



DrumBeat: June 25, 2009

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Topic: [Miscellaneous](#)

[Recession, expensive oil slow CO2 growth in 2008](#)

AMSTERDAM – The global recession has an up side, at least for people worried about climate change: carbon emissions are growing more slowly than in recent years, Dutch researchers said Thursday.

But they also said the emissions of developing countries were higher than those of the industrialized world for the first time last year.

Less money in the bank, higher oil prices and a growing use of wind, solar and other renewable energy resources put a brake last year on the increase of the most common greenhouse gas blamed for global warming, said the Netherlands Environmental Assessment Agency.

[Gas prices strain struggling households](#)

The recent spike in gasoline prices comes at a particularly unfortunate time -- many Americans are still reeling from the economic downturn. Here is how some people have responded to the return of pain at the pump.

[Beware of another oil shock](#)

After hitting a low of around \$32 last December, the price of a barrel of oil has risen above \$70. While the net effect of this will lead to renewed inflation and hitting our wallets, what is the medium-term outlook for oil? All predictions are risky, but it is likely that prices will go right back up into the \$100 level, resulting in many attendant problems for the world economy.

[British Airways staff agree to pay cuts](#)

Of the 40,000 employees, 6,940 volunteer for unpaid leave, part-time working or unpaid work, saving the company up to \$16 million.

[There's No Unseating King Coal](#)

Last year's record run in crude oil prices renewed calls to develop other fuel sources. Yet while natural gas has received a lot of attention as a potential clean fuel source, the abundance of coal in the U.S. makes it another obvious choice for further energy development.

[India: Guj demands sufficient allocation of fuel for its power plants](#)

Patel urged the Union Power ministry to ask the agencies concerned to allocate adequate quantity of gas for existing and upcoming gas based power stations.

He said coal allocation and supply for power projects in Gujarat has also been inadequate because of which the existing coal based power plants have been operating at critical stock position.

[John Michael Greer: The thermodynamic economy](#)

The last twelve months or so of economic chaos has taught those of us in the peak oil community some useful lessons. Perhaps the most valuable of these lessons is extent to which conventional economic ideas have failed to make sense of the way that the twilight of fossil fuels is working out in practice.

Not too long ago, it bears remembering, most people on all sides of the peak oil debate – believers, skeptics, and everyone in between – assumed that the law of supply and demand would necessarily define the world's response to the end of cheap oil. As existing reserves depleted, nearly everyone agreed, the intersection of decreasing supply and rising demand would drive prices up. Common or garden variety cornucopians insisted that this would lead to more drilling, more secondary extraction, and other measures that would produce more oil and bring the price back down; techno-cornucopians insisted that this would lead to the discovery of new energy resources, which would produce more energy and bring the price back down; green cornucopians insisted that this would finally make renewable energy cost-effective, and at least keep the price from rising further; and pessimists argued that none of these things would happen, and the price of oil would rise steadily on up into the stratosphere.

None of them were right. Instead, as the world crossed the bumpy plateau surrounding its 2005 production peak, oil prices moved up and down in waves of increasing violence, culminating in a drastic price spike driven in part by speculative greed, and followed by an equally drastic crash driven in part by speculative panic. The shockwaves from that spike and crash were not solely responsible for the economic power dive that followed – most of a decade of hopelessly misguided fiscal policy, criminal negligence in the banking and business sectors, and a popular psychology of entitlement extreme even by the standards of past speculative disasters, all had their own parts to play – but even a financial world less shaky than the house of cards that imploded last year would have had a hard time dealing with the body blow inflicted on it by the oil spike and its

aftermath.

[Iraq Studying If Sinopec Can Bid in Oil Round After Addax Deal](#)

(Bloomberg) -- Iraq is studying whether to allow China Petrochemical Corp. to bid for contracts to develop its oil fields after the company agreed to buy Addax Petroleum Corp., which has assets in its Kurdish region.

The Oil Minister hasn't yet made a decision, a spokesman at the ministry said by telephone today. The Chinese company, also known as Sinopec Group, is among the more than 30 oil producers short-listed by the Iraqi government to bid for development rights June 29 and 30.

