



## DrumBeat: May 25, 2009

Posted by [Leanan](#) on May 25, 2009 - 8:30am

Topic: [Miscellaneous](#)

### [Is \\$100 oil coming soon?](#)

It's been a relief while it has lasted. Lower oil prices, that is. But the days of cheaper oil are numbered.

The brief respite from last summer's record-high crude prices, which aggravated the global economic slump, will soon give way to another oil-price spike that may be more painful than the last one.

"The stage is currently being set for oil prices to skyrocket," says U.S. energy analyst David Fessler in the online investment newsletter *Investment U*. Fessler cites the decline of such super fields as the North Sea, Alaska's North Slope, Mexico's Cantrell Field and Saudi Arabia's Ghawar Field – largest in the world – along with the extraordinary cost of producing crude from the few remaining newer crude sources such as Alberta's Athabasca tarsands and reserves six or seven kilometres below sea level off the coast of Brazil.

That's a view shared by most of the world industry's veteran experts.

### [Are Wall Street speculators driving up gasoline prices? \(Again?\)](#)

Big Wall Street banks such as Goldman Sachs & Co., Morgan Stanley and others are able to sidestep the regulations that limit investments in commodities such as oil, and they're investing on behalf of pension funds, endowments, hedge funds and other big institutional investors, in part as a hedge against rising inflation.

These investors now far outnumber big fuel consumers such as airlines and trucking companies, which try to protect themselves against price swings. The big investors are betting that the economy eventually will rebound, that the Obama administration's spending policies and Federal Reserve actions will trigger inflation and that oil prices will rise.

### [China's car-driven oil demand to soar - think-tank](#)

BEIJING - China's oil demand will increase by up to one third by 2015 as car ownership grows fast from its current low base, an executive at a think-tank run by Asia's top oil refiner, Sinopec Group, said on Saturday.

### [International Energy Agency may revise downward its forecast of 21% fall in global energy sector investment](#)

The International Energy Agency (IEA) may revise downward its forecast of a 21% fall in global energy sector investment, its chief economist Fatih Birol, said on Monday. Oil producers may have cancelled or delayed \$170 billion worth of investment in recent months.

### [G8 urges oil industry to invest despite crisis](#)

ROME (Reuters) - The financial crisis must not delay investments in the oil sector that are essential to an economic recovery, G8 energy ministers and top oil officials from four OPEC countries said on Monday after a two-day meeting.

### [The new millennium](#)

This global collapse is seen as the result of the sub-prime financial fiasco. It is often overlooked that the incredibly high prices of energy, driven by the peaking in global production of oil, forced up, among others, food prices, and caused eventually the destruction of demand for energy, i.e. a departure from economic growth as we knew it. Current fluctuations in oil and gas prices are random, and are related to the uncertainty in the reconstruction of the global economies.

Thomas Homer-Dixon, for the All Party Parliamentary Group of the UK Parliament on Peak Oil (APPGOPO), addressed the evolving complexity of our contemporary world which he characterised as: Multiple stresses, macro perturbations of natural systems, impending energy transition from fossil fuels, increasing connectivity and complexity of our systems.

### [Alternative Energies and Other Fairy Tales](#)

The quest for alternative, non-fossil fuel, energy sources is driven by two

misconceptions: (1) The mistaken belief in "peak oil" (that we are nearing the complete depletion and exhaustion of economically extractable oil reserves) and (2) That market mechanisms cannot be trusted to provide adequate and timely responses to energy needs (in other words that markets are prone to failure).

### [Can OPEC save the world economy? ...Cheap oil? ...Not for long!](#)

We can note that only about 10 years ago, 'New Economists' could still proclaim oil and gold as Sunset Commodities. Resource depletion, let alone climate change never featured in the stock of Adam Smith slogans from about 1760 -- reworked as wildly intelligent one-liners by leading edge 'New Economic intellectuals' for a decade or two.

