



Peak Oil News

A Compilation of New Developments, Analysis, and Web Postings

[Tom Whipple](#), Editor

Sunday, November 30, 2008

Current Developments

1. OPEC DEFERS DECISION ON OUTPUT CUT, SEEKS \$75 OIL

By Maher Chmaytelli and Ayesha Daya

Nov. 30 (Bloomberg) -- OPEC deferred a decision on reducing production this year by two weeks to gauge the impact of earlier cuts, as it seeks to push oil prices back up to \$75 a barrel. Crude has dropped 62 percent from July's record of \$147.27 a barrel as the global recession erodes sales. Ali al-Naimi, the oil minister of Saudi Arabia, OPEC's largest exporter and its de facto leader, said yesterday that \$75 a barrel represents a "fair price" needed to support investment in new fields. OPEC, which accounts for more than 40 percent of the world's supply, will next meet in Oran, Algeria, on Dec. 17. In a statement after yesterday's meeting in Cairo, the group warned demand will be "much lower" than expected a month ago. The cost of crude has continued to slide even after the group agreed last month to lower production by 1.5 million barrels a day. "The way demand data continues to come out, especially from the U.S., suggests that they will have to cut," said Raja Kiwan, a Dubai-based analyst at consultant PFC Energy.

2. OPEC DEFERS NEW OIL CUT AS DIVISIONS EMERGE

By Rania El Gamal and Alex Lawler
Sat Nov 29, 2008 12:18pm EST

CAIRO (Reuters) - OPEC on Saturday deferred a decision on a new oil supply cut amid signs that Saudi Arabia and its Gulf allies are demanding tighter adherence to restraints put in place in the last two months. Gulf producers want to see strict compliance with two recent output curbs before considering further reductions when the Organization of the Petroleum Exporting Countries meets in Algeria on December 17. "Compliance I think is OK," said Kuwaiti Oil Minister Mohammad al-Olaim. "But the market conditions require us to be 100 percent compliant." While OPEC's first priority is to put a floor under a \$90-collapse in oil prices to \$55, Saudi Arabia for the first time in years identified a "fair" price -- \$75 a barrel. "There is a good logic for \$75 a barrel," said Saudi Oil Minister Ali al-Naimi. "You know why? Because I believe \$75 is the price for the marginal producer. If the world needs supply from all sources, we need to protect the price for them. I think \$75 is a fair price."

3. OPEC WARNS STOCKS COULD HIT 59 DAYS WITHOUT ACTION

CAIRO (Reuters) - Commercial oil inventories held among industrialised nations of the OECD could hit 59 days by the end of 2009 if OPEC doesn't take further action on supply, OPEC President Chakib Khelil said on Saturday. Days of forward OECD inventory cover is a key measure for OPEC in assessing the oil market's supply and demand balance. Latest estimates are that stocks are at 55-56 days of cover and several OPEC ministers have said they would like to cut inventories to 52 days. Khelil said OPEC would need to take into account falling demand and rising inventories when it meets next on December 17 in Algeria. He was speaking after the producer group left output unchanged at a brief meeting in Cairo called to assess compliance with two previous rounds of cuts since September.

4. DESPITE FALLING OIL PRICES, OPEC DEFERS CUTTING OUTPUT

By Jad Mouawad
NY Times
Sunday, November 30, 2008

CAIRO: Faced with plunging oil prices and shrinking revenues, members of the OPEC cartel suggested Saturday that they might lower production for the third time this year when they meet in Algeria in December. But the unwillingness of the Organization of Petroleum Exporting Countries to seek an immediate cut in output even as demand craters in the United States and the world edges into a broad recession reflects the difficulties the cartel is facing in trying to stop prices from falling. At a chaotic news briefing held in a hotel lobby here, OPEC's president, Chakib Khelil, stressed that compliance with previous production cuts was satisfactory. But even as the organization tries to present a unified front, it is facing the incredibly tough task of trying to stop prices from falling at a time when demand is no longer growing.

5. OPEC PUTS OFF ANY DROP IN OUTPUT UNTIL DEC. 17

By Steven Mufson
Washington Post Staff Writer
Sunday, November 30, 2008; A21

The Organization of the Petroleum Exporting Countries yesterday delayed a decision on whether to cut the cartel's oil output, but demand that is falling in the United States and unexpectedly weak in China makes it likely that the group will lower production at its Dec. 17 meeting in Algeria, analysts and OPEC ministers said. Saudi King Abdullah said in an interview published yesterday in a Kuwaiti newspaper that \$75 a barrel would be a "fair price" for crude oil, well above Friday's closing price of \$54.43 a barrel on the New York Mercantile Exchange but far below price levels OPEC was dealing in just four months ago. Whether OPEC can arrest the slide in oil prices is a key question for everyone from U.S. motorists, now paying a nationwide average of less than \$2 a gallon for regular gasoline for the first time since March 2005, to giant oil companies, many of which are shelving high-cost oil exploration and development projects.

6. OIL FIRMS SET TO KEEP PUMPING, BUT NOT INVESTING

By Tom Bergin - Analysis
Fri Nov 28, 2008 7:00am EST

LONDON (Reuters) - Oil prices have a long way to fall before producers start to lose money and shut in fields but even prices around \$50 can choke investment and lead to a supply crunch before the global economy recovers from recession. Oil has dived from a record of almost \$150 a barrel in July to around \$50 now, but so far the only supply cuts have been output reductions from OPEC as it attempts to halt the slide. Prices would have to drop much further before they fail to meet operating costs, and force wider shutdowns. "For the bulk of production you can get down into the \$20s or even the teens," said Mike Wittner of Societe Generale. Even the most expensive crude, squeezed from Canada's bitumen-soaked oil sands, is profitable at current price levels, provided the field is up and running.

7. CHINA GDP MAY EXPAND 10% IN 2009, STATE ANALYST SAYS

By Wang Ying

Nov. 30 (Bloomberg) -- China's economy may grow 10 percent next year as the "huge" potential of domestic consumption and investments counters the impact of a global slowdown, a State Council researcher said. The "vast development potential" of the world's most-populous nation will ensure a fast rate of expansion in 2009, said Zhang Liqun, a researcher with the Cabinet's Development Research Center, according to the official Xinhua News Agency. "Domestic enterprises need to accelerate the pace in upgrading their business structures to better cope with a severe world economic situation." China last week cut its benchmark interest rate by the most in 11 years and has unveiled a 4 trillion yuan (\$586 billion) stimulus plan to protect the economy from a global recession. Zhang's optimism isn't shared by the World Bank, which on Nov. 25 said the Chinese economy is expected to expand next year at the slowest pace in almost two decades.

8. CHINA IS LOSING ITS COMPETITIVENESS, HU WARNS

Reuters

Sunday, November 30, 2008

BEIJING: President Hu Jintao of China has warned that his country's competitiveness and trade strength are being threatened by a sustained global economic downturn. Hu made the warning at a Saturday meeting of the Politburo, the party's 25-member inner-council, which dwelt on the challenges China faces as export demand drops, forcing companies to shed workers, the Xinhua news agency reported late that day. His blunt words suggested China sees no quick end to worsening conditions, which last week led a state research institute to forecast that annual economic growth will slow to 8 percent this quarter from 9 percent in the third quarter, skidding close to the 7 percent seen by some as the minimal level for maintaining social stability. "In this coming period, we will starkly confront the effects of the sustained deepening of the international financial crisis and pressure as global economic growth clearly slows," Hu told the senior officials.

9. CHINA'S OIL/GAS BIG THREE SEEKING OVERSEAS FIRE SALES

By CSC Staff, Shanghai
ChinaStakes

Accepting cheap oil and gas prices as a gift of the commodities slump, China's oil and gas giants are moving decisively. PetroChina has signed a contract with Shell for 40 million tons of liquefied natural gas (LNG), and Total, in negotiations with China National Offshore Oil Corporation (CNOOC), declared on Wednesday that the two parties would soon finalize their own LNG contract. In Beijing, the China-Russia \$25 billion "loan for oil" negotiation, which resumed recently, is moving ahead. Meanwhile, corporate bond issues from PetroChina and Sinopec, totaling 50 billion yuan, have been approved by the China Securities Regulatory Commission (CSRC). China Oilfield Services, Limited (COSL), a subsidiary of CNOOC, is also to issue 6 billion yuan of corporate bonds. The three oil companies are seeking overseas fire sales. Hoarding "Grain" and Seeking Overseas Expansion. China National Petroleum Corporation (CNPC), PetroChina's parent company, declared on October 24 that it had successfully registered the issuance of 80 billion yuan of mid-term notes, making it the first mid-term note issuance after the People's Bank of China restored the registration of that security. The 80 billion yuan ties a record high, equal to an issuance registered by the Ministry of Railways.

10. BANGLADESH'S CLIMATE REFUGEES SEARCH FOR HIGHER GROUND

HOAIKONG, Bangladesh (AFP) — In the mountainous village of Hoaikong in southeastern Bangladesh, villagers are used to welcoming new residents on a weekly basis. The once-sparsely populated jungle, home to only a handful of tribal families, houses some 2,000 people who have sought higher ground as the island where they once lived becomes increasingly submerged by the sea. Ex-fisherman Jaber Ahmed, who has turned his hand to farming crops in his new environment, says there are two camps of thought among islanders as to why they have had to migrate inland. "Some of us think that the land is sinking. Others say the sea is rising," the 55-year-old says. "To be honest, I have no idea. All I know is we had to move our homes to survive." Ahmed moved from the island 10 years ago and has watched as former neighbours follow his lead.

11. DATA POINT TO WEAK BLACK FRIDAY SALES

Reuters

Sunday, November 30, 2008

COLUMBIA, Maryland: The U.S. holiday shopping season got off to a slow start as consumers, squeezed by the economic crisis, bought carefully and many said they would wait for better deals closer to Christmas. Early results from the Black Friday weekend, which kicks off holiday sales one day after the U.S. Thanksgiving, supported forecasts by some analysts that total holiday sales could contract for the first time since that data started being collected in the early 1990s. ShopperTrak, which measures customer traffic, said Saturday that Black Friday sales rose 3 percent to \$10.6 billion. That was slower than an 8.3 percent rise in 2007. "The initial response by many people may be positive," a Telsey Advisory Group analyst, Joseph Feldman, said of the increase. But, Feldman said, excluding inflation the

sales figures are roughly flat year over year. His company still expects overall holiday sales will be flat to slightly down.

