



DrumBeat: May 31, 2008

Posted by [Gail the Actuary](#) on May 31, 2008 - 8:35am

Topic: [Miscellaneous](#)

[The Coming Energy Wars](#)



Oil prices could hit \$200 a barrel in the next few months. How the spike changes everything.

This spring, America hit a historic point. With average gas prices per gallon edging toward \$4, America's notoriously profligate ways started to change fast. Americans are driving less, using mass transit more, buying fewer gas guzzlers, indeed shopping less wantonly in general, and lowering their previously unshakable confidence as consumers. Suddenly, Americans are acting differently; if not exactly like Swedes, then not quite like themselves, either. It's a shift that could change the world.

[New York for a buck](#)

Boston: MegaBus yesterday charged into the ultracheap bus wars with an offer hard to beat - a free ride to the Big Apple.

Like BoltBus, which rolled out service last month, MegaBus offers at least one seat per bus on its

Boston-to-New York route for \$1. Other seats cost up to \$14 each way. Chinatown rival Lucky Star matched the fares.

[Haynesville Shale: Penn Virginia natural gas well hits big](#)

Shares of natural gas producer Penn Virginia Corp. soared nearly 19 percent after an East Texas well showed the ability to produce as much as 15 million cubic feet per day.

The Radnor, Pa.-based company's Fogle 5-H, a well drilled 11,378 feet vertically in Harrison County and 3,861 feet horizontally, had an initial production rate of about 8 million cubic feet of natural gas per day, which was greater than expected.

Pipeline capacity constraints currently limit production to about 5 million cubic feet per day. But increased pipeline capacity, expected in July, will enable an initial production rate of 10 million to 15 million cubic feet per day, the Philadelphia-area company said.

[Sugar prices not so sweet](#)

QUEENSLAND'S sugar growers increasingly could diversify into more lucrative crops given fears global sugar prices are set to continue their slide as a prolonged supply glut is worsened by easing demand.

[Push for ethanol hits grain supplies](#)

Farming industry leaders and analysts say the push by governments to ensure 10 per cent of petrol is made up of biofuels such as ethanol will leave the nation critically short of grain.

They claim that despite assurances by the NSW and Queensland governments and the biofuels industry that it would use only plant waste for ethanol, tens of thousands of tonnes of animal feed-quality grain and wheat starch are being used to make the taxpayer-subsidised fuel.

[Amazing coal seam gas bubble may burst](#)

Turning coal seam gas into liquefied natural gas is a promising technology -- but nobody has actually produced large amounts from it so far and the projects now in focus will take several years to bear fruit.

Companies with strong LNG expertise might have the patience and resources to see their investments through. For ordinary shareholders, impatience -- cashing out now to take advantage of the dizzying rise in the sector's share prices over the past two days -- would be smarter.

[Tourism hit by fuel costs, economic downturn](#)

The last time the tourism industry was hit by an economic downturn was after the Asian crisis in 2000.

But that will be just a blip compared to what operators are now facing, says Paul Yeo, head of the inbound tour operators council and the travel agents' association. . . Yeo reckons the last time New Zealand's tourism industry faced such strong headwinds as it does now was in the years after the 1987 sharemarket crash.

[WoodMac: Climate bill would affect gas processors, cut production](#)

WASHINGTON, DC, May 30 -- Global climate change legislation due to reach the US Senate floor as soon as next week could reduce natural gas supplies and greatly increase prices, concluded a study by Wood Mackenzie Ltd., Edinburgh.

The study, commissioned by the American Exploration & Production Council (AXPC), examined consequences of a provision inserted into S. 2191 that would require gas processors to buy cap-and-trade program gas emission allowances for ultimate end-users (OGJ, Apr. 7, 2008, p. 80). Sens. Joseph I. Lieberman (I-Conn.) and John W. Warner (R-Va.) introduced the original bill Oct. 18, 2007.

[US drilling dips below 22-year high](#)

US drilling activity slipped below a 22-year high this week with 1,877 rotary rigs working, 12 less than the prior week but up from 1,774 units a year ago, said Baker Hughes Inc.

The decline was primarily in land drilling, down 11 to 1,788 active rigs. Inland waters activity dipped by 1 rig to 22. Offshore drilling increased by 1 rig to 65 in the Gulf of Mexico, but the total count in US waters was unchanged at 67.

Among the rigs still working, 1,479 were drilling for natural gas, 390 for oil, and 8 were unclassified. Directional drilling increased by 3 rigs to 388. Horizontal drilling declined by 11 to 533.

