



## DrumBeat: June 3, 2009

Posted by [Leanan](#) on June 3, 2009 - 8:00am

Topic: [Miscellaneous](#)

### [Jeff Rubin: Small new world](#)

With global oil supply dwindling and demand rising, you can expect scarcity. And scarcity means high prices. You can expect triple-digit oil prices in the near future. Yes, the price at the pump is going to go up. Count on it. In the United States, that should translate into as much as \$7 per gallon of gasoline, and about \$2 per litre in Canada. Europe is of course already paying those prices, so they should get ready for the equivalent of double-digit gas prices. But it will also hurt in a lot of ways you may not be thinking about.

Life as we've known it is up for grabs in a world of expensive fossil fuels. Expensive oil means a severe curb on the free-spending lifestyle that cheap energy has afforded us for some time now. It means you can say a long and wistful goodbye to the inexpensive products manufactured on the other side of the world. You may not love them, but they have been stretching our dollars for a while now and holding down inflation at the same time. You'll miss them when it starts to become clear that your paycheque just doesn't go as far as it used to.

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### [Jeff Rubin interview: 'When you spend more on fuel than food, an economic contraction will follow'](#)

The global economy is mostly about wage arbitrage... but the implicit assumption is that we can move goods and not just finished goods, [but also] the intermediary inputs around the world - that distance does not cost money.

We've already seen evidence that China was losing advantage in the North American steel market because it wasn't economically feasible to ship it across.

### [What they said on hot energy topics: Wednesday](#)

LONDON (Reuters) - The following are comments on a number of key topics from speakers at the Reuters Global Energy Summit on Wednesday:

### [Libya sees further oil price rise](#)

Ghanem echoed the views of other OPEC members that prices needed to rise to secure future investment in oil production. But he cautioned oil markets were likely to tighten in coming years regardless.

"In 2-3 years, or maybe even next year, the talk of peak oil will be looming again. What is happening is temporary; demand will come back," Ghanem said.

### [Energy Chief Says Nuclear Disclosure 'of Great Concern'](#)

WASHINGTON -- The accidental disclosure of a report that gives detailed information about the nation's civilian nuclear sites and programs is "of great concern," and U.S. officials intend to closely examine whether it has jeopardized national security, Energy Secretary Steven Chu said Wednesday.

### [Venezuela agrees to Russian group venture](#)

Venezuela agreed to work with a group of five Russian oil companies including Rosneft and Lukoil to create an oil joint venture in areas of the country's Orinoco Belt, according to an accord published today.

### [Putin Urges Europe to Help Ukraine Avoid New Gas Halt](#)

(Bloomberg) -- Russian Prime Minister Vladimir Putin urged Europe to help Ukraine make payments for supplies of natural gas because transit from Russia may otherwise be halted in weeks for the second time this year.

Transit via Ukraine may stop as early as the end of June or the start of July, Putin told reporters in Helsinki today at a press conference with Finnish Prime Minister Matti Vanhanen.

### [Eni must sell some gas storage - watchdog](#)

ROME (Reuters) - Italy's oil and gas giant Eni (ENI.MI) must sell some of its gas storage sites to other players, Italy's antitrust authority and energy watchdog AEEG said on Wednesday, as its management damages competition.

The authorities said Eni, which controls 97 percent of stocks through its Stogit unit, had so far made "absolutely marginal" improvements to guarantee more security to the system and to increase competition.

### [Energy Northwest considers nuclear power again](#)

RICHLAND, Wash. — A quarter century after a grand plan to develop nuclear power in the Northwest collapsed, a regional power consortium is quietly shopping the idea of building another reactor.

In a letter obtained by The Associated Press, Energy Northwest asked each of its 25 member public utilities and municipalities to pitch in \$25,000 for further research into building small nuclear reactors.

### [Ethanol to take over 75 pct Brazil car fuel market](#)

SAO PAULO (Reuters) - Sugar cane-based ethanol fuel is expected to take over 75 percent of Brazil's light vehicle fuel market, shrinking gasoline's stake to 17 percent by 2020, the head of the state-run oil company said.

The flex-fuel engine technology, which is now included in about 90 percent of all new car sales, is the reason that Brazilians are buying more ethanol fuel, said Jose Sergio Gabrielli, chief executive of Petrobras(PETR4.SA) (PBR.N), Brazil's state-run oil company.

### [Oil Demand Falling Fast In Japan](#)

Japan may be forced to shut more than a fifth of its refining capacity, at least 1 million barrels per day, in the next five years as oil demand falls faster than expected, the head of the country's top refiner said on Tuesday.

