to stall.

### [Countries rated on oil security](#)

Canada is the world's most energy-secure nation, and Indonesia is at the bottom of a new Energy Security Index compiled by Energy Security News and The Washington Times.

The study ranks the top oil-producing nations on their ability to export petroleum products safely to the rest of the world. It bases its assessment on each country's production and refining levels, its level of internal political strife and its ability to transport oil to other nations, given potential - or real - impediments.

### [OPEC Should Adhere to Quotas, Group's President Says](#)

(Bloomberg) -- The Organization of Petroleum Exporting Countries should adhere closely to agreed production quotas to stabilize oil markets, the group's president said today.

### [The End Game Draws Nigh – The Future Evolution of the Debt-to-GDP Ratio](#)

As a case study in how poor the administration's policies are in this regard, consider its

energy policies. Is anyone in the new administration reading about the disastrous 9% annual decrease in the output of "old" oil (yes, "peak oil" turned out to be true), in conjunction with a collapse of previously scheduled investments in exploration and development, and in refining capacity? Are they blind to the supply-crisis that is unfolding, one that calls not only for "renewable energy," but also for a major expansion of traditional oil and gas production?

### [Powering America's Defense: Energy and the Risks to National Security](#)

*Powering America's Defense: Energy and the Risks to National Security* is a report by CNA's Military Advisory Board (MAB) that explores the impact of America's energy choices on our national security policies. This report follows the MAB's groundbreaking 2007 report *National Security and the Threat of Climate Change*, which found that "climate change, national security, and energy dependence are a related set of global challenges."

This new volume builds on that finding by considering: the security risks inherent in our current energy posture; energy choices the nation can make to enhance our national security; the impact of climate change on our energy choices and our national security; and the role the Department of Defense can play in the nation's approach to energy security and climate change.

### [Pentagon says cutting energy use is big priority](#)

WASHINGTON (Reuters) - The U.S. Defense Department, the nation's single largest consumer of energy, is putting increased focus on cutting its energy consumption and ensuring that future weapons are more energy efficient, the Pentagon's new chief weapons buyer said on Monday.

Reducing energy consumption is a big priority for the Obama administration, which has vowed to fight climate change, and could save billions of dollars at a time of mounting budget pressures, said Ashton Carter, who became undersecretary for acquisition, technology and logistics last month.

### [China, Brazil Agree to \\$10 Billion Loan, Exploration](#)

(Bloomberg) -- China, the world's second-biggest energy user, and Brazil signed 13 accords, including a \$10 billion loan and agreements on oil exploration and crude trade.

### [Saudi Arabia to slash gasoline imports by 29% in June](#)

Saudi Arabia is expected to slash gasoline imports by nearly 29 percent in June, as domestic production capacity ramps up following refinery maintenance work, traders

said on Monday.

The world's top oil exporter will import nearly 57,000 barrels per day of gasoline in June versus 80,000 bpd in May, traders said.

### [Saudis expect more gas discoveries](#)

Saudi Arabia expects to make additional natural gas discoveries from joint ventures of its national oil company and foreign firms, the country's oil minister said.

Saudi Aramco's discovered gas reserves were 267 trillion cubic feet at the end of last year, Ali Naimi said in a speech in Dhahran.

Gas production averaged 8.3 billion cubic feet a day last year, Aramco said in its annual report last week.

Consumption is growing at 7% per year, Naimi said.

### [ExxonMobil, Aramco's China refinery starts](#)

BEIJING (Reuters) - A joint venture between Exxon Mobil (XOM.N), Saudi Aramco and China's Sinopec Corp, said on Tuesday it had started trial runs at its new Fujian refinery on China's southeastern coast.

The whole complex, which includes a 240,000-barrel-per-day refinery and an 800,000-tonne-per-year ethylene complex, will enter full operations in the second half of 2009, it said.

### [China plans to build petrol reserves](#)

China said on Monday that it would start building state reserves of refined oil products such as petrol and diesel, to diversify strategic stockpiles away from unrefined crude oil in a move that mirrors Europe's policy.