12. LOCAL PILLARS, U.S. AUTO DEALERS TEETER

By Clifford Krauss
NY Times
Sunday, November 30, 2008

QUINCY, Florida: Bruce Thomas washed cars at his father's General Motors dealership here at age 12, changed oil in high school and sold his first Pontiac during college. His commitment to a famed American industry, part business and part romance, never waned. He took over his family's two dealerships, building a small fortune. In turn, he showered generosity on local churches, school athletic teams, charity golf tournaments and a group that helps women find jobs after prison. But suddenly, all of Thomas's success appears to be melting away. Days go by without a sale. His debts are mounting. His friends offer him cash to get by. "I'm trying to survive as a car dealer," said Thomas, now 59, "and I don't know if I can."

13. WESTERN GOVERNORS ASK OBAMA FOR NATIONAL GREEN ENERGY PLAN

Environmental News Service

WASHINGTON, DC, November 28, 2008 (ENS) - In a letter to President-elect Barack Obama, the Western governors are urging swift action in adopting and implementing a national energy plan that would transform the country's energy infrastructure and economy while reducing greenhouse gas emissions. The group of 19 governors from both political parties are calling for near-zero greenhouse gas emissions from new coal-fired electricity generation in 10 years and from existing generation no later than 2030. Utah Governor Jon M. Huntsman, Jr., chairman of the Western Governors' Association, and Montana Governor Brian Schweitzer, vice chairman, discussed the association's recommendations with John Podesta, co-chair of Obama transition team. "The transformation we are talking about is broad based and will require new policies, incentives, market mechanisms and private-public partnerships to be in place by the end of next year," said Huntsman, a Republican. "We plan to work with the new administration and Congress in addressing the multitude of energy challenges ahead."

Discussion and Analysis

14. THE RETURN OF HIGH OIL

Posted by: Steve LeVine
Business Week
November 27

In June, a couple of Dutch energy researchers released a fascinating, long-gestating report on high oil prices. At the time, oil was selling for about \$130 a barrel, and the authors, neatly dissecting the market, argued that prices were only going to get worse. Just the next month, they did rise — to \$147 a barrel. But, as O and G readers know, there was good reason to argue the other way at least in the short term — Ed Morse, now shifted from defunct Lehman over to LCM Commodities, asserted correctly that we were in for a considerable price correction. So, with prices having gone strongly down, as Morse forecast, I made a phone call to the report's lead author — Jan-Hein Jesse, whom I met last year at an OPEC meeting in Vienna — and asked whether he thinks his thesis still holds. I.E., is another price spike coming down the road?

15. SURVIVALISM: FOR PEAK OILERS AND ECOTOPIANS TOO?

By Jerry Erwin
Energy Bulletin

As a peak oiler myself since 2002, I have often wondered why most of the prominent peak oil authors and activists dismiss the survivalist movement. It seems that many of the peak oil heavyweights, including Richard Heinberg and Dmitry Orlov, in particular, despite their own ingenious contributions to analyzing

our current predicament, seem to blithely dismiss survivalism. They apparently do not understand the basic technical constructs of survivalism, such as the military skill sets, weapons, and organization that go into survivalism. They also do not seem to understand the technical aspects of long-term food storage (i.e. oxygen absorbers, desiccants, dry ice, etc.), or the emphasis that survivalism also places on organic gardening and food preservation. Survivalism derives its origins from several sources: Government-sponsored civil defense, threats of nuclear warfare, religious beliefs, writers warning of social or economic collapse, apocalyptic and post-apocalyptic fiction, and climate change.

16. DID PEAK OIL GO AWAY? NO

By Tim Stevenson
Brattleboro Reformer
Saturday, November 29

ATHENS -- With the price of oil plummeting below \$50 a barrel, shedding close to \$100 since July, and commensurate readings appearing at the gas pump, people have something to feel good about during an otherwise dismal economic time. Unfortunately, it may mislead the less informed to dismiss warnings about imminent peak oil as so much Y2K false alarm. For there is a dark side to this otherwise salutary turn of events. Rather than rendering moot the question of peak oil, the falling prices of petroleum actually exacerbate it. This is because, while the current economic free fall will continue to lower demand for petroleum and drive down prices, these lower prices have also fallen below the cost of bringing new oil into production.

Alternatives

17. OCEAN CURRENTS CAN POWER THE WORLD, SAY SCIENTISTS

A revolutionary device that can harness energy from slow-moving rivers and ocean currents could provide enough power for the entire world, scientists claim.

By Jasper Copping
Telegraph
29 Nov 2008



Existing technologies require an average current of five or six knots to operate efficiently, while most of the earth's currents are slower than three knots Photo: AP The technology can generate electricity in water flowing at a rate of less than one knot - about one mile an hour - meaning it could operate on most waterways and sea beds around the globe. Existing technologies which use water power, relying on the action of waves, tides or faster currents created by dams, are far more limited in where they can be used,

and also cause greater obstructions when they are built in rivers or the sea. Turbines and water mills need an average current of five or six knots to operate efficiently, while most of the earth's currents are slower than three knots. The new device, which has been inspired by the way fish swim, consists of a system of cylinders positioned horizontal to the water flow and attached to springs.

18. TIDE TURNS FOR OCEAN ENERGY

Matthew Bennis
Sydney Morning Herald
November 30, 2008

AN AUSTRALIAN company, using technology that a young Queensland engineer designed, is expected this week to announce a string of international contracts. Atlantis Resources Corporation has developed turbines that can generate electricity from the sea's movement. It has begun trials at San Remo in Victoria. The company is confident it will win a contract to build 500 underwater turbines in the sea off Scotland. The tidal farm will have capacity to power a million homes. "This is a story of a group of young Australians doing wonderful things on a global scale," Atlantis chief executive Timothy Cornelius said. He said the deep-water Solon turbine that 28-year-old Dr John Keir had designed was considered the world's most efficient underwater generator.

19. A LAND RUSH IN WYOMING SPURRED BY WIND POWER

By Felicity Barringer
NY Times

WHEATLAND, Wyo. — The man who came to Elsie Bacon's ranch house door in July asked the 71-year-old widow to grant access to a right of way across the dry hills and short grasses of her land here. Ms. Bacon remembered his insistence on a quick, secret deal. The man, a representative of the Little Rose Wind Farm of Boulder, Colo., sought an easement for a transmission line to carry his company's wind-generated electricity to market. His offer: a fraction of the value of similar deals in the area. As Ms. Bacon, 71, recalled it: "He said, 'You sure I can't write you out a check?' He was really pushy." A quiet land rush is under way among the buttes of southeastern Wyoming, and it is changing the local rancher culture. The whipping winds cursed by descendants of the original homesteaders now have real value for out-of-state developers who dream of wind farms or of selling the rights to bigger companies. But as developers descend upon the area, drawing comparisons to the oil patch "land men" in the movie "There Will Be Blood," the ranchers of Albany, Converse and Platte Counties are rewriting the old script.

1. OPEC DEFERS DECISION ON OUTPUT CUT, SEEKS \$75 OIL (UPDATE1)

By Maher Chmaytelli and Ayesha Daya

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OPEC, which accounts for more than 40 percent of the world's supply, will next meet in Oran, Algeria, on Dec. 17. In a statement after yesterday's meeting in Cairo, the group warned demand will be "much lower" than expected a month ago. The cost of crude has continued to slide even after the group agreed last month to lower production by 1.5 million barrels a day.

"The way demand data continues to come out, especially from the U.S., suggests that they will have to cut," said Raja Kiwan, a Dubai-based analyst at consultant PFC Energy.

Compliance with existing supply quotas is "not good enough," based on current forecasts, said OPEC Secretary General Abdalla El-Badri. He also urged non-OPEC members Russia, Mexico and Norway to restrain supply, as they did a decade ago when prices slumped toward \$10 a barrel.

The 11 OPEC states subject to output quotas will produce 27.8 million barrels a day in November, according to Geneva-based consultant PetroLogistics Ltd., in excess of their official limit of 27.3 million barrels a day.

'Additional Action'

The Organization of Petroleum Exporting Countries pledged to take any "additional action" needed to stabilize the market in Oran, according to Chakib Khelil, the group's president. Asked if OPEC would seek to lower output in Algeria, al-Naimi replied: "A cut is possible, we will have to see."

The Saudi oil minister said there was a "good logic" for \$75-a-barrel, backing earlier comments from Saudi King Abdullah who told Kuwaiti newspaper Al-Seyassah that this represents a "fair price." Crude for January delivery traded at \$54.43 a barrel in New York on Nov. 28.

OPEC abandoned an official price target almost four years ago and ministers' expectations have changed throughout 2008 as crude rallied to a record \$150 in New York in July, then fell below \$50 this month. Ministers from Venezuela, Iraq, Algeria and Nigeria also said yesterday oil should cost at least \$75.

Producers and drillers from Exxon Mobil Corp. to BP Plc are already suffering from falling prices. OPEC's export revenue will be \$979 billion in 2008, 9.6 percent less than expected a month ago, because of sinking crude prices, the U.S. Energy Department forecasts.

Outside Help

El-Badri called for outside help to halt the plunge in prices. "All non-OPEC should come and help, it is a big burden for OPEC," he told reporters. As well as Russia, "the ones we know that have the capability to cut are Norway and Mexico."

Russia's energy minister is expected to attend the Algeria meeting, El-Badri said. His plea for help elsewhere may fall on deaf ears after Norway, the world's fifth-biggest oil exporter, ruled out production cuts earlier this month. "I don't see any scenarios with regards to that," Norwegian Oil Minister Terje Riis-Johansen said in a Nov. 18 interview.

OPEC will likely lower supplies before the end of the year, according to 18 of 21 analysts surveyed by Bloomberg last week. About half of those thought an accord would be made in Cairo, while others expected a decision later. Twelve predicted the reduction will be at least 1 million barrels a day, more than is pumped by Qatar.

Cairo Meeting

Venezuelan Energy and Oil Minister Rafael Ramirez said after yesterday's "consultative" meeting in Cairo that OPEC will still need to cut production by at least 1 million barrels a day by the end of the year.

OPEC called ministers together in Cairo yesterday rather than wait until its next scheduled December conference in Algeria, as the slowing world economy reduced global consumption faster than expected. In September, the group urged greater compliance with existing output limits.

The Cairo meeting, originally intended just for ministers from Arab nations, was expanded into a full meeting for all OPEC members, including countries like Venezuela, Iran and Angola.

OPEC members have a balancing act to perform as they strive to boost prices without overreacting in terms of production cuts and being blamed for exacerbating the economic slowdown.