Nippon Oil Corp President Shinji Nishio also told the Reuters Energy Summit that the company, after its planned merger with Nippon Mining, might shut in 200,000 bpd more capacity than originally planned by 2015, underscoring the rapid demand erosion in the world's No. 3 consumer.

"I think we are likely to see an even faster decline than the government's projection," he said in Tokyo.

### [Putin threatens to choke Europe's gas](#)

Russia's Prime Minister Vladimir Putin said today gas transit to Europe may stop at the end of June or in early July if Ukraine does not pay for pumping the gas into underground storage.

## [Shell Says Nigerian Oil Export Disruption May Extend Into June](#)

(Bloomberg) -- Royal Dutch Shell Plc said exports of Nigeria's Bonny Light and Forcados crude may continue to be disrupted in June after pipelines were damaged.

Shell has extended a so-called force majeure declaration on Bonny Light and Forcados crude exports into June, company spokesman Adam Newton said in a telephone interview today. Force majeure is a legal clause that allows producers to miss contracted deliveries citing circumstances beyond their control.

## [China warily permits a peek into its oil reserves](#)

NINGBO, China (Reuters) - China let reporters into its secretive strategic oil reserve on Wednesday, revealing facilities adjacent to major commercial storage, with managers drafted in from state-owned firms on a tight rein from Beijing.

China has rushed to fill its four strategic oil bases since oil prices fell last year and will now build a second, bigger set of bases to expand its capacity, with the eventual aim of having enough to cover 90 days of imports, three times more than now.

## [Competitors behind palm oil slurs: industry boss](#)

JAKARTA (Reuters) - Western countries are using climate change as an excuse to constrain palm oil production in Asia because it competes with Western business interests, Indonesia's palm oil industry chief said on Wednesday.

## [Venezuela Offering 3 Projects in Oil Licensing Round, PDVSA Says](#)

(Bloomberg) -- Venezuela, South America's biggest oil exporting country, is seeking bids for three projects to develop 4 billion barrels of crude reserves, Eulogio del Pino, head of exploration and production at state-owned Petroleos de Venezuela SA, said at a conference in Abu Dhabi today.

## [Rosneft Faces Challenges in Building Two Asian Oil Refineries](#)

(Bloomberg) -- OAO Rosneft, Russia's largest state-owned oil producer, will face challenges if it seeks to build simultaneously two refineries in Russia's Far East and China, said Peter O'Brien, vice president for finance and investment.

## [Saudi Arabia Increases All Crude Oil Export Prices Worldwide](#)

(Bloomberg) -- Saudi Aramco, the world's largest state-owned oil company, increased its official selling prices for exports of all grades globally in July.

For U.S. customers, Saudi Arabia increased the price of its Extra Light crude the most, raising it by 60 cents a barrel to \$1.35 below the cost of West Texas Intermediate crude, the state oil company said in a faxed statement today.

### [Even If Oil Hits \\$90, OPEC Won't Increase Production](#)

Oil prices could reach \$80-\$90 a barrel by early next year, but OPEC will not increase its output until a huge amount of over-supply has been absorbed, the group's Secretary General said on Tuesday.

### [Calderon to Avert Debt Rating Cut, Goldman Says](#)

(Bloomberg) -- Mexico probably will stave off a credit rating downgrade by raising taxes to reduce the government's dependence on oil exports, according to Goldman Sachs Group Inc.

President Felipe Calderon may reach an accord with lawmakers after July mid-term elections, buoying revenue as a decline in oil output and the first recession in eight years swells the budget deficit, said Paulo Leme, Goldman Sachs's chief Latin America economist. Standard and Poor's cut the outlook on Mexico's BBB+ rating to negative last month, saying the slump was heightening the country's "fiscal vulnerabilities."

### [Are Monopolies Holding Mexico Back?](#)

the World Bank has published a book, "No Growth without Equity?," that summarizes the theories explaining Mexico's mediocre performance. The book argues that special interest groups, particularly in business and labor, have managed to block changes that would make the economy more efficient and productive in an attempt to preserve privileges built up over decades under Mexico's closed economy and one-party state. Most important, those groups have frustrated attempts to introduce competition.

Surprisingly, Mexico's transition from a one-party state to a fractious democracy has done little to change this. Powerful interests have been successful at controlling weak government institutions and co-opting political parties.

Among the book's cases studies are two areas where Mexico is falling behind by just about any measure: its state-owned oil monopoly, Pemex; and telecommunications, where one player, Teléfonos de México, is so dominant that it exercises a de facto monopoly.

Reserves and production at the oil company, also known as Petróleos Mexicanos, are declining. But even though the evidence of Pemex's problems is undeniable, efforts to

change the company have stalled because several powerful groups benefit – in the short-term at least – from keeping things the way they are.