### [When will Russia re-engage Asia-Pacific?](#)

Russia is a big country with a big "if". If Russia's development plan works, about 70 percent of Russia's 142 million people will attain a middle class living standard by 2020 (see The Plan 2020 at [www.kremlin.ru](http://www.kremlin.ru)). Russia's GDP per capita will increase from the current US\$12,000 to \$30,000. If this happens, Russia will likely elevate itself to become the fifth largest economy after the US, China, India, Japan, and hence, regain its old status as Eurasia's preponderant power.

But Russia only strategically matters for us if her regional priority becomes the Asia-Pacific region. Despite the fact that 60 percent of Russian territory extends across northern Asia, Russia's regional priorities remain heavily anchored in Europe.

### [Eni wants oil producer/consumer watchdog](#)

ROME (Reuters) - A global oil agency representing all producers and consumers is vitally needed to combat price volatility and ensure that investments keep flowing into the oil sector, chief executive of Italy's oil major Eni said on Monday.

Oil prices bouncing from \$50 per barrel to \$150 and back within a couple of years hinder investments in the global oil sector needed to ensure adequate supplies once the economy picks up and energy demand resumes growing, Eni's Paolo Scaroni said.

### [Is Iraq on collision course with OPEC?](#)

OPEC has done a solid job of countering the global recession and resurrecting crude oil

prices in recent months, but the successful implementation of Iraq's oil development plan could complicate the cartel's efforts for relatively high and stable prices in the coming years.

### [Kunstler: Wishes, Hopes, Fantasies](#)

Something like a week remains before General Motors is reduced to lunch meat on industrial-capital's All-You-Can-Eat buffet spread. The wish is that its deconstructed pieces will re-organize into a "lean, mean machine" for producing "cars that Americans want to buy," and that, by extension, the American Dream of a Happy Motoring economy may be extended a while longer.

### [Directory:Peak Oil](#)

Index of resources relating to Hubbert's Peak model which says that once the maximum amount of oil extraction is reached, the back side of the curve will spell much higher prices as extraction becomes more and more difficult.

Some say that peak has already been reached. Others say it won't hit for another 25+ years.

Either way, continuing our trend of increasing oil dependence is not a sustainable path.

### [The Global Food Crisis: The End of Plenty](#)

It is the simplest, most natural of acts, akin to breathing and walking upright. We sit down at the dinner table, pick up a fork, and take a juicy bite, oblivious to the double helping of global ramifications on our plate. Our beef comes from Iowa, fed by Nebraska corn. Our grapes come from Chile, our bananas from Honduras, our olive oil from Sicily, our apple juice—not from Washington State but all the way from China. Modern society has relieved us of the burden of growing, harvesting, even preparing our daily bread, in exchange for the burden of simply paying for it. Only when prices rise do we take notice. And the consequences of our inattention are profound.

### [For a City in Gridlock, a Lifeline and a Scourge](#)

CARACAS, Venezuela — Motorists despise them. Pedestrians fear them. Highway bandits lie in wait for them. Leftist leaders call them unsung heroes.

And this anarchic city, its love affair with the car notwithstanding, would collapse if not for them: the thousands of daring motorbike couriers who make life here treacherous and viable at the same time.

### [Eco-vandals take on the gas-guzzlers](#)

Police are searching for a gang of radical environmental activists after a series of attacks on 4x4 vehicles.

The gang, who claim to have targeted up to 80 vehicles across South Manchester, let down tyres and leave notes accusing the owners of adding to global warming and increasing the chances of road deaths.

### [Company looks to bring air-powered cars to US](#)

NEW YORK — Most car companies are racing to bring electric vehicles to the market. But one startup is skipping the high-tech electronics, making cars whose energy source is pulled literally out of thin air.

Zero Pollution Motors is trying to bring a car to U.S. roads by early 2011 that's powered by a combination of compressed air and a small conventional engine.

### [Russia Faces Uncertain Times Selling Natural Gas to Europe](#)

The latest round of pipeline politics between Moscow and the European Union masks a new reality: Changes under way in Europe are likely to damp the Continent's appetite for Russian gas, weakening Russia's much-vaunted status as an energy superpower.

