



DrumBeat: June 1, 2009

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[Jeff Rubin - The recession: First, there was expensive oil](#)

Knowing the nature of a disease is usually a precondition for finding a cure. Similarly, identifying the cause of a recession goes a long way in defining what type of recovery is likely to follow.

Conventional wisdom ascribes the current downturn, which in many ways is already the postwar's deepest one, as a financial-market crisis with origins in the bursting of a U.S. real estate bubble. But how did the demise of the American subprime mortgage market create earlier and much deeper recessions overseas than in the U.S. economy itself?

Maybe there was something else going on, like triple-digit oil prices for example.

[Global Storage Constraints Limit Oil Stockpiling](#)

(Bloomberg) -- Global storage constraints in the short term are limiting the ability of most countries to stockpile more oil, China's energy chief said.

"Crude stockpile facilities at most countries have been fully filled in the first half, and it will be difficult for countries to greatly increase crude reserves in the second half as they did in the first," Zhang Guobao, director of the National Energy Administration, said at a media briefing in Beijing today.

[Driving Season in U.S. May Beat Forecasts, IEA Says](#)

(Bloomberg) -- Fuel demand during the U.S. summer driving season may prove stronger than projected as consumers recover from the shock of the global financial crisis, an International Energy Agency official said.

"It wouldn't surprise me if it was a better driving season than some people have forecast," IEA Deputy Executive Director Richard Jones told reporters at the Australian Petroleum Production and Exploration Association conference today.

[Oil Rises to Seven-Month High on China Manufacturing Expansion](#)

(Bloomberg) -- Crude oil rose to the highest since November as China's manufacturing expanded for a third month, signaling that fuel demand in the world's second-biggest energy consumer will increase.

Oil climbed as much as 1.8 percent after the U.S. dollar fell to its lowest against the euro since December, heightening the need for commodities to hedge against inflation. China increased prices of gasoline and diesel by as much as 8 percent, a move that may prompt refiners to boost crude purchases.

[OPEC unlikely to lower oil output](#)

There is "no way" OPEC will cut production when the group meets again in September, Kuwait's oil minister said, after the supplier of about 40% of the world's oil left output quotas unchanged last week.

"We're not in favor to see the prices in the hundreds because this will fuel recession again," Sheik Ahmed al Abdullah al Sabah told reporters Sunday in Kuwait City. "We have to give the world economy more time" to recover from its worst recession since World War II.

[The big American gas-guzzler: Down but not out](#)

HOUSTON (Reuters) – Even though U.S. pump prices are nearly half the \$4 per gallon (\$1.06 per liter) levels of a year ago, the legions of American fans of gas-guzzling SUVs and trucks don't have much to celebrate.

President Barack Obama's White House has unveiled new fuel-efficiency rules that will push auto companies into making more small cars and General Motors and Chrysler -- both heavily associated with large vehicles -- have sunk into bankruptcy.

But don't expect many dents in the Sport Utility Vehicle fan club.

[Total Says New Oil Finds Can Beat North Sea Decline](#)

Bloomberg) -- Total SA, Europe's third-largest oil company, calculates that investment in North Sea fields will make it the biggest oil and gas operator in the U.K. within three years, challenging top-ranked BP Plc on its home turf.

"Our strategy is more aggressive than other companies," Roland Festor, managing director of Total E&P U.K. Ltd., said in a May 28 interview. "We don't have a strategy to grow by acquisitions but by exploration in our hubs."

[US energy braced for hurricane pressure](#)

Rising reinsurance rates and falling capacity have left some insurers and US energy producers with more to fear than in past years as the Gulf of Mexico hurricane season begins on Monday.

A severe storm season would put “big pressure” on the Gulf energy industry, according to brokers at Marsh, as producers have been left with little or no insurance cover.

A cutback in the state reinsurance fund has left insurers of buildings in Florida less able to afford reinsurance, according to research out on Monday.

[GM files for bankruptcy](#)

It's an end of an era for GM as the troubled automaker is forced into bankruptcy. GM is set to close nearly a dozen plants and cut more than 20,000 jobs.

[Is Halliburton forgiven and forgotten?](#)

The Houstonian Hotel is an elegant, secluded resort set on an 18-acre wooded oasis in the heart of downtown Houston. Two weeks ago, David Lesar, chief executive officer (CEO) of the once notorious energy services corporation Halliburton, spoke to some 100 shareholders and members of senior management gathered there at the company's annual meeting.

All was remarkably staid as they celebrated Halliburton's US\$4 billion in operating profits in 2008, a striking 22% return at a time when many companies are announcing record losses. Analysts remain bullish on Halliburton's stock, reflecting a more general view that any company in the oil business is likely to have a profitable future in store.

[Asia Crude-IOC seeks more August crude](#)

SINGAPORE (Reuters) - India's largest state-owned refiner, Indian Oil Corp (IOC), has issued a second tender to buy August sweet crude, after having bought four million barrels last week, traders said on Monday.

