



DrumBeat: May 26, 2008

Posted by [Gail the Actuary](#) on May 26, 2008 - 8:52am

Topic: [Miscellaneous](#)

[Kunstler OpEd in the WaPo: "Wake Up, America. We're Driving Toward Disaster"](#)

I detect in this strident plea the desperate wish to keep our "Happy Motoring" utopia running by means other than oil and its byproducts. But the truth is that no combination of solar, wind and nuclear power, ethanol, biodiesel, tar sands and used French-fry oil will allow us to power Wal-Mart, Disney World and the interstate highway system -- or even a fraction of these things -- in the future. We have to make other arrangements.

The public, and especially the mainstream media, misunderstands the "peak oil" story. It's not about running out of oil. It's about the instabilities that will shake the complex systems of daily life as soon as the global demand for oil exceeds the global supply.

[TOD:C News](#) and [TOD:ANZ News](#).

[The Illusion of Vast Undeveloped US Oil Reserves by Richard Blanchard](#)

I frequently hear calls for all federal offshore waters to be opened to development, as if that will be our salvation. The most geologically favorable areas off the Atlantic coast have been explored in the past with no significant discoveries. If Atlantic federal waters were opened for development, it's likely that no oil or next to no oil would ultimately be extracted. The same would be the case for Pacific waters from north-central California north to the Canadian border as well as around most of Alaska. . . .

The Bush administration has opened large areas of Bristol Bay (Alaska), NPR-A (Alaska), western federal lands and the central and eastern Gulf of Mexico. In the case of Bristol Bay, oil exploration occurred there some years ago without finding any significant oil. The administration is also attempting to reopen the Chuchi Sea (Alaska) to oil development. Contrary to what one hears or reads from the media, a lot of federal lands and water have been opened for oil exploration and development in recent years.

[China oil giant in takeover talks with Canadian energy firm](#)

Chinese oil giant CNOOC is in talks with Canadian-based Talisman Energy over a

possible takeover deal, a report in Hong Kong said Monday. CNOOC, China's third largest oil company, is in discussions that could lead to asset sales or a complete takeover, the South China Morning Post said citing unnamed sources. The report also said that energy giant PetroChina was looking at taking a stake in Santos, the third largest oil and gas company in Australia.

[Saudi Khursaniyah oilfield not pumping yet - Aramco](#)

MANAMA (Reuters) - Saudi Arabia's Khursaniyah oilfield expansion project is not yet pumping, but large parts of its 500,000 barrels per day capacity are ready, an official at state oil giant Saudi Aramco said on Sunday.

The world's top oil exporter had planned to bring Khursaniyah online in December. The expansion is the largest single boost to global oil capacity for several years.

['US nuclear fuel-supply assurances political not legal'](#)

A US Congressional report has added a new twist to the stalled India-US civil nuclear deal by suggesting that Washington's nuclear fuel-supply assurances to India are "political, rather than legal, obligations". The US State Department apparently told lawmakers about the "political" nature of its assurances to India in a balancing act aimed at assuring them that the bilateral 123 agreement finalised last July to implement the nuclear deal is consistent with the enabling US law, the Hyde Act.

[CEO of NOC says Libya's oil production will reach around 3 million barrels by 2012](#)

Libya's oil production will top around 3 million barrels a day by 2012 according to Chairman of the Steering Committee of the National Oil Corporation Dr. Shukri Ghanem, who said production, is expected to reach 2 million by the end of this year.

"The Jamahiriya is producing 3 billion Cubic meters of gas daily which is seeking to double by 2012-2013 to 7 billion, Ghanem told reporters following the signing of an agreement for exploration and sharing between the National Oil Corporation and a consortium of Algerian Sonatrach and two Indian companies in Tripoli today.

[Novatek CEO Mikhelson sees 2008 natural gas production up about 10 pct - report](#)

MOSCOW (Thomson Financial) - OAO Novatek chief executive Leonid Mikhelson said at the annual general meeting (AGM) that his company will increase natural gas production by roughly 10 percent in 2008 and 20 percent in 2009, one of the shareholders present at the meeting told Interfax.

According to the company's annual report, production at Russia's second-largest natural gas producer fell 1.1 percent in 2007 to 28.25 billion cubic metres due to reduced production at the Eastern Tarkosalinskoye field.