[China Pays Too Much for Oil in Iraq at \\$16 a Barrel](#)

So why is China still paying too much for oil? Sinopec is paying about \$16 a barrel of proven and probable reserves. The average for African and Middle Eastern deals in 2008 — a year with triple-digit crude prices — was under \$5 a barrel, according to consultants IHS Herold and Harrison Lovegrove & Co. Throw in Addax's possible reserves and contingent natural-gas reserves and the multiple drops to just over \$7 a barrel of oil equivalent. Your average buyer would never factor in such rosy assumptions. But then Sinopec, 66%-owned by the Chinese government, isn't your average buyer.

[Is the Rig Count About to Rebound? Scenarios for The Future](#)

Last week Baker Hughes reported that their rig count for active rigs in the United States increased by 23 rigs to 899 active rigs. While this count increased from the prior week, compared to a year ago, the rig count is down by over 1,000 rigs marking one of the worst downturns in the industry history. Our favorite chart shows the rig count for 2000-2009 compared to the rig count of 1973-1983. The similarities are stunning, but even more so if one plots the rig counts indexed to 100 at the start of the respective time periods.

[Two-day conference on oil and gas exploration in Pakistan next month](#)

LONDON (APP): As a part of its drive to secure foreign investments and overcome energy crisis, a two-day conference on oil and gas exploration in Pakistan is being organised in the British capital next month. The July 23-24 Pakistan Exploration Promotion Conference arranged by the Ministry of Petroleum and Natural Resources will comprise a series of events and interactive sessions between the various stakeholders for a share in South Asians country natural resources.

[Malaysia: Government working to overcome natural gas shortage, says Najib](#)

THE Government views seriously the natural gas supply shortage in the country and has carried out various immediate measures to overcome it.

Prime Minister Datuk Seri Najib Tun Razak told William Leong (PKR – Selayang) that gas plants in Malaysia were only capable of producing two billion mmscfd (million standard cubic feet of gas a day).

“The demand for natural gas, especially from the industrial sector, has risen drastically over the past few years.

“Following the increase in de-mand, all of the natural gas produced in Peninsula Malaysia has already been fully contracted out to both the electrical and non-electrical sectors,” he said in a written reply made available yesterday.

[Don't Fight The Powerful Trends Now Underway](#)

The Obama Administration has been desperately trying to prop up and maintain the petroleum-dependent American personal car industry. Unfortunately these efforts are a lost cause, because this way of life (a transportation system primarily based on billions of personal automobiles) is no longer a viable option. It's ridiculous for America to be spending billions to keep Chrysler and General Motors on life support, when these car companies are going to die soon anyway. These dinosaur companies have very high costs of production, have emphasized the production of the most inefficient vehicles (such as SUVs and the Hummer), and are dangerously out touch with the fact that the world is running out of inexpensive petroleum. If the Administration could only put short-term political considerations aside, if it could only look to the needs of the future, it would probably have spent all this car company bailout money in a very different way. The money would much more productively be spent supporting small new companies offering innovative transportation products that do not depend on petroleum. I'm talking about companies like Aptera, Miles Electric, Venturi, Universal Electric Vehicle Corp., and Zen Motor Company.

[The Value Of Detroit Fuel Economy](#)

According to a new University of Michigan report, a successful turnaround for Detroit automakers could hinge on a rapid cultural transformation. What's that mean, exactly?

Well, the report, "Fixing Detroit: How Far, How Fast, How Fuel Efficient," noted that the existing culture within the domestic auto companies systematically underestimates the value of fuel economy - which has crippled profitability.

[U.S. Stimulus Puts Bullet Trains on the Fast Track](#)

One of the key ideas fueling HSR is that the U.S. in the 21st century has grown beyond a country of cities and suburbs to what urban-studies expert Richard Florida calls "mega-regions." Central Florida's I-4 Corridor, between Orlando and Tampa, is a prime example. Mega-regions "are natural economic agglomerations whose market potential can be harnessed if they're linked up by high-speed rail," says Florida, director of the Martin Prosperity Institute at the University of Toronto. "If there's any place in the world right now where this makes sense, it's the U.S. Cars and jets won't do it; high-speed rail will."

[Jamaica: Paulwell revives debate on nuclear energy use](#)

THE DEBATE over the use of nuclear energy as a means of easing the country's dependency on oil is far from dead.

Opposition Spokesman on Energy Phillip Paulwell resurrected the issue in his contribution to the Sectoral Debate in Parliament on Tuesday.

According to Paulwell, "Utilising nuclear energy, as one, just one, of a menu of options to reduce our country's dependence on oil."