Demand for oil may fall for the first time since 1983 next year, Merrill Lynch & Co. said, as the U.S., Europe and Japan face their first simultaneous recession since World War II.

Jakarta Meeting

Eleven years ago, OPEC members bickered over quotas as prices slid 28 percent in 10 months amid the onset of the Asian financial crisis. At a meeting in Jakarta in November 1997, they raised quotas, even as economic turmoil in Asia was slowing demand and prices fell another 44 percent by December 1998 to a low of \$10.35 in New York.

OPEC's 13 member nations include Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela. Indonesia is expected to leave the group at the end of the year.

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While OPEC's first priority is to put a floor under a \$90-collapse in oil prices to \$55, Saudi Arabia for the first time in years identified a "fair" price -- \$75 a barrel.

"There is a good logic for \$75 a barrel," said Saudi Oil Minister Ali al-Naimi.

"You know why? Because I believe \$75 is the price for the marginal producer. If the world needs supply from all sources, we need to protect the price for them. I think \$75 is a fair price."

That target will serve as a reference point for traders when world oil demand starts to emerge from the current recessionary slump.

But for now, the oil market is focused on whether OPEC can prevent prices falling further by avoiding the sort of divisions that have undermined its response to falling prices during previous economic downturns.

"\$75 a barrel doesn't look doable in the short term," said Raja Kiwan of consultancy PFC Energy. "Given the fractious nature of OPEC on quota compliance, they may have some problems."

IRAN LEAKING?

Delegates said Riyadh and its Gulf neighbors Kuwait and the United Arab Emirates wanted to be sure others in the 12-member cartel were shouldering their share of the cut-backs.

One delegate identified Iran and Venezuela, perennial price hawks who have urged quicker cuts, as particular sources of concern. Venezuela denied the charge. Iran made no comment.

But consultants Petrologistics estimated last week that Iran's production would fall by 80,000 bpd this month, less than the 199,000 bpd it is due to cut under the November 1 deal.

OPEC will want to keep any bickering over quota compliance under wraps.

Secretary General Abdullah El-Badri said compliance already was "100 percent" and OPEC President Chakib Khelil said in an official statement that members were "fulfilling their commitments."

Early industry estimates show Saudi Arabia and its Gulf neighbors making good their share of OPEC's 2 million bpd of cuts since September.

Petrologistics estimates, based on shipping data, show OPEC output falling by 1.22 million bpd in November, with nearly half of that reduction shouldered by Saudi Arabia. Riyadh is responsible for only a third of OPEC output.

Saudi-owned al-Hayat newspaper quoted an OPEC source blaming a lack of restraint by some other countries for having "a negative effect on oil prices."

OPEC may need to make larger cuts to balance the decline in demand among Western economies that has caused inventories to swell. World oil demand is set to contract this year for the first time in 25 years.

"The bottom line is that they need to cut again and they need to cut substantially," said Gary Ross, CEO of consultancy PIRA Energy. "Demand is falling out from beneath them."

Naimi said he would like to see inventory cover among OECD industrialized nations down to 52 days from current levels of 55-56 days of forward demand, the top of the seasonal norm.

OPEC has a mixed record of dealing with downturns in the economy that curb energy demand.

In 2001 it successfully removed 5 million barrels daily in four stages, 19 pct of its supply, to lay the foundation for a 6-year boom in oil prices that culminated this summer in a record \$147 a barrel.

But in 1997 in Jakarta, at the start of the Asian financial crisis, Saudi pushed through an OPEC increase after Venezuela openly flouted its cartel supply quota by a large margin.

Prices went into a tailspin and U.S. crude hit a low of \$10.35 at the end of 1998.

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But the unwillingness of the Organization of Petroleum Exporting Countries to seek an immediate cut in output even as demand craters in the United States and the world edges into a broad recession reflects the difficulties the cartel is facing in trying to stop prices from falling.

At a chaotic news briefing held in a hotel lobby here, OPEC's president, Chakib Khelil, stressed that compliance with previous production cuts was satisfactory. But even as the organization tries to present a unified front, it is facing the incredibly tough task of trying to stop prices from falling at a time when demand is no longer growing.

After six years of rising prices and little tension within the group, members of the Organization of the Petroleum Exporting Countries are growing distrustful of one another's pledges to trim production. As a result, OPEC has proved ineffective at slowing the slide in prices, let alone reversing it.

After reaching a historic high in July, oil has lost \$90 a barrel, to about \$55, as global economic growth suddenly slowed in recent months and the financial system seized up.

At their last two meetings in recent months, OPEC members pledged to withdraw two million barrels a day from the market. It is inevitable that OPEC will have to reduce its production more in coming months, analysts said.

The Saudi oil minister, Ali al-Naimi, said the group would "do what needs to be done" to shore up prices.

Naimi also said that \$75 a barrel was a "fair price," echoing comments made by King Abdullah of Saudi Arabia in an interview with Al-Seyassah, a Kuwaiti newspaper, that was published the same day. It is the first time in years that Saudi officials have talked about a specific price.

Oil prices gained 9 percent last week, after rebounding from three-year lows, as markets anticipated that OPEC would cut its production on Saturday. They were unchanged in thin trading on Friday in New York at \$54.43 a barrel but could slip back below \$50 again next week.

OPEC does not publish production figures from its members, so countries have to rely on so-called secondary sources, which include estimates by oil consultants and monthly figures published by the International Energy Agency.

Some producers say they believe that Iran and Venezuela, which have been the most vocal in calling for new production cuts to shore up prices, are not carrying enough of the burden. Others, like Angola, see little upside to reducing their own output while they seek to attract new investors. Some, like Saudi Arabia, do not want to lose both market share and revenue while others benefit from their production cuts.

At the same time, OPEC producers are desperate to stem the slide. Most producers need prices of \$60 to \$90 a barrel to balance their budgets.

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Whether OPEC can arrest the slide in oil prices is a key question for everyone from U.S. motorists, now paying a nationwide average of less than \$2 a gallon for regular gasoline for the first time since March 2005, to giant oil companies, many of which are shelving high-cost oil exploration and development projects.

In Canada, where oil tar sands projects would be worthwhile only if prices were higher than they are today, plans for expanded production have been postponed. Saudi Arabia has postponed plans to develop the Manifa oil field, which could produce 900,000 barrels a day of heavy crude oil.

The prospects for economic growth are highly uncertain and because of shipping time the effects of recent OPEC output cuts are still taking effect, making it difficult for the oil cartel to match production to demand and stabilize prices. Instead of fine-tuning prices, the group finds itself propelled by forces largely beyond its control.

Prices are just more than a third of the July peak of \$147 a barrel. To boost prices back to \$75 a barrel would require substantial output cuts by OPEC, which produces about 40 percent of the world's oil. Most would have to come from Saudi Arabia, which is the organization's swing producer. Asked at yesterday's meeting in Cairo about the prospects for a cut in December, Saudi oil minister Ali al-Naimi told reporters: "A cut is possible. We will have to see."

"Some countries are unable to sell their crude," OPEC President Chakib Khelil said to reporters. "Crude should be taken off the market. The market is oversupplied."

The swift decline in the price of crude oil has come despite earlier OPEC cutbacks as the world financial crisis and high oil prices of the summer continue to wash through the economic system.

U.S. oil demand in September fell 12.8 percent from the year before, according to a report by Barclays Capital Research. From July to October, Chinese oil demand dropped about 600,000 barrels a day when adjusted for inventory fluctuations, according to Paul Ting, an independent oil analyst.

"I wouldn't look to China to be a big bullish driver for oil prices in the near term," Ting said.

Whether new stimulus packages and infusions of government money around the world will revive demand remains uncertain. OPEC's Khelil said yesterday that oil demand is expected to be "much lower" than thought even a month ago, according to Bloomberg News.

Oil-exporting countries have a lot riding on the price of crude. An oil industry newsletter, Petroleum Argus, reported that Venezuela's state oil company plans a 30 percent cut in its capital spending budget for next year and that energy ministry officials there expect further drops in oil prices in the first quarter of next year. A former central bank official told the newsletter that Venezuela could face as much as a \$35 billion revenue shortfall next year.

Demand has also fallen for west African oil exporters. Petroleum Argus reported that purchases of west African crude oil by Asia-Pacific oil refineries for the month of December have slipped to 16-month lows and that Chinese purchases had fallen to their lowest levels in more than two years.

Ting said Chinese consumption, long assumed to be a source of rapidly growing demand, had leveled off and declined because of the world economic slowdown and because higher domestic gasoline and diesel prices led to less fuel use. China's gasoline prices are about \$3.50 a gallon.

With two rounds of production cuts, OPEC succeeded in halting a slide in oil prices in late 2006 and early 2007, when prices also sank to levels similar to today's. In late October, OPEC agreed to cut production by 1.5 million barrels a day. Analysts say that while OPEC members have exceeded their quotas, production in November dropped by about 1.25 million barrels a day from the month before.

"I didn't expect the OPEC meeting to have any real tangible results this time," Ting said. "The first cut is probably not fully felt, yet."

6. OIL FIRMS SET TO KEEP PUMPING, BUT NOT INVESTING

By Tom Bergin - Analysis
Fri Nov 28, 2008 7:00am EST

LONDON (Reuters) - Oil prices have a long way to fall before producers start to lose money and shut in fields but even prices around \$50 can choke investment and lead to a supply crunch before the global economy recovers from recession.

Oil has dived from a record of almost \$150 a barrel in July to around \$50 now, but so far the only supply cuts have been output reductions from OPEC as it attempts to halt the slide.

Prices would have to drop much further before they fail to meet operating costs, and force wider shutdowns.

"For the bulk of production you can get down into the \$20s or even the teens," said Mike Wittner of Societe Generale.

Even the most expensive crude, squeezed from Canada's bitumen-soaked oil sands, is profitable at current price levels, provided the field is up and running.

Marathon Oil's (MRO.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) operating costs in its Athabasca Oil Sands division are around \$40-\$45, Neil McMahon, oil analyst at Bernstein estimates, while Royal Dutch Shell's (RDSa.L: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) oil sands operating costs are only \$36.

Oil sands account for around 1 million barrels of oil per day (bpd) compared to global output of about 86 million bpd.

With overall spare capacity of 2 million bpd and forecast to rise, the world could do without oil sands crude, in theory allowing prices to undercut that industry's operating costs.

Traditional crude production is much cheaper.

Canada's Talisman Energy (TLM.TO: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), which has fields in North America, the North Sea and Asia said its operating costs averaged \$13.88 per barrel in the third quarter.