[Slick investors strike riches as they cash in on peak oil](#)

Hedge funds are riding high on record oil prices - and now retail investors are joining them. . .

Michael Masters, a hedge fund manager, estimates the wall of money invested in commodity index-tracking funds has risen from \$13bn in 2003 to \$260bn by March this year. "Individually, these participants are not acting with malicious intent; collectively, however, their impact reaches into the wallets of every consumer," he warned. Critics call this "virtual hoarding" and point to the surplus of current supply as evidence that the futures market has become separated from the fundamentals of supply and demand.

[Fuel suppliers demand airlines pay cash in advance](#)

The need to put up money before delivery of fuel is a huge financial burden that has been shifted from the oil companies to the airlines. . . .

"The airlines can't afford it. Traditionally, oil companies extended credit for 14 or 21 days and some as long as 30 days. Now, most American airlines are on prepay. South West is one of a few likely to still get credit."

[Sinopec says crude tax rebate barely covers loss](#)

Top Asian oil refiner Sinopec Corp (0386.HK: [Quote, Profile, Research](#))(SNP.N: [Quote, Profile, Research](#)) is still reeling from refining losses despite a government tax incentive, its chairman said on Monday, as global crude prices have charged above \$130 a barrel.

Prolonged losses could force refiners to curb production, resulting in fuel shortages in the world's second-largest oil consumer, a prospect Beijing is loath to see as the Olympic Games is just two months away.

"The (crude tax) rebate cannot cover all of our losses," Chairman Su Shulin told reporters at the sidelines of the company's shareholder meeting.

[Moscow Doubles Investment in Energy](#)

Chubais and Mayor Yury Luzhkov, a longtime political adversary, signed an amended version of the power grid's investment plan, under which 898 billion rubles (\$39 billion)

will be spent in the capital through 2010, up from the 2006 agreement between City Hall and UES to spend 430 billion rubles on upgrades and new infrastructure.

The signing took place at the opening of a 500-kilowatt Siemens-produced power unit at the Beskudnikovo transformer station on the northern outskirts of Moscow.

"The money will first of all come from the budgets of the companies controlling the networks," Chubais said. "Another part of the investment will be funded by tariffs and the fee for connection to the grid."

Fourteen major elements of the Moscow electricity distribution network will be financed by state-run VTB, the country's second-largest bank, Luzhkov said Saturday without elaborating.

[Cheap Dollar Means Expensive Oil](#)

Back in December 2002, one dollar equaled one euro. But that exchange rate didn't last. The dollar was on its way down, a trend that had started more than a year earlier, and has lasted, with occasional oscillations, to this day.

On the day in 2002 that the value of a dollar was exactly the same as the value of a euro, the price of a barrel of oil was, therefore, the same in dollars and euros -- about 25. Since that day, it's like the two currencies have traded on two different planets.

[Kiev Seeks Joint Talks On Gas Trade, WTO](#)

MINSK — Ukraine said Friday that it would hold talks on Russian natural gas supplies with Moscow simultaneously with negotiations on Russia's membership in the World Trade Organization.

"I believe that simultaneously preparing a strategic agreement on Russian gas supplies to Ukraine ... there will be negotiations on the Russian Federation's accession to the WTO," Ukrainian Prime Minister Yulia Tymoshenko told journalists after meeting with Prime Minister Vladimir Putin.

[Gas Price Protests hit 50 Russian Cities](#)

Motorists in about 50 cities across the country protested rising gasoline prices Saturday and called on the government to take measures to punish producers of substandard fuel.

Media reports said the protests had anywhere from a few dozen participants, including in Yekaterinburg, Kaliningrad, and Petropavlovsk-Kamchatsky, to as many as 200 in Moscow.

[Hybrid Drivers Compete for Best Mileage](#)

In the Prius and other hybrids with energy displays, drivers can see what specific actions mean for their mileage. In some ways, it is like children learning to color in between the lines, with the teacher standing over their shoulders. Aggressive acceleration after a stoplight -- that's bad. The monitor will show mpg going down. Suddenly slamming the brakes -- also bad. Coasting to a stop -- good. That tactic lets

the engine shut down, saving gas. Hills -- oh, they are real bad.