Russian and EU leaders met Friday in the eastern Russian city of Khabarovsk to heal a relationship badly damaged by the January gas cutoff of Russian gas that left thousands of people in Eastern Europe shivering in their homes.

The EU sought assurances that would never happen again. Russia refused to provide any. Instead, President Dmitry Medvedev said Moscow doubted that transit state Ukraine had enough money to pay for the gas Russia supplies, hinting at more disruptions to come.

But behind the bravado, Russia is worried. Europe's economic slowdown has led to a collapse in demand for natural gas, while January's crisis has triggered a new push by EU states to find alternatives to Russian imports.

### [No Kremlin Guarantee of Gas to EU](#)

Russia cannot guarantee that there will be no halts in gas supplies to Europe, President Dmitry Medvedev warned at a news conference closing an EU-Russia summit in Khabarovsk on Friday.

Further raising the specter of a new gas shut-off, Prime Minister Vladimir Putin separately indicated that the country would not extend any loans to Ukraine. Ukraine's failure to pay for Russian gas resulted in the halt of deliveries to more than 20 European countries in January.

### [Saudi warns of new oil spike without investment](#)

ROME - Oil prices could spike to beyond the near \$150 record high of 2008 within two to three years unless the industry invests in new projects to expand capacity, Saudi Arabian Oil Minister Ali al-Naimi said on Monday.

The influential minister of the world's top oil exporter said the industry faced "faltering demand and significantly lower prices" but that the market reflected the global economic downturn rather than being an indicator of things to come.

"We are maintaining our long-term focus rather than being swayed by the volatility of short-term conditions," he said in prepared remarks to the G8 energy summit in Rome.

"However, if others do not begin to invest similarly in new capacity expansion projects, we could see within two-to-three years another price spike similar to or worse than what we witnessed in 2008."

### [Alberta forges ties with OPEC](#)

For the first time, Alberta and the Organization of Petroleum Exporting Countries have established an official relationship. It's a new strategy with big implications, including potential investment by OPEC members in Canada's oil sands.

### [OPEC Is Seeking \\$70 Oil, Venezuela Minister Says](#)

(Bloomberg) -- Venezuelan Finance Minister Ali Rodriguez said that OPEC is seeking an oil price of \$70 a barrel in order to maintain new investments in the industry.

Rodriguez, speaking to reporters in Quito, Ecuador, said that sustained low prices could eventually cause prices to rise as production slows and investments decline.

“What’s happening now, all over the world, is a strong fall in investment in oil, in exploration, in refining,” Rodriguez said. “In the long term that will lead prices to shoot higher again.”

### [Algeria worried Opec compliance slipping](#)

Algeria's oil minister said Opec was unlikely to cut output at its meeting next week amid a weak global economy, warning compliance with previous supply cuts had slipped in April and needed to be tightened first.

### [Oil price misleading, output cut essential, says Tehran](#)

DUBAI: Higher oil prices were lulling some members of OPEC into a false sense of security while oil market fundamentals show the need to cut output, Iran's OPEC governor said yesterday.

If ministers decided to keep output steady at OPEC's meeting in Vienna on Thursday, their decision would be political rather than based on supply and demand balance, Mohammad Ali Khatibi told Reuters in a telephone interview.

### [Libya Says 50% Chance OPEC Will Cut Output at Vienna Meeting](#)

(Bloomberg) -- There is a “50 percent chance” OPEC will cut production quotas this week as the group seeks to reduce excess supply, a move that could help crude prices rise to more than \$70 a barrel, Libya’s top oil official said.

### [Iran says still no balance in oil market - report](#)

TEHRAN (Reuters) - Iran's OPEC governor said the oil market was still not in balance and the producer organisation's work was "incomplete", the Oil Ministry website SHANA reported on Sunday.

The comments by Mohammad Ali Khatibi made clear again that Iran, the world's fifth-largest crude exporter, believed that the Organization of the Petroleum Exporting Countries needed to reduce output further to help boost the market.