[China: Power consumption continues to drop, oil sales set new high](#)

Statistics released by the State Electricity Regulatory Commission (SERC) reveals that starting from October 2008 China's power consumption has experienced negative

growth for six consecutive months.

[Kurt Cobb: Hypocritical modelers](#)

Oil companies like to use models to estimate their reserves and the potential of unexplored fields. Exxon Mobil Corp., the world's largest oil company and a longtime supporter of the global warming denial lobby, tells us the following on page 8 of its 2007 annual report: "Using proprietary technologies and tools, including advanced reservoir prediction models and geological data visualization, we have significantly improved our ability to identify, model, and understand oil and gas reservoirs."

Exxon and its fossil fuel partners in the denial lobby seem to like models well enough when they use them for their own purposes; but through their hired mouthpieces they decry the use of models for climate change forecasting. (The Heritage Foundation to whose pages the previous link leads received consistent funding from Exxon throughout this decade.)

[Saudi's Say Crude Oil \\$75 is Fair: Parasite Economics Explained](#)

There is a rumor that demand for oil is a function of GDP, therefore when the world economy recovers, demand will go up, so divide that by supply and you get to price. There is only one small little thing wrong with that theory; historically it doesn't work very well.

Rather the other way around, sort of like a 300% increase in price might cause a 5% decrease in demand with a four or five year lag and a 60% decrease in price might give a 10% increase in demand with a four or five year lag.

[Where Is Silver Heading Next?](#)

The fundamentals that will propel wave 3 will be similar to wave 1 as the economy recovers, silver demand picks up industrially but again inflationary pressures begin to bear as commodity demand from China and elsewhere tightens. The inflationary effects of the worldwide credit crunch bailout will also finally filter through but we also expect Peak Oil to finally and decisively appear and oil to breach \$200 and beyond. Wave 3 will occupy most of the next decade.

[What's wrong with a 30-hour work week?](#)

With millions of jobs lost during the first part of 2009, who is calling for a shorter work week to spread the work around? Not the Republicans. Not even the Democrats. But why is there nary a peep from unions?

[Red Cliffs and collapse](#)

We are at the eve of a depletion crisis. Present day polities are so complex – and therefore costly – they cannot exist without a constant inflow of energy only fossil fuels can provide. With the advent of peak-oil, they will less and less able to pay for the cost of their existence and will disintegrate. The way they will do it, however, will matter quite a lot and if they cling to their unity too long and fail to decentralize, they will only exhaust resources their successor will need to firmly establish themselves. So instead of the warring but reasonably stable Three Kingdoms, we will end up with squabbling fiefdoms.

This is, I think, a vital task peak oil activists unfortunately tend to overlook : how to make sure that when current polities fail, they won't be replaced by a reincarnation of the petty kingdoms of England. That certainly does not mean encouraging every wild secessionist scheme – some are reasonable project, as in Scotland, Wales or Catalunya but most others are just recipes for disasters – but encouraging decentralization, growth of regional identities and empowerment of local authorities, so that, when the time will come, we won't need a Battle of the Red Cliffs to avoid fighting the one of Badon Hill.

[Triple crisis for the motor car](#)

THE modern world is so much built on the motor car. For many middle-income families, it is the most important asset they own after the house. And, many who don't own a car have the fervent dream of doing so.

Just as car ownership is the most obvious status symbol for the individual, the making or assembly of automobiles is for many developing countries the centerpiece of their industrialisation process.

Today, the motor car, and what it represents, is caught in the midst of at least three crises – the environmental, economic and energy crises. Its future will not be the same.

[Investing in creativity is way to achieve economic success](#)

Global warming and peak oil may necessitate a complete rethink of our approach to investment in transport infrastructure. Rising unemployment means risking a repeat of the 1980s dispora and the brain drain that went with it.

[Resources available now to begin the transition toward life we're seeking](#)

The Transition Town Movement – a grass-roots initiative spreading around the globe – is asking, “How are we going to drastically reduce carbon emissions (in response to climate change); significantly rebuild resilience (in response to peak oil); and greatly

strengthen our local economy (in response to economic instability)?”

The movement, originated by Rob Hopkins, a UK ecological designer and permaculturist, provides a roadmap away from this triple threat and toward a sustainable future.

[Seeds of Change](#)

These are, to put it gently, unsettling times. A triple whammy confronts us: climate change, peak oil, and a global economy in a possible death spiral. With things spinning so badly out of control, it's easy to feel daunted.

A century ago, the poet William Butler Yeats described chaos's onset this way: “The center cannot hold.” While his words still resonate, they don't quite capture the current crisis, whose cause lies precisely in this: The global economy has no center. It's a system in which capital sloshes from money center to tax haven, and corporations, in the words of writer David Ehrenfeld, are “everywhere and nowhere.” The result: From the Hudson Valley to Hong Kong, people are plugged into an economic matrix that has no face and is indifferent to yours. Talk about your primal helplessness! Here we are, attached to the same global teat, the milk is slowing to a trickle, and Mama's on crank and doesn't care.