[George Soros: rocketing oil price is a bubble](#)

Speculators are largely responsible for driving crude prices to their peaks in recent weeks and the record oil price now looks like a bubble, George Soros has warned.

The billionaire investor's comments came only days after the oil price soared to a record high of \$135 a barrel amid speculation that crude could soon be catapulted towards the \$200 mark. However, Mr Soros warned that the oil bubble would not burst until both the US and Britain were in recession, after which prices could fall dramatically.

[Pearl Village opens doors](#)

Ras Laffan • Pearl Village, the newly-built 170-hectare complex accommodating contractors and over 35,000 workers for the Pearl Gas-to-Liquids (GTL) project was opened here yesterday at the Ras Laffan Industrial City (RLIC).

[Fuel hikes sink service stations](#)

Johannesburg - Ever-rising fuel prices are putting small service station owners out of business, says the Fuel Retailers Association (FRA). "We are beginning to see a situation where for almost every price increase, a retailer goes bankrupt," says FRA director Peter Morgan.

He says between 10% and 15% of the 4 800 petrol stations countrywide are marginal operations teetering on the verge of failure. These are mainly service stations in low-income areas like townships.

[High gas prices give boost to small town bus plant](#)

Soaring fuel prices are proving to be a pain for most people in the country, but they may have helped save the jobs of hundreds of workers in North Dakota's oldest town. The Motor Coach Industries plant is the biggest employer in Pembina - about a quarter the residents in the town of 640 work there. Four years ago, it was struggling to stay open.

Now, as more people across the U.S. shun gas-guzzling vehicles for public transportation, bus ridership is up. Transit systems from Houston to New York City are mulling expansion to keep pace. MCI will begin delivering the first of 102 hybrid diesel-electric buses this summer to Houston's transit system, under a contract worth about \$80 million. Another 126 diesel-only buses are being shipped out to New York City's transit system in a deal worth \$67 million.

[Rising costs lead farmers to go high tech](#)

With auto-steering, a farmer manually drives the perimeter of a field to map its boundaries so the GPS gadget can then direct the tractor to carve near-perfectly straight rows. A few systems will even turn the tractor around at the end of each row. By cutting down on overlap, the system saves fuel, and it means the same ground won't be planted twice or sprayed unnecessarily with fertilizer or pesticides.

Barbre estimates that using auto-steering on his 4,000 acres - split about evenly between soybeans and corn - has cut his fuel costs up to 5 percent. "That's maybe 30, 50 cents an acre," he said. "Over 4,000 acres, that adds up."

[Gazprom will receive Sakhalin-3 site without tender](#)

Gazprom will receive the Kirinskoe deposit, part of Kirinsky Block ("Sakhalin-3" project) without tender. The license on the Kirinskoe deposit will be transferred to the monopoly in a few months. On the territory of the Kirinsky block there was discovered so far only one small gas deposit with reserves of less than 100 billion cubic meters.

This deposit is on the list of federal value sites which have strategic value for gas supply of the Russian Federation and Gazprom is thought to be creating the resource base for rolling out its program of Far East gasification.

[Commodity Prices Soar, But Are They in a Bubble?](#)

In February, the board of the California Public Employees' Retirement System, or Calpers, the largest pension fund in the U.S., authorized putting as much as 3% of its \$240 billion portfolio in commodities. Hedge-fund manager Michael Masters told a U.S. Senate committee last week that institutional investors "are one of, if not the primary, factors affecting commodities prices today."

But Bianco Research's Mr. Simons say that because the final buyers of commodities are consumers rather than investors, the role of speculation is limited. "Commodities, unlike financial assets, cannot take on hope values very much," he says. "At some point, the price gets to the point where the buyer walks away."

[India: Oil firms are weeks away from bankruptcy](#)

There was no diesel for a day at a gas station in north India recently. The public sector oil companies are slowing down the issue of new gas connections to households. The private sector oil companies are closing down petrol pumps and exporting petrol and diesel. Kerosene is not easily available in the public distribution system; the open market rate is around Rs 30 a litre when the official rate is under Rs 10.

If you think these are isolated events, think again. A fuel shortage looms ahead of the nation as the oil companies rapidly head towards bankruptcy.



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