In Saudi Arabia, the United Arab Emirates and Kuwait, operating costs are as little as \$1-\$2, Ross Cassidy of industry consultants Wood Mackenzie said.

Even if prices drop below operating costs, for many producers it is a last resort to shut in output, Wittner said, citing the 1998 crash when crude fell below \$10 a barrel, but producers were extremely reluctant to shut in fields.

"There is a real risk that when you start to shut in production, you can suffer permanent loss of recoverable reserves," Wittner said.

HIGH FIXED COSTS

Operating costs are a fraction of the total costs.

Upfront fees must be paid, exploration expenses incurred and expensive facilities built before a single barrel is pumped. Fields also need development work to moderate natural declines.

Industry executives say current prices are not enough to cover the full costs of many types of projects.

"I think it is beginning to get dangerous. I think that ... we are getting to a level that will brake investment in a sector that is crucial," Christophe de Margerie, chief executive of French oil major Total (TOTF.PA: Quote, Profile, Research, Stock Buzz) said earlier this week.

Total said in September it needed oil prices of around \$90 to earn a 12.5 percent return from new oil sands investments. It requires more than \$60 to make this return on projects in the resource-rich deep waters offshore Angola.

New investment in the mature North Sea requires oil prices of \$40-45, according to a survey conducted by industry association Oil & Gas UK last year. Costs have risen by more than 10 percent since then, executives say.

Oil's fall below the level that justifies new developments has prompted firms to defer projects and cut spending.

Russian oil major Gazprom Neft (SIBN.MM: Quote, Profile, Research, Stock Buzz) said last month it would cut capital expenditure by 20-25 percent next year. On Wednesday Hungary's MOL (MOLB.BU) said it would cut capex by 35 percent next year.

The drop in spending may not take long to weigh on output because so much work is needed to keep production stable.

Natural decline rates at the world's oilfields are 9 percent per year and rising, the International Energy Agency (IEA) said earlier this month.

The world should be well supplied next year as demand drops and projects approved when prices were higher come online.

The IEA, which advises 28 rich nations on energy policy, expects demand to rebound and markets to tighten in 2010-2011.

"We may see prices going even higher than we saw this summer," IEA Chief Economist Fatih Birol said on Thursday.

This is reflected on the futures market, where oil to be delivered in 2010 and beyond is much more expensive than prompt contracts.

The timing of any price rally might be bad for the world economy.

The OECD this week forecast Britain, the United States, the Eurozone and Japan would still be suffering the aftermath of the financial crisis in 2010, with sluggish growth rates of 0.6-1.6 percent.

Growth should return to more normal levels in 2011, but the need to raise taxes to repay the debts incurred as a result of governments' fiscal stimulus packages will act as a brake.

Higher oil prices, boosted by a lack of investment now, could lead to prolonged economic weakness, the IEA warned in its World Energy Outlook earlier this month.

"The credit squeeze could delay spending, potentially setting up a supply-crunch that could choke economic recovery."

7. CHINA GDP MAY EXPAND 10% IN 2009, STATE ANALYST SAYS

By Wang Ying

Nov. 30 (Bloomberg) -- China's economy may grow 10 percent next year as the "huge" potential of domestic consumption and investments counters the impact of a global slowdown, a State Council researcher said.

The "vast development potential" of the world's most- populous nation will ensure a fast rate of expansion in 2009, said Zhang Liqun, a researcher with the Cabinet's Development Research Center, according to the official Xinhua News Agency. "Domestic enterprises need to accelerate the pace in upgrading their business structures to better cope with a severe world economic situation."

China last week cut its benchmark interest rate by the most in 11 years and has unveiled a 4 trillion yuan (\$586 billion) stimulus plan to protect the economy from a global recession. Zhang's optimism isn't shared by the World Bank, which on Nov. 25 said the Chinese economy is expected to expand next year at the slowest pace in almost two decades.

"We expect growth more likely to be at a rate of between 8 percent and 9 percent," Fan Jianping, chief economist at China's State Information Center, said by phone from Beijing today. "The stimulus package could contribute 1 to 2 percentage points, but the overall trend will be a down arrow."

Consumer prices in China may increase by 3 percent in 2009, compared with 7 percent in the first nine months of this year, Zhang said in the Xinhua report.

Global Recession

China's central bank lowered its key lending rate by 108 basis points to "ensure sufficient liquidity in the banking system and to promote steady loan growth so that monetary policy can play an active role in supporting economic growth," the People's Bank of China said last week. A basis point is 0.01 percentage point.

China can help cushion the global recession by stoking its own expansion, President Hu Jintao told Group of 20 nation leaders in Washington on Nov. 15.

The World Bank cut its forecast for China's economic growth next year to 7.5 percent from 9.2 percent previously. The Organization for Economic Cooperation and Development also lowered its forecast.

China's economy grew 9 percent, the weakest pace in five years, in the third quarter, slowing from 11.9 percent last year. The slowdown is deepening, after export orders fell last month to the lowest level since 2005 and property price slid.

The country's cabinet said Nov. 26 it was studying extra measures to help struggling companies in the steel, auto, petrochemical and textile industries; to increase key commodity reserves; and to expand insurance for the jobless.

"The government probably has little choice if it is to follow through on its ambitious plan to revive the economy," said Mark Williams, an economist at Capital Economics in London. "Beijing has at least signaled its willingness to use fiscal policy to support demand, but so far it has not been convincingly delivered."

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8. CHINA IS LOSING ITS COMPETITIVENESS, HU WARNS

Reuters
Sunday, November 30, 2008

BEIJING: President Hu Jintao of China has warned that his country's competitiveness and trade strength are being threatened by a sustained global economic downturn.

Hu made the warning at a Saturday meeting of the Politburo, the party's 25-member inner-council, which dwelt on the challenges China faces as export demand drops, forcing companies to shed workers, the Xinhua news agency reported late that day.

His blunt words suggested China sees no quick end to worsening conditions, which last week led a state research institute to forecast that annual economic growth will slow to 8 percent this quarter from 9 percent in the third quarter, skidding close to the 7 percent seen by some as the minimal level for maintaining social stability.

"In this coming period, we will starkly confront the effects of the sustained deepening of the international financial crisis and pressure as global economic growth clearly slows," Hu told the senior officials.

The slowdown is "clearly reducing external demand and exerting pressure to steadily weaken our country's traditional competitive advantages," Hu said.

The Chinese president's comments are the latest in a string of official warnings about the country's once heady economic growth record, and Hu stressed that the potential problems are social and political, as well as purely economic.

"Whether we can turn this pressure into momentum, turn challenges into opportunities, and maintain steady and relatively fast economic development, he said, "is a test of our Party's capacity to govern."

The Politburo meeting was a "collective study" session on Hu's keynote policy of a "scientific outlook of development," one seeking to replace an obsessive focus on economic growth with a more balanced one also focused on equity and environmental sustainability.

That program has come under pressure as officials have scrambled to shore up economic growth and jobs.

The government announced a 4 trillion yuan, or \$586 billion, fiscal package earlier this month to counter the impact of the global financial crisis, though it is still unclear how much will be new spending. The central bank followed up last week with its biggest cut in interest rates since the 1997 Asian financial crisis.

Hu said the downturn made transforming the traditional mode of export-driven, resource-squandering development even more urgent. But he also said economic growth was more crucial than ever.

"Under current conditions, we must keep an even tighter focus on economic development," he said.

9. CHINA'S OIL/GAS BIG THREE SEEKING OVERSEAS FIRE SALES

By CSC Staff, Shanghai
ChinaStakes

Accepting cheap oil and gas prices as a gift of the commodities slump, China's oil and gas giants are moving decisively. PetroChina has signed a contract with Shell for 40 million tons of liquefied natural gas (LNG), and Total, in negotiations with China National Offshore Oil Corporation (CNOOC), declared on Wednesday that the two parties would soon finalize their own LNG contract. In Beijing, the China-Russia \$25 billion "loan for oil" negotiation, which resumed recently, is moving ahead.

Meanwhile, corporate bond issues from PetroChina and Sinopec, totaling 50 billion yuan, have been approved by the China Securities Regulatory Commission (CSRC). China Oilfield Services, Limited (COSL), a subsidiary of CNOOC, is also to issue 6 billion yuan of corporate bonds. The three oil companies are seeking overseas fire sales.

Hoarding "Grain" and Seeking Overseas Expansion

China National Petroleum Corporation (CNPC), PetroChina's parent company, declared on October 24 that it had successfully registered the issuance of 80 billion yuan of mid-term notes, making it the first mid-term note issuance after the People's Bank of China restored the registration of that security. The 80 billion yuan ties a record high, equal to an issuance registered by the Ministry of Railways.

Just three months ago, PetroChina's plan to issue 60 billion yuan corporate bond was approved at the shareholder meeting. The fund to be raised is also the highest among all corporate bonds issued by Chinese companies.

Compared with other state-owned enterprises issuing bonds, PetroChina is not facing heavy cash flow pressure. According to its third quarter financial report, the company's net cash flow was 149.863 billion yuan, 11% down over the same period last year, and the company's short term borrowing at the end of term totaled 28.466 billion yuan, an increase of 51.9% year on year. PetroChina's present asset liability ratio is less than 40%.

"On one hand, due to international oil price fluctuations and a huge amount of special petroleum proceeds paid to the government, the company's profit fell over the last year, and it really needs supplementary funds. On the other hand, given the opportunities brought on by the world financial situation, the company needs reserve cash for its future development," said a senior official in PetroChina to China Business News reporter.

The two other Chinese oil and gas giants are following PetroChina, and seeking to raise money through bond issues. Sinopec's plan to issue 20 billion yuan corporate bonds was approved by the CSRC. The COSL board approved the plan to issue no more than 6 billion yuan of corporate bonds on Wednesday.

The corporate bonds issues are intended to finance the domestic oil and gas companies seeking fire sales overseas. "Given proper opportunity, the company may acquire some overseas assets according to its needs," said the PetroChina senior official.

In the CNPC mid-term note prospectus, it is stated that 30% of the funds raised will be used to increase its share holding in PetroChina, and the other 70% will be used as supplementary operations funds for the company's strategic projects such as construction of key overseas projects and risk exploration.

He Zheng, head of strategic research for Sinopec's Economic and Technical Research Institute, says M&A opportunities always exist, and since overseas oil and gas assets are depreciating sharply, it is a good choice for Chinese enterprises to get in on some overseas M&A.