### [Kuwait Oil Co Says No Upstream Projects Canceled](#)

State-owned Kuwait Oil Co. has not canceled or postponed any upstream projects, and will invest as much as \$6 billion in 2009 on exploration and production activities, the company's chairman said Monday.

"I want to emphasize that we have not slowed down our strategic investments," said Sami Al Rushaid, who is also KOC's Managing Director, at an oil companies conference.

### [U.S. releases secret nuclear list accidentally](#)

The federal government mistakenly made public a 266-page report, its pages marked "highly confidential," that gives detailed information about hundreds of the nation's civilian nuclear sites and programs, including maps showing the precise locations of stockpiles of fuel for nuclear weapons.

### [Urban gardens ease bills, brighten cityscape](#)

DETROIT — Every little bit helps for Earlean White's family.

The neighborhood garden a block from her home was the source of fresh tomatoes, cucumbers and peppers for her family last summer.

So on a recent sunny Saturday, White, 48, enlisted two of her kids — Katherine White, 9, and David Smith, 13 — and her grandson Robert Puritan, 8, to start planting for this year's growing season.

White says the garden helps ease her grocery bill and "helps the community and makes it look better."

With the help of Urban Farming, a Detroit-based non-profit group, this 20-foot-by-20-foot lot and more than 600 others like it across the USA are being turned into gardens filled with fresh vegetables for hungry families.

### [Saudi to commission two new oil developments](#)

Saudi Arabia will commission two new oil developments on schedule this summer to boost the country's production capacity, even as it delays new refinery projects, a Saudi oil official said yesterday.



### [Chevron to expand oil project in Kingdom](#)

ABU DHABI - US oil major Chevron could deploy a technique to boost oilfield output across the neutral zone between Kuwait and Saudi Arabia in 2017, a top Chevron executive said on Tuesday.

If successful, the technique could be rolled out worldwide and add billions of barrels to global reserves, said Guy Hollingsworth, Chevron's president for exploration and production in Europe, Eurasia and the Middle East.

"We could go to full-field in 2017," Hollingsworth told reporters on the sidelines of an energy conference in Abu Dhabi.

Chevron is testing the impact of steam flooding in the oilfields in the neutral zone to help boost output of heavy oil. Steam raises the temperature below ground and loosens up crude that is otherwise difficult to pump.

### [Bids asked for Saudi fuel hub upgrades](#)

Saudi oil giant Aramco expects to receive bids for the upgrade of around 14 bulk plants by June 28, two sources familiar with the plan said on Monday.

A bulk plant is a wholesale receiving and distributing facility for petroleum products. It includes storage tanks, warehouses, truck loading racks and related elements.

"Some bulk plants are very old, they are updating them to increase capacity," a source close to the project said.

### [Saudi to start production at Khurais end June](#)

Although it was not immediately expected to add to the sum of Saudi output, the field represents the biggest ever single increment to global production.

"It's mechanically completed, and it's commissioning...and I expect by the end of this month we will have oil production from Khurais," Abdulaziz al-Judaimi, vice president for new business development at Aramco, told reporters on the sidelines of an industry conference.

### [Lukoil reports 71 pct drop in Q1 profit](#)

Russia's largest privately owned oil company Lukoil said Wednesday that net profit in the first quarter dropped 71 percent compared to a year earlier, dragged down by low

oil prices.

The company booked a profit of \$900 million, down from \$3.1 billion a year earlier. It said its cost-cutting program helped limit the decline and that the results were still an improvement compared to last year's fourth quarter, when it reported a \$674 million loss.

### [China replaces Total in giant Iran gas scheme-IRNA](#)

TEHRAN (Reuters) - Iran will sign a contract on Wednesday with China National Petroleum Corporation (CNPC) for the development of phase 11 of the giant South Pars gas field in the Gulf, replacing France's Total, the official IRNA news agency reported.

Total said it considered the report to be a market rumour.

### [Cap-and-trade is coming](#)

A cap-and-trade system won't come to Ontario, the government says, before 2012. The delay is, perhaps, understandable. There are many details yet to be worked out, and it makes sense to time the implementation to coincide with an expected North America-wide system.

All the same, the sooner the Ontario government can give industry a clear idea of what the new economy will look like, the better it will be for the province's economy in the meantime. A recession is no time to let uncertainty linger.

### [Jeff Rubin's Shrinking World](#)

After a quarter-century of increasing free trade and globalization, we have seen our prosperity suddenly stagger -- even in China, where mere six per cent growth is effectively a recession. While GM goes bankrupt, investors still dream of a return to "normal": the happy years before 2008.