[No respite with huge fuel hike](#)

Johannesburg - The retail price of petrol will increase by 50c a litre on Wednesday next week, according to a statement from the Department of Minerals and Energy on Wednesday.

This follows the 55c a litre increase last month. The price of unleaded petrol in Gauteng thereby increases to 996c a litre and to 972c at the coast.

[Govt to decide on fuel price hike today](#)

Prime Minister Manmohan Singh, UPA Chairperson Sonia Gandhi, External Affairs Minister Pranab Mukherjee, Defence Minister AK Antony, Home Minister Shivraj Patil, Finance Minister P Chidambaram and Petroleum Minister Murli Deora deliberated over options for nearly two hours on Friday evening. None of them commented on the issue.

However, options that are believed to have been discussed are of raising petrol price by Rs 3, 4, 5

or 7 a litre and diesel by Rs 1, 2, 3 and 4 per litre. Besides, a Rs 20 per cylinder hike in domestic LPG price may also be proposed.

[Global biofuel output to soar:](#)

Paris • Global production of biofuels will rise rapidly over the next decade, helped by high government blending targets and subsidies, the OECD and the UN's FAO food agency said in a report published yesterday.

These rises will boost already soaring world agricultural commodities prices and their availability for food and feed, the Organisation for Economic Co-operation and Development and the Food and Agriculture Organisation said in co-drafted report. "With a biofuel output that should more than double over the next 10 years, according to the most conservative estimates, the pressure on agriculture will flare up," Jacques Diouf, head of the Rome-based FAO, said.

[Arctic Ocean Prospects](#)

Gazprom calculated that production cost of 1.000 cubic meters of gas at the Yamal peninsula equals to \$91 compared with \$7-10 at older large gas fields that the monopoly inherited from the Soviet Union. As to the Arctic shelf, these figures may double, or even triple. So, mining will be efficient only if energy carriers prices go up, which is hard to imagine now.

[TNK Less BP](#)

The yesterday's meeting of TNK-BP BOD was aimed to decide on employment of CEO Robert Dudley and Executive Director German Khan but ended by a scandal. Russia's holders left the meeting stripping it of required quorum. Formally, the third party is yet outside the conflict, but the RF government is forging an instrument already. A new criminal case is likely to be initiated to extent to both Russia's and Britain's managers of TNK-BP, including Robert Dudley.

[Iceland is still shaking with aftershocks from the big quake](#)

With Iceland being located on the junction of the Eurasian and North American Tectonic plates, large parts of the country are volcanically active. Some of the volcanoes even erupt with somewhat regular intervals. Consequently the Icelandic Meteorological Office keeps a close watch on all seismological activity in Iceland. The image from their website shows the current and last 48 hours' level of activity with yesterday's large earthquake, magnitude of 6.1 - 6.3, literally off the chart. The green stars on the map represent quakes over 3 on the Richter scale.

[Shocked! How the oil crisis has hit the world](#)

British pensioners who cannot afford to heat their homes. European hauliers and fishermen whose livelihoods are under threat. Palestinians forced to fill up their cars with olive oil. Americans asked to go down to a four-day week.

[Oil price profiteering to be curbed at ICE Futures Europe and Nymex](#)

Two of the world's largest energy exchanges have forced traders to deposit significantly more money when investing to curb volatility in energy markets and drive out speculators.

[Funding bonanza for oil-from-algae firm](#)

Sapphire CEO and co-founder, Jason Pyle, is being cagey about revealing how much it costs to produce his algae-based product or how much it would cost at the petrol pump. In interviews, he indicated that production costs per barrel would be similar to petroleum-based fuel, which is very much a moving target at the moment.

[Energy boss with the wind in his sails](#)

But can he be happy that half his term has gone by and his industry is beginning to resemble a bunch of turbines becalmed by lack of wind at a time when traditional alternatives such as oil are more than \$130 a barrel?

[A four-cylinder solution to the mid-size crisis](#)

As the cost of putting a tiger in the tank keeps going up, drivers are opting for a smaller cat under the hood.

Small-car sales have been a rare pocket of strength for the slumping auto industry in recent months as Americans sought relief from sky-high gasoline prices. But many buyers are sticking with mid-size or larger vehicles and choosing a smaller engine instead -- saving money on the sticker price and at the pump without downsizing their ride.

[A drop in oil, and a pall in Germany, give solar stocks a shiver](#)

Crude futures slid more than \$4 a barrel, and when anxiety about fossil fuel supply eases, alt-energy shares often wilt. The other issue has been less discussed. Despite its gray skies, Germany has used public-sector largesse to become a leader in solar installations. Here's the worry: If lawmakers in Berlin quicken planned subsidy cuts, as they are contemplating, solar's future gets cloudy in a key locale.