Bidding Globally

The three firms are now bidding globally and making progress. In July this year, CNOOC acquired Norway-based Awilco Offshore ASA (AWO) for \$2.5 billion cash, and became the world's eighth largest drilling service provider. According to analysts, COSL's issuance of 6 billion corporate bonds has something to do with its parent's tight fund supply resulting from this acquisition.

The three companies have been shopping intensively since the beginning of this week, with PetroChina and CNOOC both signing big LNG purchasing contracts with overseas suppliers. According to the framework agreement, Total will supply CNOOC with 1 million tons of LNG every year from 2010.

The China-Russia \$25 billion "loan for oil" negotiation is said to be going smoothly. A CNPC source close to the negotiation told a China Business News reporter yesterday that the two sides have made significant progress, and it was hoped they would sign a contract soon. According to the agreement, Russia will contract to export 300 million tons of crude oil to China over the next 20 years.

Other moves are afoot. According to a foreign media report, CNOOC has been bidding \$300 million to \$700 million for natural gas assets in the Caribbean area, and CNPC is expected to take a 25% stake in the Pars LNG project in Iran. The former big shareholder Total's stake will drop from 40% to 25%.

Some of this overseas action is pitting Chinese companies against each other. Two months ago, Marathon Oil announced the sale of its stake in No. 321 deep sea area off Angola. PetroChina bid individually while Sinopec and CNOOC bid jointly. It has been reported that the Sinopec/CNOOC combination won the bid for \$1.8 billion, but a spokesman only admitted the companies had taken part in the bid and refused to reveal whether they had succeeded.

While the global financial crisis has brought Chinese oil and gas companies precious assets at fire sale prices, risks still exist. He Manqing, a Ministry of Commerce researcher, says that although overseas energy and resource prices have dropped quite sharply and bubbles in them have been basically pushed out, the global economic situation may worsen further and these assets may continue to depreciate. "Low prices are not the only factor companies need to consider when deciding about acquisitions. They must also think from the perspective of their development strategy."

10. BANGLADESH'S CLIMATE REFUGEES SEARCH FOR HIGHER GROUND

HOAIKONG, Bangladesh (AFP) — In the mountainous village of Hoaikong in southeastern Bangladesh, villagers are used to welcoming new residents on a weekly basis.

The once-sparsely populated jungle, home to only a handful of tribal families, houses some 2,000 people who have sought higher ground as the island where they once lived becomes increasingly submerged by the sea.

Ex-fisherman Jaber Ahmed, who has turned his hand to farming crops in his new environment, says there are two camps of thought among islanders as to why they have had to migrate inland.

"Some of us think that the land is sinking. Others say the sea is rising," the 55-year-old says. "To be honest, I have no idea. All I know is we had to move our homes to survive."

Ahmed moved from the island 10 years ago and has watched as former neighbours follow his lead.

"I was one of the first here when my home on the edge of the island disappeared. Slowly more followed. Now it's happening more and more and our old island is disappearing under the sea."

Ahmed's story is a familiar tale on Bangladesh's southern coast, where locals and climate experts say islands at the country's edge as well as its coastline on the Bay of Bengal are shrinking.

Although the villagers say they do not know the exact cause of the problem, experts are more sure.

Scientists -- including those from the United Nations Inter-government Panel on Climate Change (IPCC) -- say the number of climate refugees will increase in Bangladesh in the coming years as rising sea levels devour low-lying coastal areas of the delta country.

The plight of people like Jaber Ahmed is at the top of the agenda for a Bangladeshi delegation representing the impoverished nation during climate change talks from December 1-12 in Poznan, Poland.

Professor Atiq Rahman, a highly acclaimed Bangladeshi climate specialist, is among those attending the summit.

He says richer nations will be forced to open their countries up to climate refugees as land becomes scarce in the densely populated nation.

"Bangladeshis are already being displaced because of climate change. It's not happening in the distant future. It's happening now," he says.

"Being displaced is just one of the problems of rising sea levels. People will lose their livelihoods, food security will be under threat and so will water security."

Impoverished Bangladesh, says Rahman, is one of the lowest emitters of harmful carbon dioxide, but is one of the worst affected by the effects of climate change.

The Nobel prize-winning IPCC, which Rahman was a member of, says there will be 20 million people like Jaber Ahmed by 2050 because of an increase of extreme weather conditions caused by climate change.

James Hansen, director of the US-based NASA Goddard Institute for Space Studies, says Bangladesh's entire 144 million population will become environmental refugees by the end of the century because its entire landmass will be under water.

In September, the Bangladeshi government launched a campaign against rich countries, saying they needed to cough up billions of dollars to help it, one of the poorest nations in the world, fight climate change.

Britain, the only country to respond thus far, pledged 75 million pounds (106 million dollars, 90 million euros) and called on all nations to thrash out a new global warming agreement.

About 8,000 delegates from 190 countries will be at the Poland talks this month to discuss UN commitments beyond 2012, when pledges under the Kyoto Protocol expire, to be ratified in Copenhagen, Denmark next year.

The remote jungle of rural Bangladesh is a long way from the Polish capital, but farmer Jaber Ahmed says he hopes the world's leaders know about the problems people like him have faced.

He says, for him, though, it is too late to do anything to save his old home and -- too scared of the possibility of natural disasters -- he will never return to that place.

"I don't think I'll be back alongside the coast before I die. For now, it's OK. I'm safe up here in the hills. I just hope not too many people come or we may be forced to move again."

11. DATA POINT TO WEAK BLACK FRIDAY SALES

Reuters

Sunday, November 30, 2008

COLUMBIA, Maryland: The U.S. holiday shopping season got off to a slow start as consumers, squeezed by the economic crisis, bought carefully and many said they would wait for better deals closer to Christmas.

Early results from the Black Friday weekend, which kicks off holiday sales one day after the U.S. Thanksgiving, supported forecasts by some analysts that total holiday sales could contract for the first time since that data started being collected in the early 1990s.

ShopperTrak, which measures customer traffic, said Saturday that Black Friday sales rose 3 percent to \$10.6 billion. That was slower than an 8.3 percent rise in 2007.

"The initial response by many people may be positive," a Telsey Advisory Group analyst, Joseph Feldman, said of the increase.

But, Feldman said, excluding inflation the sales figures are roughly flat year over year. His company still expects overall holiday sales will be flat to slightly down.

Shoppers interviewed Saturday said they were disappointed by the deals this weekend and expected stores would offer even steeper discounts in the weeks to come - a worrisome sign for retailers struggling with weak profits.

"I'm not happy with the prices," said Rose Fernandez, shopping at a Macy's store in Jersey City, New Jersey. "If I can wait, I wait and watch. I can wait even till the day after Christmas."

ShopperTrak noted that stores would have a shorter holiday season, with 27 days between Thanksgiving and Christmas, compared with 32 days in 2007.

This "may catch some procrastinating consumers off guard, leading to lower sales levels," said Bill Martin, co-founder of ShopperTrak.

American retailers are facing what could be the weakest sales season in nearly two decades as shoppers contend with falling home values, reduced access to credit and a weak job market.

The Thanksgiving weekend can account for 10 percent of overall holiday sales and has taken on added importance this year as the United States seeks a way out of its worst economic crisis since the Great Depression.

Heidi Hickman, a marketing manager, was browsing at a J.C. Penney in Jersey City on Saturday, but gifts were not on her mind.

"I got a notice there are going to be layoffs in my department," she said. "It's making me stop right now and not do anything until I find out."

If sales for November and December decline, it would mark the first contraction since the National Retail Federation began tracking holiday sales in 1992.

"I have very little confidence that the sales number will be up year-over-year," for the season, said Stacey Widlitz, a retail analyst with Pali Capital.

In a highly competitive battle to attract shoppers, some retailers, including Kmart, opened on Thanksgiving day, while others began sales Friday right after midnight.

In Chicago, the Old Navy chain opened at 7 a.m. Saturday but an employee said there was little to do until 9 a.m. when shoppers finally began to arrive.

A nearby Sears had cut prices on holiday decorations by 60 percent, while the clothing retailer Charlotte Russe tried to entice shoppers with a deal to buy one item and get another item for 50 percent off.

J.C. Penney said Black Friday shopping was strong as consumers sought deals on practical gifts, like sweaters. But it did not release sales figures for the weekend, saying the economic environment was too volatile.

Amazon.com said the Apple iPod Touch, which has a touch-sensitive screen, was its top-selling electronics item on Black Friday morning, while the Wii Fit, for Nintendo's Wii video game console, was its most popular video game.

As shoppers sought low prices online, eBay's Web payments service PayPal saw 34 percent more transactions on Black Friday than in 2007 and showed a 26 percent increase in online payment volume.

In Los Angeles, Jenipher Park, 36, and Keri Yang, 34, bought boots at a Nordstrom store Saturday, but both were expecting bigger discounts.

They said they would delay more purchases to get better deals closer to Christmas, and this year, the two moms are planning to only get gifts for their children.

Many shoppers echoed those sentiments, saying they would find other ways to celebrate with adult relatives and friends. Some were already turned off to the very idea of shopping.

"I'm not into shopping this year like I was the year before," said Rolando Ramos, 29, on a visit to Chevy Chase, Maryland. "It's very depressing. Go to the malls, just looking around, it's deserted."

Widlitz said she expected discount behemoth Wal-Mart to win shoppers this holiday because of its low prices.

At a Wal-Mart store in Columbia, Maryland, on Friday, the parking lot was full at 7:30 a.m. and customers stood in line 10 shopping carts deep to make purchases.

12. LOCAL PILLARS, U.S. AUTO DEALERS TEETER

By Clifford Krauss
NY Times
Sunday, November 30, 2008

QUINCY, Florida: Bruce Thomas washed cars at his father's General Motors dealership here at age 12, changed oil in high school and sold his first Pontiac during college.

His commitment to a famed American industry, part business and part romance, never waned. He took over his family's two dealerships, building a small fortune. In turn, he showered generosity on local churches, school athletic teams, charity golf tournaments and a group that helps women find jobs after prison.

But suddenly, all of Thomas's success appears to be melting away.

Days go by without a sale. His debts are mounting. His friends offer him cash to get by. "I'm trying to survive as a car dealer," said Thomas, now 59, "and I don't know if I can."

The chief executives of the Big Three automakers are preparing to return to Washington this week with business plans that they hope will lead to a U.S. government bailout. But any such help will probably come too late for thousands of car dealers like Thomas, who sell American brands.

They have been struggling for years as Detroit's fortunes have waned, but what remains of their sales is evaporating along with consumers' confidence and credit.