[The Peak Oil Crisis: Stifling a Rebound](#)

There seems to be little doubt that over the next few years, the world's oil supply will be forced into irretrievable decline from a combination of geologic and geopolitical reasons coupled with a lack of adequate investment. Should the demand for oil increase in the next year or so, there will still be some room for increased production without unacceptable price increases for a while. The longer a recovery is delayed, however, the better the chances that oil prices will quickly surge to recovery-choking levels. While there are long-term solutions to this problem they will take decades to implement.

[Chilling story of world gas shortage could be all hot air](#)

THE world, and Britain in particular, is running out of gas. The world and Britain is having to rely on imports from states with giant reserves but which are politically volatile or happy to manipulate the market - countries like Russia, Iran and Qatar.

Shipments of LNG, the liquefied natural gas technology that is supposed to change the world's energy market, aren't stopping here and if they are, they are for top dollar.

All this has contrived to push up the price of gas to historic highs. It means that UK homes are paying more than £1000 a year for their household energy. It means Shell and BP report annual profits measured in the tens of billions of pounds. It means UK energy suppliers such as British Gas, E.On, npower, EDF, Southern Electric are counting

their profits in the billions.

But what if this is in fact one of the greatest cons of all time?

[Japan to get oil for its reserves from ADNOC](#)

TOKYO (Reuters) - Japan has concluded a basic agreement with the United Arab Emirates to start receiving oil from Abu Dhabi National Oil Co (ADNOC) to help stock up its oil reserves, the government said on Thursday.

[ANALYSIS-China oil deals flow where politics less involved](#)

HONG KONG (Reuters) - Sinopec's \$7.2 billion bid for oil explorer Addax Petroleum is a sign that China's energy giants find it easier to secure reserves in parts of the world where there are fewer hang-ups about Beijing owning local natural resources.

Africa and the Middle East, where Swiss-based Addax has its main assets, are more politically disposed to China than are developed nations such as the United States, where local politicians blocked CNOOC's \$18.5 billion bid for oil company Unocal in 2005, analysts say.

[China's unquenchable thirst for oil](#)

A refinery in Singapore. Oil and gas fields in Central Asia. A pipeline in Russia. Ultradeep crude deposits off Brazil. Production wells in Libya.

And now Toronto-listed Addax Petroleum Corp., AXC-T with its oil fields in western Africa and Iraq's Kurdistan.

China's cash-rich, state-controlled oil companies and its state development bank are on a buying spree, taking advantage of low crude prices and shrunken credit markets to snap up global assets that will help feed the country's enormous appetite for energy.

[Gazprom may cut its investment program by 30 pct this year](#)

"Taking into consideration the decline in demand for gas on the world markets, Gazprom intends to cut investments," Kruglov emphasized. He said, "The overall scope of investment programme adjustment may amount to about 30 percent downward". Gazprom's investment programme, which is calculated on the strength of the forecast for average annual oil price of \$42 per barrel, amounts to 920,000 million roubles this year.

[Petronas Profit Falls First Time in 7 Years on Costs](#)

(Bloomberg) -- Petroliam Nasional Bhd., Malaysia's state oil company, posted its first annual profit decline in seven years as the global recession sapped energy demand and production costs remained high.

[Nigerian rebels say major Shell pipeline blown up](#)

LAGOS (AFP) – Nigerian rebels said they carried out a pre-dawn attack against Royal Dutch Shell facilities in a warning to Russia not to invest in the country's oil and gas industry.

The Movement for the Emancipation of the Niger Delta (MEND) said the attack was to coincide with a visit to Nigeria by Russian President Dmitry Medvedev during which major energy investment deals were struck.

[Iraq Opens Oilfields as Exxon, Shell Seek \\$16 Billion Foothold](#)

(Bloomberg) -- Iraq is set to welcome back foreign oil companies into the war-torn nation to develop the world's third-largest crude reserves three decades after expelling them.

Eight of the world's top 10 non-state oil producers, including Exxon Mobil Corp. and Royal Dutch Shell Plc, are vying for the right to help Iraq develop six oilfields and two natural-gas deposits. More than 30 companies in total are bidding for \$16 billion worth of technical service contracts for producing fields that will be awarded in Baghdad on June 29-30.

[China, Turkmenistan seal landmark energy deal](#)

ASHGABAT, Turkmenistan—China signed a 30-year deal to increase purchases of natural gas from Turkmenistan by 30 percent, state media reported Thursday -- a landmark agreement for Beijing as it competes with Moscow for access to Central Asia's energy wealth.