Jeff Rubin, chief economist at CIBC World Markets for almost 20 years, makes it clear that those years were decidedly abnormal, a three-decade holiday from reality.

### [Stop the world, Jeff wants to get off](#)

Mr. Rubin has since departed from CIBC. This, he claims, is significantly due to his new book: *Why Your World Is About To Get a Whole Lot Smaller*. It's easy to see why the bank wouldn't like it. But that's likely not because it's too boldly insightful, as Mr. Rubin



might believe. It's because Mr. Rubin has gone from the dismal science to the Dark Side.

The former CIBC star is both a fine writer and an engaging speaker, but he has contracted a bad case of Peak Oil Theory, a condition that afflicts those inclined to anti-materialism, Big Oil paranoia and Pollyanna-ish belief in policy wisdom (But then Mr. Rubin is actually in favour of carbon tariffs, which would collapse world trade faster than you could say Smoot-Hawley).

### [Peak oil three years away](#)

The global financial crisis might have put it back a little, but peak oil is just three years away, according to the chair of Australia's peak body for petroleum.

### [JPMorgan Hires Supertanker to Store Heating Oil, Brokers Say](#)

(Bloomberg) -- JPMorgan Chase & Co., the second-largest U.S. bank by deposits, hired a newly built supertanker to store heating oil off Malta, shipbrokers reported, in the company's first such booking in at least five years.

The bank hired the Front Queen for nine months, according to daily reports from Oslo-based SeaLeague A/S and Athens-based Optima Shipbrokers Ltd. David Wells, a spokesman for JPMorgan in London, declined to comment.

### [BP Missed Opportunity in Brazil's Santos Basin, Citigroup Says](#)

(Bloomberg) -- BP Plc, Europe's second-largest oil company, views its absence from Brazil's pre-salt offshore region as an "opportunity now missed," according to analysts at Citigroup Inc.

### [A Call to Action on Peak Oil](#)

We are being lulled to sleep by temporarily low oil prices caused by the global financial crisis. In fact, low prices may lead to an increased level of consumption and accelerated exhaustion of oil reserves.

### [OPEC Expert says Oil Prices Could Fall Again](#)

ABU DHABI (Reuters) - Oil prices could fall again because fundamentals are still weak, OPEC's director of research said on Tuesday.

### [Total calls for openness in Nigeria reforms](#)

The chief executive of French giant Total, Christophe de Margerie, has urged Nigeria to boost transparency and lay down clearer rules for foreign partners as it pushes through reforms in its mainstay oil and gas industry.

### [China opens national oil reserve bases for media visit](#)

NINGBO, June 3 (Xinhua) -- China opened its national oil reserve bases to domestic and foreign media for the first time Wednesday since the bases were built.

### [China Won't Buy Oil for Stockpiling Until More Storage Built](#)

(Bloomberg) -- China, the world's second-biggest energy consumer, won't buy more oil for stockpiling until additional storage tanks are built, a government official said.

Until the second phase of the country's emergency oil reserves is constructed, there will be no additional purchases for stockpiling, Zeng Yachuan, deputy director-general of the policies and laws department at the National Energy Administration, told reporters at the Zhenhai facility in the coastal province of Zhejiang today.

### [Uganda: Oil Reserves Rival Saudi Arabia's, Says U.S. Expert](#)

Kampala — Uganda's oil reserves could be as much as that of the Gulf countries, a senior official at the US Department of Energy has said.

Based on the test flow results encountered at the wells so far drilled and other oil numbers, Ms. Sally Kornfeld, a senior analyst in the office of fossil energy went ahead to talk about Uganda's oil reservoirs in the same sentence as Saudi Arabia.

"You are blessed with amazing reservoirs. Your reservoirs are incredible. I am amazed by what I have seen, you might rival Saudi Arabia," Kornfeld told a visiting delegation from Uganda in Washington DC.

### [Russia's Gazprom places 15 bln rouble bonds - sources](#)

MOSCOW (Reuters) - Russia's gas export monopoly Gazprom is placing two issues of rouble denominated bonds worth 15 billion roubles, banking sources told Reuters on Wednesday.

### [Wyo gets oil shale project](#)

GREEN RIVER -- Scientists estimate there's up to 1.5 trillion barrels of oil within shale formations that could be recovered in northwest Colorado, southwest Wyoming and northeast Utah.

But it's going to require new, environmentally friendly technology to make it commercially viable to develop all that oil shale, they say.

### [Dana Petroleum 'Not for Sale,' Focuses on Boosting Production](#)

(Bloomberg) -- Dana Petroleum Plc, a Scottish explorer focused on Europe and North Africa, says it "isn't for sale" even as rivals target each other because the company expects to boost market value by finding more oil and gas.