The National Automobile Dealers Association predicts that about 900 of the 20,770 U.S. dealers in new cars will go out of business this year, and automobile analysts say the number of failed dealerships could rise into the thousands next year.

Even if Ford, Chrysler and GM survive, many believe a comeuppance is inevitable among dealerships: For years the United States has had more dealers for domestic brands than the sales volume of the Detroit automakers warranted.

The economic toll of a mass failure of dealerships around the country has already begun to harm the broader economy. In October alone, 20,000 employees of American auto dealerships lost their jobs, with more than half of those newly unemployed in retail trades, according to the U.S. Labor Department.

The auto dealers association estimates that new-car dealers produce a \$54 billion annual payroll for 1.1 million workers and account for nearly 20 percent of the retail sales and sales taxes in American cities and towns.

Most of the dealerships are deeply rooted in their communities, and each is a slice of Americana - their big flags flying, their radio advertisements compelling attention and their youth baseball sponsorships and other charities helping to improve people's lives.

In this small town outside Tallahassee, Thomas had 50 employees only two years ago when his two dealerships sold an average of 24 new vehicles a month. But now Thomas is lucky if he sells three new vehicles a week, and he has had to dismiss 10 of his remaining 40 employees in recent days.

Salesmen at Thomas's Chrysler-Dodge-Jeep and General Motors dealerships are so idle that they spend their time doing Sudoku puzzles, reading sports magazines, and calling and writing old clients. They repeatedly implore the mail carrier to buy a car on mornings when he is the only one to come through the door.

Calmly resolute, Thomas spends his days talking to lawyers and bankers, trying to keep his business alive. Thomas has lost a lot of money in an investment in a cousin's Georgia dealership, but many of his problems appear to be not of his making.

In the past couple of years of rising gasoline prices have taken the steam out of the market for his Dodge Ram 2500 heavy pickup trucks and GMC Yukon sport utilities. In recent months, gasoline prices came down, but unemployment began rising here. The weak economy has hurt farmers, government workers and others. Quincy's middle class is hurting because of plummeting values for homes and stocks.

And now the credit market - the lifeblood of any car dealership - is frozen. Finance companies have tightened credit both for car buyers and for dealerships like Thomas's, which stock their showrooms with vehicles bought on credit. The car companies are delaying some payments to dealers because of their own problems.

Thomas has gotten behind in payments to GMAC, GM's financing arm, so the company sent a representative to his dealerships two weeks ago to take control of the keys to new cars on his lots to guarantee that GMAC was paid when any vehicles were sold.

Thomas has stopped ordering new vehicles, and he is relentlessly cutting costs, including his own salary. He is reducing medical benefits and matching funds for the retirement accounts of his remaining employees. He has stopped giving free oil changes and tires to charities, stopped offering coffee to customers and even canceled janitorial services for the bathrooms.

Gathering his workers in the service garage the other day for a pep talk, Thomas said, "We are going to fight hard to keep everything going we can, but there are things that could go out of control." As the employees fidgeted, he added, "Let's try our best to sell a car today."

Salesmen are passing out their résumés to visitors, and they say they are not sure they will get paid from one week to the next.

"You have to laugh to keep from crying these days," Lynn Mayo, the office manager at the dealership, said as she wiped away tears. "The whole mess is hard."

The downturn has been years in the making. Thomas's total sales, including repairs and used cars, fell to \$26 million in 2007 from \$32 million in 2005. This year he hopes sales will reach \$20 million, based largely on stronger business during the first half. During the past two months, sales and repairs hit a wall.

It is a big comedown for a business that began with Thomas's father, Howard, who arrived in Quincy after World War II and started a used-car business across the street from a Chevrolet dealer. Howard Thomas was so successful that the Chevrolet dealer bought him out and brought him into the new-car business as a manager.

In 1967, Howard Thomas bought half of the local Pontiac-GMC dealership, and 12 years later it became a Thomas family operation, run by him and his son. The business expanded to two dealerships and became a major benefactor to the local youth baseball team, theater and other charities. More than 400 people attended Howard Thomas's funeral in February. The business has long been the biggest retail employer in the town after Wal-Mart, and has produced \$1 million in sales taxes annually in recent years.

Local officials say they know Thomas is in trouble, and they fear the consequences of his going out of business. "It would be a huge tragedy for us," said Mayor Andy Gay, whose first job after getting married was selling cars at a Thomas dealership.

Thomas's business is a microcosm of the whole industry. At least 70 percent of the dealerships that have closed so far this year sell American cars, and more than 60 percent of the remaining dealerships sell the troubled Detroit brands.

"A lot of them will go out of business," predicted Rex Henderson, an auto analyst at Raymond James & Associates.

"We have never seen anything like this," said Denny Fitzpatrick, owner of a Chevrolet-Hummer dealership outside Oakland, California, and chairman of the California New Car Dealers Association. Having already dismissed 56 of his 114 employees, Fitzpatrick added, "You lay awake at night trying to figure out how to keep these doors open."

Car dealers are not entirely blameless for their fate. Auto analysts say they did not push Detroit hard enough to build better-quality, more efficient cars. They note that the dealers lobbied hard in state capitals for laws to protect their franchises from the Detroit manufacturers, who wanted to limit their numbers and determine their locations.

Thomas lays some blame on the unions that drove hard bargains with the automakers, some on the news media that "glorified" imported cars and some on the Big Three for being "slow to react to the market and what the public wanted," especially when gas prices rose.

To compensate, Thomas said, he had changed his inventory in the past couple of years to fewer trucks and sport utility vehicles, adding more fuel-efficient vehicles like the Pontiac G6. He shifted his advertising away from newspapers to the Internet. He gradually reduced his business's charitable giving, once \$30,000 a year, to \$1,900 this year.

He has begun a radio campaign offering zero percent financing on all his 2008 Chrysler, Dodge and Jeep vehicles for 36 months, and savings of as much as \$12,000 on Yukon XL sport utilities.

But sales have not budged.

Speaking in an office decorated with antique golf clubs, autographed baseballs and a photograph of his grandfather with a 1952 Buick Roadmaster, Thomas said he had no major regrets.

"As a kid I dreamed about cars," he said. "The business has changed and the cars have changed, and it's been fun to be part of that."

Thomas said he saw more trouble ahead.

"At this point, I see no light at the end of the tunnel," he said, closing his eyes for a moment to think. "I only see it getting worse. Any bailout to Detroit will take a while to get to Main Street."

13. WESTERN GOVERNORS ASK OBAMA FOR NATIONAL GREEN ENERGY PLAN

Environmental News Service

WASHINGTON, DC, November 28, 2008 (ENS) - In a letter to President-elect Barack Obama, the Western governors are urging swift action in adopting and implementing a national energy plan that would transform the country's energy infrastructure and economy while reducing greenhouse gas emissions.

The group of 19 governors from both political parties are calling for near-zero greenhouse gas emissions from new coal-fired electricity generation in 10 years and from existing generation no later than 2030.

Utah Governor Jon M. Huntsman, Jr., chairman of the Western Governors' Association, and Montana Governor Brian Schweitzer, vice chairman, discussed the association's recommendations with John Podesta, co-chair of Obama transition team.

"The transformation we are talking about is broad based and will require new policies, incentives, market mechanisms and private-public partnerships to be in place by the end of next year," said Huntsman, a Republican. "We plan to work with the new administration and Congress in addressing the multitude of energy challenges ahead."



Turbines at Utah's Spanish Fork wind farm, dedicated in October 2008 (Photo courtesy Office of Governor Huntsman)

The 19 Western governors represent many of the nation's largest energy-producing states such as Texas, which is first in both oil and wind power production, and Wyoming, which ranks first among the states in coal production. They represent California, which leads the nation in electricity generation from non-hydroelectric renewable energy sources - a combination of geothermal power, wind power, fuel wood, landfill gas, and solar power.

The governors' letter outlines policies and incentives that would help states and the country move more quickly to develop clean and renewable energy resources that include wind, solar, biomass, geothermal, hydro and fossil fuels with carbon capture and storage.

"Western states are the country's energy breadbasket, but energy efficiency has also got to play a much bigger role," said Schweitzer, a Democrat. "That includes everything from manufacturing more fuel-efficient vehicles to changing regulatory structures so they reward utilities

for achieving reduced energy usage among their customers."

In their letter, handed to the transition team late last week, the governors said a national energy policy must promote energy efficiency and reduce greenhouse gas emissions on a scale necessary to contribute to climate stabilization.

The Obama administration's policy must maximize the economic development opportunities offered by clean energy; ensure energy costs are affordable and support a sustainable, growing economy, the governors said.

They urge the incoming administration to increase the proportion of energy supplies that come from domestic resources and friendly trading partners; and minimize adverse environmental impacts.

Within the first 100 days, the governors are calling on the Obama administration to:

- Establish an aggressive and achievable national greenhouse gas emissions reduction goal that will put the United States on a path to contribute to global climate stabilization.
- Propose a mandatory national system for reducing greenhouse gas emissions that makes maximum use of market-based mechanisms. Revenue raised should not be used as a means of sustaining or expanding general governmental operations.
- Pursue a national energy efficiency program to reduce existing and future energy demand and thereby reduce greenhouse gas emissions.
- Establish an oil import reduction goal that strengthens energy security and independence. Since nearly 90 percent of oil is used for transportation, an energy plan must bring more fuel-efficient and near-zero emission vehicles into the market; increase the supply of domestically produced, low-carbon fuels; minimize the economic and technological uncertainties inherent in deploying high efficiency vehicles and developing and using non-petroleum transportation fuels; and reduce vehicle miles traveled and increase mass movement of people and goods.
- Create a substantial, long-term national public investment on the scale of tens of billions of dollars annually, along with a similar investment from the private sector, to support the kind of basic and applied research and deployment of clean energy technology and infrastructure that will result in:

- Near-zero greenhouse gas emissions from new coal-fired electricity generation in 10 years and from existing generation no later than 2030.
- Dramatically increased energy from wind, solar, geothermal, hydro and biomass resources.
- Expansion and upgrade of the electricity transmission grid and storage capabilities
- Advanced vehicle and battery technologies and alternative transportation fuels.
- Next generation energy efficiency technologies and practices.

The governors also urge affordability for lower income energy consumers through energy efficiency and cost assistance programs.

They support workforce development and clean energy jobs, adaptation to climate change impacts, reduced consumer impacts - particularly for low-income consumers - and transition assistance to industries.