Beijing is using low commodities prices and the fact that companies have high inventories, both in China and abroad, as a chance to increase its strategic reserves of raw materials.

### [Iran says ready to face any U.S. gasoline sanctions](#)

TEHRAN (Reuters) - Iran has plans in place to deal quickly with the consequences of a proposed U.S. law that would penalise companies supplying the country with gasoline,

its oil minister was quoted as saying on Monday.

The U.S. Congress is considering legislation to impose sanctions on companies that sell, ship, finance or insure gasoline exports to Iran. Under the bill, which aims to pressure Iran over its nuclear plans, foreign companies doing so would be barred from conducting business in the United States.

### [Total Studies Gulf Refinery Delay to Limit Costs as Prices Fall](#)

(Bloomberg) -- Total SA, the French oil company planning a refinery on the Persian Gulf with Saudi Aramco, is prepared to push the project back further to force contractors to cut bids as fuel demand and prices fall.

"We'll launch this project when we're sure there isn't any reason to wait," Michel Benezit, Total's president of refining and marketing, said in an interview yesterday in Paris. "The cost to us of delaying the project by a week is much less than the savings we get if we spend the time convincing contractors that their price isn't right."

### [StatoilHydro Won't Abandon Canada Oil Sands, Finansavisen Says](#)

(Bloomberg) -- StatoilHydro ASA won't abandon its Canadian oil sands project after some shareholders called for the Norwegian company to do so, Finansavisen reported.

StatoilHydro won't change its strategy and sees unconventional resources, such as oil sands, as necessary to meet energy demand in the next decade, the newspaper cited Chairman Svein Rennemo as saying.

### [IHS study sees oil sands move from the "fringe to center" of energy supply](#)

Technological advance in the Canadian oil sands has made Canada the world's second largest holder of recoverable oil reserves, after Saudi Arabia, and "an increasingly important part of the fabric of hemispheric and global energy security", according to a new major study, *Growth in the Canadian Oil Sands: Finding a New Balance* by IHS Cambridge Energy Research Associates (IHS CERA). "The oil sands have moved from the fringe to the center of energy supply," the study adds.

### [Oilsands output could rise to 6.3 million barrels a day, study says](#)

TORONTO — Output from Canada's oilsands could rise to as much as 6.3-million barrels a day by 2035, a nearly fivefold increase above current levels, according to a landmark U.S. report released Monday.

### [Greenpeace warns on Shell oil sands projects](#)

Royal Dutch Shell, Europe's biggest oil company, will on Tuesday face renewed opposition to its investments in Canada's carbon-intensive oil sands.

A study by Greenpeace and several other environmental campaigners has concluded the company's carbon intensity will rise 85 per cent as it develops its oil and gas fields in the coming years.

### [Oil sands face green investor microscope](#)

CALGARY — With European investors set to weigh in today in a high-profile test of the world's appetite for Canada's oil sands, an energy research group is estimating Alberta's bitumen could provide more than a third of U.S. oil consumption by 2035.

### [Tumbling prices push 2 U.S. energy firms into Chapter 11](#)

NEW YORK (Reuters) - Tumbling energy prices over the past year and a lack of credit pushed two U.S. energy companies into Chapter 11 bankruptcy, the latest in a string of such filings.

Pacific Ethanol Inc, the largest West Coast-based producer and marketer of ethanol, put its production plants in California, Oregon and Idaho in Chapter 11 bankruptcy, the company said on Monday. The company's marketing arm, which buys and sells ethanol, did not file for bankruptcy.

Oil and gas exploration company TXCO Resources Inc said it also filed for Chapter 11 bankruptcy, along with seven subsidiaries.

### [The coldest war: Russia and U.S. face off over Arctic resources](#)

As the oil wells run dry, the planet's last great energy reserves lie miles beneath the North Pole. And as the U.S. and Russia race to grab them at any cost, the stage is set for a devastating new cold war.

### [Iraq's Oil Ministry under fire from parliament](#)

The controversial policies of Iraq's Oil Ministry, most notably the highly unpopular fixed fee contracts being offered to IOCs, have come under fire from the country's parliament.