[The Huge Hybrid: Few Takers for a New S.U.V. Twist](#)

General Motors and Chrysler are betting that their 5,500-pound, eight-seat S.U.V.'s — long the scourge of environmentalists — can be reformed as hybrid models, albeit ones getting 20 miles to the gallon.

[As Iowa Job Surplus Grows, Workers Call the Shots](#)

Last year, the state added nearly 13,000 nonfarm jobs, in part because of growth in ethanol and wind energy, and lost 3,300 people from the workforce. With statewide

unemployment at 3.5 percent, compared to a national rate of 5 percent, nearly everyone who wants to work and can work has a job. “We’re looking for ways to grow our population,” Ms. Buck said.

[It’s Easier to Be Green if It Also Saves Money](#)

One quick way to save gasoline is to drive less.

In normal times, the number of miles driven in the United States rises each year, as more people drive more cars and as rising housing costs force some commuters to move farther and farther from their jobs.

But the Federal Highway Administration estimates that in March — the most recent month for which data is available — vehicles traveled 246 billion miles. That is a lot of driving, but the figure is down 4.3 percent from the previous March.

[Oil bubble could prove threat to pension funds](#)

NEW YORK (Reuters) - Pension funds and other investors who rushed into oil through commodity indexes this year chasing big returns as other asset classes tanked could face steep losses if prices fall from record highs.

An avalanche of cash has rolled into commodities through simple long-only indexes this year, feeding the record-setting oil rally some experts say could be a bubble that is becoming more vulnerable to shifts in supply and demand fundamentals.

[Why Cap-and-Trade Won’t Work](#)

More critically, the bill, which also calls on companies to reduce their carbon emissions by about 66% by 2050, will drive up both the demand and the price of natural gas (a low-carbon alternative) to unprecedented levels, which will in turn further erode the number of U.S. manufacturing jobs.

Limited natural gas supply capacity will pit power-sector purchases in direct competition with demand from the residential, commercial and farm sectors. . . .None of this would be a problem if we had plenty of natural gas production capacity, but U.S. production of the commodity is fragile, despite record well completions.

[Russia - Power, Manufacturing Building Natural Gas Demand, Says RNCOS](#)

A new research report, “Russian Oil and Natural Gas Industry”, from RNCOS, a leading market research company, predicts Russia’s domestic natural gas consumption to grow at a CAGR of 4% from 2008 to 2012. . .

The RNCOS research also says that Russia might see a rise in gas prices in coming years but the consumers will remain relatively inelastic towards price growth. Thus, the gas demand will not slump; rather, it will steadily increase in future. Consequently, the

Russian natural gas industry will overwork to add to the current production level during 2008-2012. In addition, independent natural gas producers are expected to post high growth in future due to government support.

[Michigan peak oil conference begins today](#)

The International Conference on Peak Oil and Climate Change: Paths to Sustainability begins today in Grand Rapids, Michigan with an introduction by U.S. Congressional Peak Oil Caucus member Vern Ehlers and a keynote by Dr. David Goodstein, author of *Out of Gas: The End of the Age of Oil*. . .

The conference starts at 5 p.m. today and runs through 5 p.m. on Sunday, June 1 at the Calvin College Fine Arts Center in Grand Rapids, Michigan. Additional information is available at the web site: PeakOilConference.org.

[You Think Flying Is Bad Now...](#)

Something has to give as airlines adjust to \$130 oil and brace for a record yearly loss. Not all of the majors will survive. . .

This consolidation will come with a cost: Experts believe that for the U.S. industry to shrink to a size that would allow the surviving carriers to earn a profit will require hefty fare hikes and a 20%-to-25% cut in capacity. That means fewer routes, fewer flights, and even more crowded planes. The biggest losers would be smaller cities like Cedar Rapids, Iowa, and Baton Rouge, La., that became accustomed to dozens of daily flights, usually on 50-seat jets that the majors use to feed traffic to their hubs. But oil priced near \$130 has rendered those smaller jets uneconomical, meaning that carriers are likely to fly one much larger plane on marginal routes each day, but no more. "We might keep one flight just to keep Congress off our back," muses one industry executive.

Coast-to-coast flights will change, too. With roughly 30% of the weight of any transcontinental flight consisting of the fuel alone, meaning airlines are burning fuel just to carry fuel, carriers can be expected to replace many of those longer nonstops with one-stop flights, intended largely for refueling.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).