"While the first 100 days are critical, these actions only represent the first steps," the governors say in their letter. "Within the next year, a comprehensive energy plan must be enacted that will set the direction of this nation for the next 50 years. This plan, though adjustable over time, must establish measurable goals, strategies, milestones and funding to ensure that we are moving towards affordable and environmentally responsible energy security and independence."

"We must not repeat the mistakes of the past," the governors declared in their letter. "We must have the collective political will and resolve to create and implement a long-term comprehensive energy policy despite short-term political and market fluctuations. The future of our nation depends upon it."

14. THE RETURN OF HIGH OIL

Posted by: Steve LeVine
Business Week
November 27

In June, a couple of Dutch energy researchers released a fascinating, long-gestating report on high oil prices. At the time, oil was selling for about \$130 a barrel, and the authors, neatly dissecting the market, argued that prices were only going to get worse. Just the next month, they did rise — to \$147 a barrel.

But, as O and G readers know, there was good reason to argue the other way at least in the short term — Ed Morse, now shifted from defunct Lehman over to LCM Commodities, asserted correctly that we were in for a considerable price correction.

So, with prices having gone strongly down, as Morse forecast, I made a phone call to the report's lead author — Jan-Hein Jesse, whom I met last year at an OPEC meeting in Vienna — and asked whether he thinks his thesis still holds. I.E., is another price spike coming down the road?

The answer, Jesse replied, is probably yes. The 'probably' covers the event that we are headed into a long, deep depression, in which case all such previously composed economic analyses are off the table, and one must reassess the facts afresh.

But if in the next two or three years we come out of recession in fair economic shape, look for another steep rise in oil and gasoline prices.

Fatih Birol, chief economist at the International Energy Agency, has been arguing the same point while making the rounds last week and this week in Washington and elsewhere. He's been explaining the IEA's

latest World Energy Outlook, which is just as bleak as Jesse's paper. Jesse wrote the paper with Coby van der Linde.

In short, demand in China, India and elsewhere in the developing world is probably going to roar back and outstrip supply in 2011 or beyond.

That alone will push prices back up. But oil companies also are now responding to \$50 oil by shelving oilfield development projects. So, as Jesse told me, "In 2010 or 2011, we will be in the same situation as [the high prices of] last year. Then we will start all over again [in an energy crisis], but it will be much more difficult."

One interesting observation of Jesse's is that price no longer works as a stimulant in the other direction – high prices don't necessarily motivate oil producers to flood the market with supply, and thus tamp down the upward motion of prices. That's because almost all the available new oilfields are controlled by national oil companies like Saudi Aramco, Russia's Gazprom and Venezuela's PDVSA. Unlike oil companies such as Exxon and BP, which if they can are driven to maximize profit by producing more oil when prices are high, these national companies earn what they need from the higher prices, and let the rest of the oil sit in the ground.

In order to meet rising demand starting in 2011 and beyond, Jesse wrote, these producers – the companies and countries – will have to bring twice as much newly found oil onto the market in the next 22 years than what they did in the last 22 years. Meaning they will have to find and deliver 70 million barrels a day of new supply to the market. Almost no one thinks that is possible.

Jesse's ultimate forecast is that the West – the U.S. and Europe – are going to have to use a lot less oil in order to make way for rising demand in China, India and elsewhere. If they don't, he says, look for geopolitical tension, and another possible deep and prolonged recession. The coming energy shortages are bound to produce "sometimes confrontational relationships" between the world's main oil consumers and the petro-states, the authors write.

Jesse and the IEA come to the same conclusion – the current global energy model isn't sustainable. In order to avoid "the nasty side of oil scarcity," Jesse and his co-author write, OPEC and other petro-states need to produce more oil, and the West needs to pursue efficiency and the development of alternative energy.

15. SURVIVALISM: FOR PEAK OILERS AND ECOTOPIANS TOO?

By Jerry Erwin
Energy Bulletin

As a peak oiler myself since 2002, I have often wondered why most of the prominent peak oil authors and activists dismiss the survivalist movement.

It seems that many of the peak oil heavyweights, including Richard Heinberg and Dmitry Orlov, in particular, despite their own ingenious contributions to analyzing our current predicament, seem to blithely dismiss survivalism. They apparently do not understand the basic technical constructs of survivalism, such as the military skill sets, weapons, and organization that go into survivalism. They also do not seem to understand the technical aspects of long-term food storage (i.e. oxygen absorbers, desiccants, dry ice, etc.), or the emphasis that survivalism also places on organic gardening and food preservation.

Survivalism derives its origins from several sources: Government-sponsored civil defense, threats of nuclear warfare, religious beliefs, writers warning of social or economic collapse, apocalyptic and post-apocalyptic fiction, and climate change.

During the 1970s, modern survivalism, as we understand it, was pioneered by various individuals: newsletter writer Kurt Saxon (who may have invented the term survivalism), and the combat shooting

instructor Mel Tappan, the author of several books. The main threat being prepared for during the 1970s and 1980s was that of nuclear war.

The practice of survivalism seemed to wane around the time of the fall of the Berlin Wall. However, during the 1990s under Clinton's presidency, a small fringe of ultra-right wing people did begin forming militias, which seemed to associate itself with survivalism. These people, mostly religious fundamentalists, had a fear of a one-world government and UN occupation of the US (this may have been due to UN troops training at the US Army's Joint Readiness Training Centers, with their vehicles and equipment seen being transported by rail and flatbed semis).

During the late 1990s however, there was a more mainstream following of survivalism, particularly among technical professionals, due to the perceived threat of a Year 2000 computer crash. Many of these survivalists had established retreats in rural areas, with a deep larder (i.e., long-term food storage), complete with perimeter security and military-grade weapons. This was in preparation for wandering looters and hostile refugees, looking for food and other supplies. There were also fears of FEMA exercising Executive Orders that would allow them to confiscate personal property for redistribution, along with the use of vehicles, etc (this actually took place in the aftermath of Hurricane Katrina).

Currently, people having learned about peak oil, particularly from documentaries such as *The End of Suburbia* and various books written on the subject, have swelled the ranks of people within the survivalism/preparedness movement. Jim Rawles, the modern patron saint of survivalism, has acknowledged this himself. Rawles runs Survivalblog.com, the number one internet site on survivalism/preparedness.

There are many misconceptions between peak oilers and survivalism. The following are the main two:

Claim: Peak Oilers believe in community, and survivalists don't.

This is false. It also depends on what you physically have around you for a "community." For instance, if you already live in an intentional community, an Eco-village, or similar type of urban or rural environment, then you are set, regarding community (assuming you can survive an outside armed threat, which has already manifested itself by "the bad guys" within Survivalist chatrooms, message boards, etc). This would also include neighborhoods with like-minded, progressive-thinking individuals.

If however, you live in suburbia, where all your neighbors are trapped within the dominant culture, never heard of Peak Oil or any other collapse theory and get all their news from the major corporate networks, these neighbors could be your worst nightmare. As several posts to Survivalblog.com have indicated, based on actual occurrences of power outages, etc., these neighbors borrowed things without giving them back, or before the fact, had admitted, "Now I know where to come if (fill in the blank) happens..." However, these same people offer nothing in return to the prepared individual, or the rest of the neighborhood, for that matter. This attitude seems particularly pervasive in upper middle-class, suburban communities.

Granted, an individual who practices survivalism could try to organize his or her community, but depending on the mindsets of the neighbors, this could be difficult to impossible. Having a feel for my own neighborhood, I have concluded with the latter, except for possibly the family directly across the street. Based on the characteristics and behavior of our own neighborhood association, my own wife and I have concluded that we should maintain an extremely low profile. Otherwise the other neighbors will expect me to protect them, or for us to feed them.

Survivalists also have their own communities; nationwide on the internet, and in local areas, where survivalism is an accepted norm, such as in Idaho, Montana, Wyoming, etc. To the people in these areas, "survivalism" is simply a newer word describing the self-sufficiency practiced in these areas for generations. Many of these people routinely barter between their rural households, and in many ways, already live the "Post Peak Oil" lifestyle. "I'd say that survivalism is indeed a celebration of community," Rawles asserts. "It is the embodiment of America's traditional can-do spirit of self-reliance that settled the frontier." [editor's note: it was already settled, although significantly depopulated by European diseases.]

Claim: Survivalists will only add to the problem, once the problems start.

This is another misconception, and has been clearly stated by several peak oilers, particularly Richard Heinberg, author of the masterpiece *The Party's Over: War, Oil, and the fate of Industrial Societies*.

First off, in terms of a “fast crash” (as compared to a “slow crash”, similar to what we are witnessing the beginning stages of, currently), survivalists are people who have already prepared for their own civil defense considerations, and will therefore not seek to burden the authorities, FEMA, Red Cross, etc.

Second, the more theologically motivated practitioners of survivalism have specifically set themselves up, in order to dispense charity, or to “give until it hurts”, to quote Jim Rawles, himself a fundamentalist Christian. This is also a concern for many other survivalists, as they see people reduced to refugees, who have children among them. In the event of a fast crash, we could witness heart-rending hardships among refugees, the likes of which have not been seen since the American Civil War.

From a scene in his prophetic *Patriots: Surviving the Coming Collapse* (the current ‘bible’ of the survivalist movement, an instruction manual dressed as fiction), a passing group of refugees with children is ambushed by the main characters from concealed spider holes, without any shots being fired (roughly one year into the collapse). After going through a number of security procedures, they determine that this group is indeed peaceful. The refugees are then given an entire five gallon storage bucket of grain, in addition to peanut butter, potatoes, onions, ammunition for their weapons, etc. They were also given the warning that if they came back, they would not get anything, and that if they moved on their retreat, they would “get cut down like sheep”.

However, in all honesty, some survivalists will not be in a position to dispense charity, especially if their suburban home is their retreat, or they happen to live near a high-traffic area for refugees, etc.

Conclusion:

The bottom line here is this: The Peak Oil movement has got to acknowledge that people under the circumstances of a fast crash are not necessarily going to be nice. Personally, I have met many other professional people around the country, who flatly admit, “I’m not worried about anything. Besides, if anything happens I’ve got a gun, so I’ll have food”. In addition, based on the message traffic on the internet previously mentioned, there are already people with their own plans to ‘go shopping,’ so to speak, at the expense of pre-announced, unarmed ecotopian communities, as one discussion board post has already stated. As someone who was forced to live in California’s foster care system during a previous period of fossil fuel scarcity (late 1970s), I am reminded that people will resort to whatever means to economically (or physically) survive, especially if that means exploiting the weaker members in that society.

