



## DrumBeat: May 27, 2008

Posted by [Gail the Actuary](#) on May 27, 2008 - 9:11am

Topic: [Miscellaneous](#)

[Monbiot: We have gone mad, Your Majesty, and only you can cure our affliction](#)

King Abdullah of Saudi Arabia, Your Majesty,

In common with the leaders of most western nations, our prime minister is urging you to increase your production of oil. I am writing to ask you to ignore him. Like the other leaders he is delusional, and is no longer competent to make his own decisions.

You and I know that there are several reasons for the high price of oil.

[Andrew Leonard: Stop your motor running](#)

On Friday, the Federal Highway Administration (FHWA) reported that Americans drove 11 billion fewer miles in March 2008 than in March 2007. According to the FHWA, that's the sharpest drop since the agency began keeping records in 1942.

But there is some good news: The Department of Transportation also reported that "greenhouse gas emissions fell by an estimated 9 million metric tons for the first quarter of 2008," presumably in part because of all the miles not traveled.

[Fuel-Price Protests Spread Across Europe; Fishermen, Truckers Lead Calls for Officials To Cut Excise Taxes](#)

A clash in Paris between around 200 protesting fishermen and police Wednesday came as Brent crude oil futures for July delivery, the benchmark contract for Europe, jumped more than \$1 to hit an all-time high of \$129.70, driven by robust demand and reluctance among oil producers to increase output.

European governments are under pressure to cut excise taxes on fuel to provide relief. Rising oil and gas prices already pose an inflation conundrum for central banks and impose higher costs for businesses and commuters that could put economic growth at risk. Now fuel prices risk triggering strikes and roadblocks that could wreak havoc in Europe's largely fragmented transport industry.

## [Costs to Build Power Plants Pressure Rates](#)

Construction costs for power plants have more than doubled since 2000, according to new index data to be released Tuesday, and inflationary pressures will continue to put the squeeze on electricity prices.

The findings are bad news for consumers and utilities alike, and help explain why power-plant development has become something of a quagmire in the U.S. -- with no type of plant emerging as a reasonably priced option that can meet rising demand for electricity.

## [A rare peek inside our Fort Knox of black gold](#)

To give a better sense of what goes on at the Strategic Petroleum Reserve, the Energy Department recently opened its Bryan Mound storage site for a rare media tour.

## [Vancouver: Spectra launches study on burying carbon dioxide](#)

One of the province's largest greenhouse-gas emitters said Monday it is working on a plan to capture and store a million tonnes of carbon dioxide a year, two kilometres below the ground near Fort Nelson.

Aided by a \$3.4-million provincial government grant, Spectra Energy Transmission said it is undertaking a \$12.1-million feasibility study to find out if deep saltwater reservoirs in the Fort Nelson area can be used for long-term carbon storage.

## [Kiev Energy Summit - a desperate cry of ineffective allies of the West](#)

The total price of the game is capitulation of the “democratic” European Narcisses towards the resources-reach (sic) Asia, as it was clearly stated that without Turkmenistan and Kazakhstan, the Baltic — Black Sea — Caspian Project has no chances. In this situation, “the globally historical transit alliance” that plans to supply energy resources to Europe not by the natural way — with participation of Turkey and Russia, but under the fantastic parabola from Central Asia to Ukraine and the Baltic Sea is another Utopia. It may sound funny, but such a strategy can be drawn on a school globe, but not in the economy.

## [New fuel price protests test ministers' green resolve](#)

Ministers face new protests over the spiralling cost of fuel with Labour MPs threatening to revolt over road tax increases and hauliers taking to the streets over rising diesel prices.

Thirty-five Labour MPs have signed a Commons motion demanding the Government reconsider plans to increase tax for the most polluting cars. The concern is that plans for increases in road tax on older gas guzzlers will risk a repeat of the 10p tax fiasco.

### [Pennsylvania black gold rush](#)

But now he has his petroleum herd, 230 low-volume "stripper" wells of which some 45 are in production, yielding "70 or 80 barrels a month, maybe 100 in a good one". Northwest Pennsylvania isn't Kuwait. But 100 barrels a month provides a decent income. Not that Mr Huber is living it up. He's put a new roof on his house in the woods, a few miles north-east of Oil City, and bought a new (or rather new-er) pick-up truck. Soon he may get round to doing up the kitchen. But that's it.