Dana is forecasting output will rise 9 percent this year after jumping 29 percent in 2008, and plans to start production at two new fields in 2009 in addition to the 34 already pumping. Its exploration campaign over the next two years is targeting 1.2 billion barrels of oil equivalent resources.

### [My Thoughts on Oil](#)

- Despite US oil inventories at near 20 year highs, simply the notion of global growth has oil prices up over 50% since March.
- US dollar weakness is helping to propel oil (and gold) higher.
- The US consumes around 20 million barrels of oil a day and imports roughly 65% of it. The amount of oil the US consumes is equal to the output of the world's two largest oil producing nations (Saudi Arabia and Russia) *combined*.

### [Administration: Highway fund to go broke in August](#)

WASHINGTON – The Obama administration is warning lawmakers that the trust fund that pays for highway construction will go broke in August unless Congress approves an infusion of as much as \$7 billion.

### [2 percent Vt. gasoline tax takes effect](#)

MONTPELIER — A new gasoline tax quietly kicked in this week, upping the price distributors pay by 3.3 cents a gallon.

The tax was part of a \$540 million transportation bud'get that Gov. Jim Douglas signed without fanfare Fri' day. The bill called for the tax to take effect June 1.

## [The Ultimate Race: Peak Oil vs. Global Warming](#)

Last year, in a fit of journo-satirical inspiration, we gamed out an enviro-athletic competition based on the pseudo-serious question: What will end the world first, Global Warming or Peak Oil? We called it The Ultimate Race. And after an offseason hiatus, the race is on, again. For how long? Well, that's kind of the point of the whole exercise, isn't it?

## [Toyota to start plug-in hybrid leasing](#)

(AP:TOKYO) Toyota said Wednesday it will start leasing plug-in hybrid cars, that are even greener than its hit Prius, by the end of this year in the U.S., Japan and Europe.

Toyota Motor Corp., the world's top automaker, will start leasing 200 plug-ins in Japan, 150 in the U.S. and 150 in Europe, mostly for rental, such as through special government-backed programs, it said in a release.

Toyota will for the first time use lithium-ion batteries in the plug-ins. The batteries are already used in some cars but more common in laptops and other gadgets.

## [Zero Energy Houses Creating a New Design Vernacular](#)

The traditional gabled roof that we are all familiar with was engineered to slough off snowfall. But in an uncertain post peak oil future of possible energy shortages and water shortages, more and more houses are showing up with roof-shapes engineered to harvest their own rainwater, and support solar power generation.

## [Germany's \\$143 Billion Wind Farms Jeopardized by Tight Funding](#)

(Bloomberg) -- As much as 100 billion euros (\$143 billion) in planned investments in German offshore wind farms are at risk as developers struggle to get funding, jeopardizing the deepest emissions cuts in the European Union.

## [Spain Likely to Give Franco-Era Reactor New Life, Lozano Says](#)

(Bloomberg) -- Spain is likely to extend the life of the last of its Franco-era nuclear plants, reversing a promise to close aging reactors as Europe seeks to cut fuel imports and curb generation costs, according to a former government adviser.

## [Climate Change Policies Won't Impact Global Warming: However, 10 Sensible Ideas Will Combat Global Warming Now and Boost the Economy](#)

DALLAS /PRNewswire-USNewswire/ --The various policies currently being considered by the Obama Administration to combat global warming will ultimately do nothing to impact climate change, according to NCPA Senior Fellow H. Sterling Burnett.

In fact, there are several "no regrets" ideas that can impact climate change today, including the government reducing regulatory barriers to new nuclear power plants, according to a new NCPA study that examines 10 "cool" climate policies and will be released at a June 3 Capitol Hill briefing. For example, the study concludes that nuclear power generation worldwide can reduce emissions by almost 2 billion metric tons.

### [Pelosi upbeat on US-China climate cooperation](#)

WASHINGTON (AFP) – US House Speaker Nancy Pelosi on Tuesday expressed high hopes of cooperation between the United State and China, the two biggest emitters of greenhouse gases, ahead of key climate change talks.

"We did see that the Chinese government knows that they have to do something," Pelosi told a news conference on the heels of a weeklong trip to China with other lawmakers devoted to energy and climate change.

### [Waxman Irks Allies by Bargaining With Companies on Climate Bill](#)

(Bloomberg) -- Representative Henry Waxman has taken on everyone from drugmakers to the tobacco lobby in three decades in Congress. Now, leading the most comprehensive U.S. effort yet on global warming, he's clashing with close allies.



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