[Energy companies "overcharge" customers](#)

LONDON (AFP) – Customers are being overcharged by an average of 74 pounds as energy companies fail to pass on savings made because of falling gas and electricity prices, an independent watchdog said on Thursday.

Consumer Focus found that the average household paid 1,293 pounds as their energy

bills soared by 42 percent over the past 12 months.

Over the same period, the energy companies saved 1.6 billion pounds as the price of crude oil plummeted from a peak of 147 dollars a barrel in July 2008 to just 70 dollars.

[Time to lock in energy prices?](#)

Matthew Simmons, Texas author and investment banker and the guy who bet oil will hit \$200 a barrel next year, feels pretty good.

Oil has doubled to \$70 recently as the economy shows signs of life, and "prices do seem poised for the next leg up," he says on the phone. "By sometime a year or two from now, we'll look back and say, yeah, prices were really cheap."

Perhaps the leading proponent of the idea that oil is running out, Simmons probably won't win his bet, made with New York Times columnist John Tierney. But the prospect for further increases raises the question of whether you should buy future energy at today's prices, to the extent that you can.

[Why gas will not go to \\$4 this summer](#)

Houston consultant Matthew Simmons sees higher prices ahead as well. OPEC's supply capacity is strained, he said, and the recession has halted refinery expansions, pipeline improvements and offshore-drilling projects. "There's no extra crude in OPEC's pocket," he said. "We have no cushion."

Energy demand is "on the move again" in China, India and Brazil, where the economic downturn "seems to be ending prematurely," he said. And he warns of imminent danger in a host of oil-producing nations -- not just Iran. Venezuela may be the most volatile, he said. Nigeria's "on the brink of a civil war," and Russia shows "significant turbulence."

With a major crisis in any one of those nations, he said, speculators will pounce. "You could see oil breaking \$200 this summer."

[Somali Pirate Attacks Boost Shipping Insurance Rates](#)

(Bloomberg) -- The cost of piracy insurance has increased as much as 20-fold after attacks on shipping off the Horn of Africa doubled in the first quarter, insurance broker Marsh said.

Attacks on large commercial vessels such as the Sirius Star, a Saudi oil supertanker that was released in January, almost two months after it was hijacked with a cargo of 2 million barrels of oil, have spurred premiums and demand for coverage.

[Venezuela Central Bank, Government Approve PDVSA Bond](#)

(Bloomberg) -- Venezuela's government and central bank approved a bond sale by state oil company Petroleos de Venezuela SA, Finance Minister Ali Rodriguez said today in Maracay, Venezuela.

The bonds will be denominated in bolivars and the money will be used for domestic operations, Energy and Oil Minister Rafael Ramirez told reporters separately.

[Pump Prices Driving More to Mass Transit](#)

As the American Public Transportation Association triumphantly reported in March, mass transit ridership in the U.S. reached its highest level since the 1950s last year. But do those crowded buses, subways and commuter trains reflect a long-term trend, or merely a transitory reaction to the price of gasoline?

The answer appears to be both: A newly published study finds "a small but statistically significant amount of ridership fluctuation is due to changes in gasoline prices." But perhaps the most interesting findings in the report by geographer Bradley Lane of Indiana University is how the trends differ from one metropolitan area to the next.

[EDP Says More U.S. States Are Now Attractive for Wind Energy](#)

(Bloomberg) -- EDP-Energias de Portugal SA, the owner of wind farms from New York to Oregon, said more U.S. states are offering investment opportunities for wind power development as local governments encourage renewable energy.

"We're seeing today a bigger number of markets that are attractive than in the past," Chief Executive Officer Antonio Mexia said in an interview in Cascais, Portugal. "There has been an increase in the number of states that have standards and that give importance to renewable energy."

[Plant making gas from wood opens in Austria](#)

GUESSING, Austria (AFP) – A new plant that produces gas from wood was opened in Austria on Wednesday, paving the way towards new possibilities in renewable energy.

According to its backers, the gas produced at the plant can be used in urban heating systems, for gas-powered cars or by power stations that work on gas.

"We still need fossil fuel of course, but this plant shows what is technically possible," Austria's Environment Minister Nikolaus Berlakovich said at the plant's inauguration.