### [Indonesia: Govt. unable to boost oil output next year](#)

The government has set an oil lifting target of 960,000 barrels of oil per day (bpd) for next year, unchanged from this year's target.

"We are still unable to set a higher target," Director General for Oil and Gas Evita H. Legowo told lawmakers from Commission VII overseeing energy and mineral resources Monday.

### [Oil Above \\$50 Saves Gulf States During Crisis](#)

(Bloomberg) -- While their biggest customers may continue to wallow in recession into 2010, the oil-producing nations of the Persian Gulf are again luring foreign investment and looking for places to park their own wealth.

Crude prices that have stabilized above \$50 a barrel mean the Middle East's oil-rich economies are likely to pull out of the global financial crisis sooner than the rest of the world. Saudi Arabia, the largest Arab economy and the world's biggest oil exporter, is attracting renewed interest from investors including leveraged-buyout firm KKR & Co. Qatar and Abu Dhabi have returned to international capital markets.

### [PetroChina Purchase May Signal Global Expansion Plan](#)

(Bloomberg) -- PetroChina Co.'s proposed takeover of refiner Singapore Petroleum Co. may mark the start of a spending spree to secure overseas assets after shareholders approved a \$15 billion bond issue to fund expansion, analysts say.

The world's second-biggest company by market value offered S\$1.47 billion (\$1 billion) for Singapore-based Keppel Corp.'s 45.5 percent stake in the refiner, PetroChina said in statements to the Shanghai and Hong Kong stock exchanges yesterday.

### [PetroChina Matches Exxon as Most Valuable Company](#)

(Bloomberg) -- PetroChina Co. briefly overtook Exxon Mobil Corp. as the world's most valuable company after China's stimulus plan caused a surge in the nation's stocks this year.



State-controlled PetroChina's Shanghai-traded shares rose as much as 3 percent to 13.25 yuan today for a market value exceeding \$336 billion, surpassing Exxon's \$335.9 billion as of May 22. The gain came as China's largest oil producer agreed to pay as much as \$2.2 billion to buy Singapore Petroleum Co.

### [Mend claims major pipe attack](#)

Nigeria's main militant group today claimed it had attacked major oil pipelines in the Niger Delta in order to prevent five flow stations feeding a Chevron facility in Delta state from operating.

The Movement for the Emanicipation of the Niger Delta (Mend) said in a statement emailed to Reuters that the attacks had affected flow stations at Alero Creek, Otunana, Abiteye, Makaraba and Dibi.

### [Oil & Natural Falls in Mumbai After Report Profit May Be Capped](#)

(Bloomberg) -- Oil & Natural Gas Corp., India's biggest energy explorer, fell in Mumbai trading after the Economic Times reported it may face limits on earnings as the government plans to impose a cap on oil producers' profits.

### [Iran completes gas pipeline deal with Pakistan; line could be extended to include India](#)

TEHRAN, Iran (AP) — Iran's official news agency says the country has completed a major gas pipeline deal with Pakistan that could be extended in the future to take Iranian gas to India.

The IRNA news agency says Iranian President Mahmoud Ahmadinejad and his Pakistani counterpart, Asif Ali Zardari, watched the signing of the agreement Sunday.

### ['Mexico output to recover by 2011'](#)

Mexico's faltering crude oil output should begin to recover next year or in 2011, Energy Minister Georgina Kessel has claimed.

### [Can Oil Go Even Higher?](#)

This Friday, the price of oil held above \$61 a barrel, helped by a weakening dollar. With the price off around 60% from its all time high, which was set last July at \$147, could oil and gas be one such opportunity? I doubt about it. A deteriorating world economy, conservation and competition from other fuels would cut deeply into oil demand.

### [Real estate bust turns South Dade suburbs into modern ghost towns](#)

To some housing experts, the numbers indicate a shift.

"We are seeing the limits of sprawl," said real estate analyst Michael Cannon.