News agency Reuters reported that the parliament's Oil and Gas committee submitted a petition containing 140 MP's signatures that called on the Iraq's Oil Minister Hussain



al-Shahristani to explain why his policies have led to “huge shortages” in oil revenues.

### [News Analysis: After 14 years of negotiation, Russian oil pipeline runs into China](#)

BEIJING, May 19 (Xinhua) -- China, the world's second largest oil consumer, is getting closer to steady supplies from Russia, the world's second largest producer, as construction on the China section of an oil pipeline linking the two nations starts Monday.

### [Shell planning for long downturn](#)

THE HAGUE (Reuters) - Royal Dutch Shell (RDSA.L) is assuming the economic downturn could last several years when assessing the outlook for oil prices and planning investment.

### [GM bankruptcy seen as all but inevitable](#)

DETROIT (Reuters) - After 100 years in business and 10 months of frenzied but failed restructuring, General Motors Corp is weeks from the bankruptcy filing experts say will be required to complete the Obama administration's bid to reshape a fallen icon of American industry.

### [China Raises Jet Fuel Prices by 13% on Crude Gains](#)

(Bloomberg) -- China, the world's second-largest oil user, raised the ex-factory jet fuel price by about 13 percent as crude oil costs climbed, the nation's top refiner said.

### [China's edge in the energy-efficiency industry](#)

The sleeping giant is taking the lead in manufacturing components for solar and wind generators and building electric cars, but the U.S. could still catch up.

### [China boosts subsidies for car, appliance buyers](#)

SHANGHAI (AP) -- China will subsidize purchases of cars and home appliances to replace older models, expanding a program first introduced in rural areas to major cities, the government said Tuesday in its latest move to stimulate the economy.

### [Saudi Arabia Doubles Project Spending to Fight Crisis](#)

(Bloomberg) -- Saudi Arabia, the Arab world's largest economy, doubled its spending on infrastructure projects in the first quarter as the kingdom sought to counter the effects of the global economic crisis.

### [Future of Biofuels Expected to Remain Bright](#)

Less than 5 percent of world cereal production will go to biofuels this season, according to the Food and Agriculture Organization of the United Nations. But that share is expected to rise steadily, at least until technology to process alternative raw materials is deployed on a global scale, a distant prospect.

Rising biofuel use, together with surging human and animal consumption, will continue to put pressure on global food supplies, mostly because cereal production is not keeping up with demand. "There is not enough money being devoted to agriculture. Long-term trends are pretty dire," said Francisco Blanch, head commodity analyst for Bank of America-Merrill Lynch, in London. "We are setting ourselves up for another big rally.

"Prices are set by marginal changes in supply; biofuels are still biting into overall agricultural production, and there is a risk of another price spike in as little as a year. All we need is a bad crop."

The ratio of world grain stocks to consumption — a measure of spare food capacity — is likely to remain historically low through 2010 and beyond, at around half its level at the start of the century, according to data from the U.S. Department of Agriculture and the United Nations.

### [Two groups oppose increasing U.S. ethanol blend rate](#)

WASHINGTON (Reuters) - Blending more than 10 percent ethanol into U.S. gasoline will result in more air pollution and more damage to engines, said an environmental group and a boating industry trade group on Monday.

The Environmental Working Group (EWG) and the National Marine Manufacturers Association (NMMA) said evidence weighed against allowing a blend of up to 15 percent ethanol in gasoline.

### [Smart Grid Progress: DOE Announces First Standards, Raises Cap on Stimulus Funds](#)

As we've pointed out in the past, policy makers and companies building out the smart grid are under the gun to produce a working set of standards by September in order to quickly and effectively allocate the over \$4 billion in stimulus funds. Department of Energy Secretary Steven Chu sees the need to move quickly, and this morning he held a meeting with 60 or so smart-grid industry leaders to kick-start the standards process for industry workshops coming up later this week. At the meeting, the DOE announced



the first 16 sets of standards that will make up the more than 100 standards for the Interim SmartGrid Roadmap that will be published by the National Institute of Standards in September.