['Cash for Clunkers' mostly a clunker](#)

NEW YORK (CNNMoney.com) -- If you think the new "Cash for Clunkers" law is going to help you buy a new car, you're probably wrong.

As it's written, the law will benefit few car shoppers and those who might actually benefit from it probably shouldn't be buying a new car to begin with.

[China will review planned dam that threatens fish](#)

BEIJING – China's environment ministry said Thursday that it has ordered an ecological assessment for a proposed Yangtze River dam that conservationists fear could threaten hundreds of fish species and drive the giant Chinese sturgeon into extinction.

Chinese environmentalists and scientists are trying to halt the Xiaonanhai dam, upstream from Chongqing city in mountainous western China, saying that it and two other dams would flood most of the last remaining fish reserve on the Yangtze, preventing the migration of rare fish.

[More than "renewable" energy needed: Microsoft](#)

SAN FRANCISCO (Reuters) - The head of Microsoft Corp's \$9 billion research unit thinks the debate over stopping climate change is being muddied by talk of renewable energy.

Efforts should be focused on stopping output of carbon dioxide, the greenhouse gas which helps heat the planet, rather than moving to a source that can be regenerated, said Craig Mundie, the man who replaced Bill Gates as the world's largest software maker's futurist.

Conservation and radical technologies, including new nuclear, could be key, he said.

[California weighs global warming fees on producers](#)

SACRAMENTO — California air regulators on Thursday will consider leveling the nation's first statewide carbon fee on utilities, oil refineries and other industries as a way to pay for the state's landmark greenhouse gas emissions law.

The move comes at a time of rising unemployment and great economic uncertainty in the nation's most populous state, prompting concerns that the regulatory fee will impose yet another burden on California's struggling business climate.

[Report: Climate change would make Minnesota swelter](#)

A science group has released a report showing that Minnesota summers could become much hotter if global warming goes unchecked.

The Union of Concerned Scientists released the report ahead of an expected vote Friday on a climate bill in the U.S. House that aims to reduce greenhouse gas emissions.

[Get used to it: Report predicted heat waves, flooding](#)

Chicago sweltered Wednesday: O'Hare's high was 94.

The extended outlook? From the 80s to the low 90s through Saturday.

The really extended outlook?

Deadly heat waves at least every other year. More frequent flooding and droughts. And an increase in diseases transmitted by insects and caused by contaminated water.

[EPA Barred Criticism of Carbon Finding, Republican Barton Says](#)

(Bloomberg) -- A top-ranked Republican lawmaker accused the Obama administration of suppressing analysis that didn't back up its proposed finding that greenhouse-gas pollution poses a danger to the public.

Representative Joe Barton of Texas, the top Republican on the House Energy and Commerce Committee, said in a letter to Environmental Protection Agency Administrator Lisa Jackson that criticism was barred after the administration decided to issue the finding.

[Opposition to "cap-and-trade" grows in U.S.](#)

WASHINGTON (Reuters) – Three-quarters of Americans believe the U.S. government should regulate the release of greenhouse gases from cars and factories to reduce global warming, according to a Washington Post-ABC News poll.

But fewer -- 52 percent -- support a cap-and-trade approach to limiting gas emissions similar to the one the U.S. House of Representatives will probably pass this week, according to the poll posted Thursday on the Post's website.

[Climate bill tweaked for biofuels](#)

Washington, D.C. - Biofuels producers would be shielded from emissions rules that could restrict the industry's growth under a congressional agreement intended to smooth House passage of legislation addressing global warming.

[Gore, Buffett Take Sides in Tug-of-War Over Climate Change Bill](#)

(Bloomberg) -- Al Gore and Warren Buffett joined the fray over a bill that would limit greenhouse gas emissions, with each taking opposite sides as a legislative battle over the measure entered its final hours.

Gore, the former vice president who now focuses on environmental issues, is set to appear today on Capitol Hill to endorse the bill. Buffett, the chairman and chief executive officer of Omaha, Nebraska-based Berkshire Hathaway Inc., took to the airwaves yesterday to call the legislation "regressive."

[Global warming bill still contains some smoke and mirrors](#)

George W. Bush fought global warming policy all the way to the Supreme Court. And he lost. Despite this judicial rebuke, he opposed climate-change legislation to the end. Now, with President Obama, White House views on global warming finally are in line with scientific data. But this doesn't mean that politics can't still trump science.



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