### [Asking Opec to solve the oil crisis misses the burning point](#)

And watch carefully the unbridled folly of those such as the Lib Dems who want to gang up on Saudi Arabia. Those same naifs who delighted at the fall of the Shah seem to want the same ghastly political outcome in Saudi Arabia - and the \$300 oil that would come with it.

The last decade has lulled us into a false sense of security. Instead of tilting at the Opec windmill, we should be weaning ourselves off fossil fuels, increasing efficiency, addressing fuel poverty and encouraging the science that will find an alternative to oil.

### [BPC all set to bargain over premiums of imported fuel](#)

Bangladesh imports most of its refined fuel oil from KPC (Kuwait Petroleum Corporation), which is around 21.56 lakh tons, which comprises 16 lakh tons diesel, 1.36 lakh tons octane, 1.7 lakh tons kerosene and 2.5 lakh tons jet fuel. The total fuel demand for the country is around 23 lakh tons, kerosene 5 lakh tons, octane 1.5 lakh tons and jet fuel 2.5 lakh tons. BPC meets its rest of the refined oil demand by importing 2 lakh tons of diesel from India and refining around 12-14 lakh tons of crude oil at the Eastern Refinery Limited, a subsidiary of the BPC. It imports crude from Saudi Arabia and the United Arab Emirates. senior official of BPC said, "We import KPC. Our team is going to renegotiate the premium rate with our counterpart."

### [Alternative fuels a focus at air show](#)

For example, Airbus and American industrial conglomerate Honeywell International Inc. said recently they were developing a vegetation and algae-based biofuel that by 2030 could satisfy nearly a third of the worldwide commercial aircraft fuel demand without affecting food supplies. Airbus also said it had developed a new kitchen for its aircraft using more composite materials that could save a ton of weight in the A380 superjumbo.

### [NEA reduces power-cuts to nine hrs a week](#)

KATHMANDU: In what comes as happy news for customers who are bearing the severe lack of all petroleum products throughout the country, Nepal Electricity Authority (NEA) has reduced the load-shedding hours to only nine hours a week effective from Tuesday.

The NEA has cut down heavily the power-outage hours which stood at over 21 hours per week, the NEA said. According to the new load-shedding routine, the power will be out for only three days a week.

### [Sulphur price soars on fertiliser demand](#)

An ugly waste product of oil refining has been transformed into a golden windfall for energy companies as demand for fertilisers drives the price of sulphur to unprecedented levels.

For decades oil refiners have struggled to shift stockpiles of the yellow chemical, which is used to make sulphuric acid, essential in the manufacture of fertilisers. Food shortages and higher grain prices are boosting demand for fertilisers, and in only a year the price of sulphur has risen more than tenfold from \$50 a tonne to \$500 a tonne, according to ICIS, the chemicals-pricing service.

### [Lofty Prices for Fertilizer Put Farmers in a Squeeze](#)(pay wall)

Fertilizer prices are rising faster than those of almost any other raw material used by farmers. In April, farmers paid 65% more for fertilizer than they did a year earlier, according to the U.S. Department of Agriculture. That compares with price increases of 43% for fuel, 30% for seeds and 3.8% for chemicals such as weedkillers and insecticides over the same period, according to Agriculture Department indexes.

### [Texas A&M Food Policy Research: The Effects of Ethanol on Texas Food and Feed](#)

The key findings contained in this report are:

- The underlying force driving changes in the agricultural industry, along with the economy as a whole, is overall higher energy costs, evidenced by \$100 per barrel oil.
- With rising energy costs, corn and other commodity prices would have to increase. Rising fertilizer costs led to a 3 million acre reduction in planted corn acres in the 2006-07 crop year. Higher production costs will continue to pressure acres.
- This research supports the hypothesis that corn prices have had little to do with rising food costs. Higher corn prices do have a small effect on some food items.
- Speculative fund activities in futures markets have led to more money in the markets and more volatility. Increased price volatility has encouraged wider trading limits. The end result has been the loss of the ability to use futures markets for price risk management due to the inability to finance margin requirements.
- The potential exists for even higher corn prices based on historical yield variability. Fewer corn acres planted in 2008 leave production susceptible to weather risks. Small

yield reductions will result in even higher prices.

- The livestock industry has borne the costs of higher corn prices. The structure of the industry has made it unable to pass costs on, either up or down the supply chain.



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