Is it end-game time? Yes, if we're referring to the era of plentiful, cheap oil. But don't assume a high-tech Dark Ages is upon us. Out of the rubble of the old, a new, postglobal economic arrangement is emerging.

[Beyond Westminster's bankrupted practices, a new idealism is emerging](#)

Progressive politics will take root from the rubble of a Labour defeat. The Transition movement is giving us a glimpse now.

[Superfluous Luxuries: How science was put in the service of greed](#)

Throughout our history our development has been geared into progressive invention, at no point have so many scientists co-operated in the name of preservation. Will peak oil result in a peak of technology, or at least those technologies which are such an ubiquitous aspect of our society?

I grew up with this notion that our race was infallible, that we would explore the stars, and even when I learned that, if we weren't wiped out by a meteor the sun would burn out, the assumption was that we would inevitably prevail. I also naively believed that our evolution and the state of society was at a level and we would not experience even half the change our parents and grandparents witnessed. The last hundred years have seen the most drastic change to the lives of the ordinary in human history, but the next hundred will outdo that effort effortlessly, but we all know where you're headed after a

peak. The metaphorical conception of oil as the earth's blood is only too accurate; we are bleeding it dry and the life-force we have invested far too much in will soon give up on us. Nature will have her revenge, she is already displaying her destructive potential, flexing her muscles, and we need look no further than our temperate little island to see the effects (in terms of unprecedented weather patterns and consistent meteorological anomalies).

['Clean-tech' start-ups are pushing the green button](#)

Venture capitalists, big companies including Cisco Systems Inc. and General Electric Co. and private equity firms have been pumping money into a variety of green IT initiatives, said Ron Pernick, co-founder and principal of Clean Edge Inc., an environmental research and consulting firm. A major push includes an effort to make the nation's power grid "smarter" by using sensors and networking technology so companies can track their electricity use.

These initiatives look at the demand side -- figuring out how people are using energy -- rather than the supply side, such as solar power, to replace the type of energy being generated.

[Corn farmers eye E15 waiver](#)

For decades, much of the fuel sold in the U.S. has been blended with 10 percent ethanol. However, in recent years, the amount of ethanol produced in the U.S. has been on the rise. In 2008, the ethanol industry produced 9 billion gallons of the alternative fuel. And this year, ethanol production is expected to rise yet again, to more than 12 billion gallons.

But for the ethanol industry, the steadily rising production portends trouble. Should the federal government continue to limit the blend of ethanol in regular unleaded gasoline to 10 percent — a blend known as E10 — the ethanol industry will run into what is known in the industry as the "blend wall," or the maximum amount of ethanol that can be reliably absorbed by U.S. gasoline production.

[Monbiot - Stern breaks the east-west deadlock on who's responsible for CO2](#)

China says it's unfair that the west 'outsources' emissions. Now that Lord Stern has said responsibility should be split between producers and consumers, other countries may follow suit.

[Japan to choose on climate: lose face or lose money](#)

TOKYO (Reuters) - Japan's prime minister faces the country's toughest climate change challenge in more than a decade when he sets a greenhouse gas emissions goal for 2020 this month: he must either take a lead on the cuts or cave into pressure from business.

If his target is deemed too small, Taro Aso will earn global ire for not pulling his weight in the fight against climate change and disappoint some voters ahead of a looming election.

[As the U.S. goes \(green\), so too goes Canada](#)

"There is the strongest prospect ever" that the United States will embrace cap-and-trade, believes Elliot Diringer, vice-president for international strategies at the Pew Center on Global Climate Change.

That likelihood represents a profound surrender of sovereignty by Canada on environmental policy.

[CO2 levels may cause underwater catastrophe](#)

The world's scientific academies - including the UK's Royal Society - issued a warning that ocean acidification must be on the agenda when countries attempt to forge a new global deal on cutting emissions in Copenhagen in December.

And a separate paper warned that increasing acidity in the seas could damage fish, corals and shellfish - leaving fishing communities facing economic disaster.

[Public asked to help monitor life on earth](#)

OSLO (Reuters) - Scientists asked people around the world on Monday to help compile an Internet-based observatory of life on earth as a guide to everything from the impact of climate change on wildlife to pests that can damage crops.

"I would hope that ... we might even have millions of people providing data" in the long term, James Edwards, head of the Encyclopedia of Life (EOL) based at the Smithsonian Institution in Washington, told Reuters of the 10-year project.

[The seldom-seen devastation of climate change](#)

A NASA climatologist explains why global warming is more than starving polar bears, and skeptics are simplistic.

[Apathy threatens humanity, ex-Clinton aide says](#)

Thomas Homer-Dixon says we still don't get it.

And unless we change our energy-consuming, air-polluting ways, we're in for a rude awakening in just 26 years.

"It's not going to look good," said the author of "The Ingenuity Gap," and editor of the recent best-seller, "Carbon Shift" and former White House advisor to the Clinton administration.

By 2035, Homer-Dixon warns there will be a cataclysmic shift in weather patterns that will leave us reeling.



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