### [Mongolia: the Kremlin Takes Aim at Mongolia's Uranium Reserves](#)

For centuries, Mongolia was an object of geopolitical interest, widely seen as a buffer between two rival empires. But these days -- given the recent discoveries of strategically important raw materials like uranium -- the country is assuming a greater level of global economic importance. At the same time, the global drop in commodity prices has hit Mongolia hard and the country's economy is now struggling.

### [Maine task force to identify offshore wind energy sites](#)

Maine's test sites may also attract a company with big ambitions for offshore wind, StatoilHydro, a Norwegian oil and gas firm that's expanding into worldwide energy ventures. Next month, the company plans to install a \$62 million structure off Stavanger, Norway, for what it says is the world's first full-scale floating wind turbine. Called Hywind, the unit will have a two-year test period.

StatoilHydro didn't respond to an e-mail last week. But the company is monitoring the work of Maine's task force and plans to begin video conferences this summer with representatives from the University of Maine, Cianbro and BIW, according to George Hart, chief technology officer at the Ocean Energy Institute. The research group, founded by energy investment banker and Rockport summer resident Matthew Simmons, is working to encourage large-scale offshore wind development in Maine.

### [Back to the 'Old Normal' of Domesticity](#)

This year I decided to learn how to garden.

My resolve wasn't just a notion for a new pastime or a move toward hip liberalism. Rather, it was my response to global warming and in particular, the depletion of fossil fuels, which has a direct effect on our food system.

### [How to Raise a Good Energy Tax](#)

I was recently asked by the National Journal to comment on what I thought was a desirable path for tax reform, if one could wish away political constraints that normally handcuff politicians. My answer was, of course, to tax energy, particularly carbon emissions, and use the revenue to reduce other taxes. As I and many others have noted often in the past, taxes on oil or gasoline hit many birds with one stone.

## [Vehicle Emission Rules to Tighten](#)

The Obama administration today plans to propose tough standards for tailpipe emissions from new automobiles, establishing the first nationwide regulation for greenhouse gases.

## [Climate Change Bill Suffers from Backroom Dealings, Industry Influence](#)

The climate change legislation that will be debated this week is a huge disappointment. Not only will it prove a boon to energy industries, but it won't protect consumers and may very well not even curb global warming. The first draft, penned months ago, was on track to accomplish these goals, and we applauded it as a great start. Since then, however, lawmakers have met in secret with representatives of the coal and oil industries and facilitated industry efforts to gut the bill.

## ['Norway emissions drop not enough'](#)

Norway's greenhouse gas emissions fell by 2.2% in 2008, led by a decline in the manufacturing industry, but were still far above goals under the UN's Kyoto Protocol, Statistics Norway said today.

## [Warming Skeptics Get Heard on the Hill](#)

After the decade they've had, Capitol Hill's climate-change skeptics might well feel like polar bears on a shrinking ice floe.

Scientists around the globe have rejected their main arguments -- that the climate isn't clearly warming, that humans aren't responsible for it, or that the whole thing doesn't amount to a problem. Public opinion has also shifted and even Exxon Mobil talks about greenhouse gases.

But this spring, it's been obvious: Doubt is not dead.

## [Your World in Maps: Climate Change Edition](#)

Last week, the British medical journal *The Lancet* released the product of a year-long partnership with the University College London that attempted to assess the impact of global warming on global health. "Climate change," they concluded, "is the biggest global health threat of the 21 century." But crucially, it's a terribly *unequal* threat. The graphic below -- click for full size -- presents two distorted maps. The first shows the world in terms of carbon emissions. America, for instance, is huge. So is China. And Europe. Africa is hardly visible. The second map shows the world in terms of increased mortality

-- that is to say, deaths -- from climate change. Suddenly, America virtually disappears. So does Europe. Africa, however, is grotesquely distended. South Asia inflates.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](http://creativecommons.org/licenses/by-sa/3.0/us/).