Like much of the rest of the country after World War II, growth in South Florida followed a model of housing subdivisions, malls, and office parks -- built separately and connected only by cars fueled by cheap gas. As each new and ever more distant development sprouted, city centers emptied.

But by the 1990s, exhaustion from long commutes and clogged roads, complaints about a lack of a sense of place, and worries about strained resources prompted calls for "smart growth" and mixed-use developments with work, school, and homes in close proximity.

### [Indy 500 continues to waste fuel: Another car race with no awareness of recession or peak oil](#)

The Indy 500 happens at this time every year regardless of the price or scarcity of gasoline. It's pushing \$3 per gallon, and it was near \$5 per gallon last year. Still, these folks continue to blow off valuable energy as if there is an endless supply. They no longer use gasoline but have replaced it with ethanol, the plant-based fuel that is now causing us to grow corn and sugar for fuel rather than feeding the 25,000 who will die of starvation today. Experts say that the energy required to fill one SUV tank could feed a single person for an entire year.

### [Coal gasification is gathering steam](#)

IT IS a technology first developed in the 19th century and encouraged under Joseph Stalin's Soviet Union. Now a few Australian companies are attempting to prove that underground coal gasification (UCG) is more than just a promising idea but a technological and financial reality.

## [Hydro Risks Make China's Three Gorges Look To Wind](#)

BELJING - The state-owned company behind China's Three Gorges Dam is looking to expand its wind power portfolio as the risks associated with hydroelectric projects grow, a senior executive said on Saturday.

"Previously we focused mainly on hydropower but recently we have been restructuring and are moving towards wind and nuclear," said Bi Yaxiong, the vice-general manager of the China Three Gorges Project Corporation (CTGPC).

## [Wind turbines and migratory birds: A serious problem?](#)

The Illinois Department of Natural Resources conducted a study in 2007, which found far fewer instances of bird deaths from wind turbines than some feared. The mortality study, conducted at a wind energy installation, found an average of one bird per turbine was killed a year.

However, bat deaths associated with turbines were three times that of the rate of birds, especially during their migratory season, IDNR's study recorded.

## [India: Mandatory use of solar heating system](#)

NEW DELHI: The government intends to make mandatory the use of solar heating systems in all functional buildings under the first phase of the proposed National Solar Mission.

To be implemented between 2009 and 2012, the Mission proposes to make it compulsory for all hospitals, guest houses, hotels and nursing homes to install solar water heaters. This will be applicable to residential complexes too if a minimum plot area of 500 square metres is available.

## [Japan may entrust uranium enrichment to Russia without IAEA checks](#)

MOSCOW — Japan is mulling entrusting uranium enrichment to a Russian nuclear plant which may not be inspected by the International Atomic Energy Agency, sources familiar with Japan-Russia relations said Sunday.

### [Climate change summit hijacked by biggest polluters, critics claim](#)

A vital meeting in Copenhagen this weekend that will help shape the agenda for the most important climate change talks since the Kyoto protocol has been hijacked by some of the biggest polluters in the world, critics claimed today.

Among those attending the World Business Summit on Climate Change is Shell, which has just been named by environmentalists on the basis of new research as "the most carbon-intensive oil company in the world".

### [MIT Model Predicts Accelerating Warming Trends](#)

If an unusually detailed computer simulation at the Massachusetts Institute of Technology has it right, global warming in this century is on track to be about twice as bad as predicted six years ago.

The MIT model is said to be the only one that incorporates among its variables possible changes in economic growth and other human activities and draws on peer-reviewed science on the climatic effects of atmospheric, oceanic and biological systems.

### [Warming will make Scotland the bread basket of Europe](#)

Climate change is poised to transform Scottish farming, boosting yields of oilseed rape, wheat, barley and oats by 30% within 40 years, according to a new report.

A study by the Scottish Agricultural College (SAC) and the Rothamsted Research centre in Hertfordshire predicts that rising temperatures and levels of the greenhouse gas carbon dioxide in the atmosphere will create ideal growing conditions and turn Scotland into the bread basket of Europe.



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