Octavia Butler seemed to understand this. In 1993, her brilliant, fictional masterpiece, *Parable of the Sower*, was published. It takes place in the year 2025, in an oil-depleted and climate-changed world. After traveling north on Interstate-5 within a sea of refugees from the Los Angeles area, the main characters settle into their own eco-village, complete with perimeter security, to include obstacles, as well as posted and roving armed security.

Being unarmed, and simply trusting everyone around you, when they happen to be struggling with their own survival, is not necessarily a good idea. Even in a slow crash, we will experience more crime in the form of break-ins, robberies, assaults, murders, etc. As Dmitry Orlov himself has stated in one interview conducted earlier this year, there were many people who simply disappeared during the societal decline following the collapse of the Soviet Union, who were likely murdered. These deaths were “hardly ever investigated, much less solved” (Orlov).

16. DID PEAK OIL GO AWAY? NO

By Tim Stevenson
Brattleboro Reformer
Saturday, November 29

ATHENS -- With the price of oil plummeting below \$50 a barrel, shedding close to \$100 since July, and commensurate readings appearing at the gas pump, people have something to feel good about during an otherwise dismal economic time. Unfortunately, it may mislead the less informed to dismiss warnings about imminent peak oil as so much Y2K false alarm.

For there is a dark side to this otherwise salutary turn of events. Rather than rendering moot the question of peak oil, the falling prices of petroleum actually exacerbate it. This is because, while the current economic free fall will continue to lower demand for petroleum and drive down prices, these lower prices have also fallen below the cost of bringing new oil into production.

As the International Energy Agency (IEA) has repeatedly warned for over a year, excessively low prices will discourage investment in production, especially with the steadily rising costs of extracting and processing oil from increasingly difficult places. This lack of sufficient investment has serious implications for the future supply, once the global economy recovers from its current descent, particularly when we wrap our minds around the \$26 trillion that the IEA says it will now cost over the next 20 years to keep energy flowing at its current pace.

In a Nov. 12 interview with The Times of London, Dr. Fatih Birol, the IEA's chief economist, said that fresh sources of oil equivalent to the output of four Saudi Arabias will have to be found to provide not only the 45 million daily barrels needed to simply stand still, but the additional 20 million to keep pace with the surging demand. Noting that much of the increase would have to come from costly unconventional and environmentally dangerous sources (such as the tar sands of Alberta, Canada), Birol emphasized that the twin challenges of meeting surging energy demand, while dealing with the threat of catastrophic climate change, would require "a global energy revolution."

The IEA's fears are echoed throughout the oil industry and financial world. The Financial Times reported earlier this month that more than four out of five refinery construction projects face cancellation. The Wall Street Journal reported last month that "big oil companies are already finding it harder to maintain, let alone increase, production."

Jad Mouawad recently wrote in The New York Times, "Some analysts predict oil could fall to \$30 to 40 a barrel as the world economy worsens." He goes on to cite the conservative Cambridge Energy Research Associates that estimate that "As much as 4 million barrels of future oil could be jeopardized if prices remain below \$60 a barrel."

Quoting several energy executives, The Financial Times reported last month that "delays in developing projects in Russia, Angola, Nigeria, Australia and elsewhere mean there will not be enough oil available once the world economy is ready to get back on its feet."

What lends special significance to this development, however, is that it is part of a larger trend of underinvestment in the industry that predates the current drop in prices. Western oil companies have been decapitalizing in recent years, buying stock back and otherwise returning cash to shareholders, rather than exploring for large new fields that just aren't there.

Petroleum is a capital-intensive industry, where massive amounts are required just to offset depletion and to maintain production. Drilling and platform equipment has aged and is unavailable. The cost of drilling rigs has doubled in recent years. There is an alarming dearth of skilled personnel. What is the oil industry telling us with this retrenching, while it continues to reap unprecedented profits at the same time?

The fact is that the systemic conditions that drove prices to record levels have not disappeared. Oil production has "plateaued" (to use the term favored by the industry) at about 85 million barrels per day since 2005, and this at a time when prices were rising. Production is in decline in 33 of the world's 48 oil-producing countries.

In its 2008 edition of its "World Energy Outlook," the IEA took the unprecedented step of including a comprehensive study of depletion rates in the world's largest oil fields, demonstrating annual depletion rates of 10-11 percent in non-OPEC countries, and 2-3 percent in OPEC members. The fact that the discovery of new fields peaked in the 1960s, and that we consume three barrels of oil for every new

barrel discovered means that these smaller, new fields can't compensate for the decline in production in older fields.

As Lawrence Eagles, an energy analyst at JP Morgan, recently observed in typical business understatement, "the fact is that supply side problems in oil have not completely gone away."

When you combine the "plateauing" in production over the last three years, peak oil author Richard Heinberg has opined, with the ongoing depletion and rising decline rates in the oil fields, we may have already reached the all-time peak this past July. If this is true, then the country is going to have to adjust quickly to steadily decreasing amounts of oil.

Given that we are totally, utterly, completely dependent on fossil fuels for our being, this fundamental change will necessitate a massive overhaul of the U.S. economy including transportation, lifestyles, jobs, agriculture, and industrial production. Think Apollo Project, squared.

While enjoying this respite from high oil prices, we should also seize it as an opportunity to address what needs to be done, as rapidly as possible, so we can reasonably transition into the post-petroleum age we have irrevocably entered.

Tim Stevenson is a community organizer with Post Oil Solutions

17. OCEAN CURRENTS CAN POWER THE WORLD, SAY SCIENTISTS

A revolutionary device that can harness energy from slow-moving rivers and ocean currents could provide enough power for the entire world, scientists claim.

By Jasper Copping
Telegraph
29 Nov 2008



Existing technologies require an average current of five or six knots to operate efficiently, while most of the earth's currents are slower than three knots Photo: AP

The technology can generate electricity in water flowing at a rate of less than one knot - about one mile an hour - meaning it could operate on most waterways and sea beds around the globe.

Existing technologies which use water power, relying on the action of waves, tides or faster currents created by dams, are far more limited in where they can be used, and also cause greater obstructions

when they are built in rivers or the sea. Turbines and water mills need an average current of five or six knots to operate efficiently, while most of the earth's currents are slower than three knots.

The new device, which has been inspired by the way fish swim, consists of a system of cylinders positioned horizontal to the water flow and attached to springs.

As water flows past, the cylinder creates vortices, which push and pull the cylinder up and down. The mechanical energy in the vibrations is then converted into electricity.

Cylinders arranged over a cubic metre of the sea or river bed in a flow of three knots can produce 51 watts. This is more efficient than similar-sized turbines or wave generators, and the amount of power produced can increase sharply if the flow is faster or if more cylinders are added.

A "field" of cylinders built on the sea bed over a 1km by 1.5km area, and the height of a two-storey house, with a flow of just three knots, could generate enough power for around 100,000 homes. Just a few of the cylinders, stacked in a short ladder, could power an anchored ship or a lighthouse.

Systems could be sited on river beds or suspended in the ocean. The scientists behind the technology, which has been developed in research funded by the US government, say that generating power in this way would potentially cost only around 3.5p per kilowatt hour, compared to about 4.5p for wind energy and between 10p and 31p for solar power. They say the technology would require up to 50 times less ocean acreage than wave power generation.

The system, conceived by scientists at the University of Michigan, is called Vivace, or "vortex-induced vibrations for aquatic clean energy".

Michael Bernitsas, a professor of naval architecture at the university, said it was based on the changes in water speed that are caused when a current flows past an obstruction. Eddies or vortices, formed in the water flow, can move objects up and down or left and right.

"This is a totally new method of extracting energy from water flow," said Mr Bernitsas. "Fish curve their bodies to glide between the vortices shed by the bodies of the fish in front of them. Their muscle power alone could not propel them through the water at the speed they go, so they ride in each other's wake."

Such vibrations, which were first observed 500 years ago by Leonardo DaVinci in the form of "Aeolian Tones", can cause damage to structures built in water, like docks and oil rigs. But Mr Bernitsas added: "We enhance the vibrations and harness this powerful and destructive force in nature."

"If we could harness 0.1 per cent of the energy in the ocean, we could support the energy needs of 15 billion people. In the English Channel, for example, there is a very strong current, so you produce a lot of power."

Because the parts only oscillate slowly, the technology is likely to be less harmful to aquatic wildlife than dams or water turbines. And as the installations can be positioned far below the surface of the sea, there would be less interference with shipping, recreational boat users, fishing and tourism.

The engineers are now deploying a prototype device in the Detroit River, which has a flow of less than two knots. Their work, funded by the US Department of Energy and the US Office of Naval Research, is published in the current issue of the quarterly Journal of Offshore Mechanics and Arctic Engineering.

18. TIDE TURNS FOR OCEAN ENERGY

Matthew Bennis
Sydney Morning Herald
November 30, 2008

AN AUSTRALIAN company, using technology that a young Queensland engineer designed, is expected this week to announce a string of international contracts.

Atlantis Resources Corporation has developed turbines that can generate electricity from the sea's movement. It has begun trials at San Remo in Victoria.

The company is confident it will win a contract to build 500 underwater turbines in the sea off Scotland.

The tidal farm will have capacity to power a million homes.

"This is a story of a group of young Australians doing wonderful things on a global scale," Atlantis chief executive Timothy Cornelius said.

He said the deep-water Solon turbine that 28-year-old Dr John Keir had designed was considered the world's most efficient underwater generator.

"This young guy from Townsville, in 12 months, has gone from concept to building this turbine," Mr Cornelius said.

"The company is hopefully about to make some significant announcements on new projects with the potential to generate hundreds of megawatts of power in the United States, Canadian and Asian markets."

Mr Cornelius said the area that the company hoped to develop in Scotland - the Pentland Firth in the country's north - had been described as the Saudi Arabia of marine power.

But Scottish engineer Tony Trapp told The Scotsman newspaper that tidal power was not reliable enough to generate the power levels that Atlantis suggested.

"The trouble is, it isn't the solution. Tidal and wave [power] are trivial in the world energy picture," Dr Trapp said. "The overall conclusion is it's silly - it's not a sensible use of intellect or financial resources."

But Mr Cornelius said: "The tides are completely reliable, so much so that you can predict them 20 years in advance. That is exactly the kind of information energy companies are looking for. We can be highly accurate on our outputs to the electricity grid."

He said the Solon turbine worked best when submerged more than 40 metres and could generate two megawatts of power. "When you consider water covers 75 per cent of the world's surface, it is a wonderful opportunity because so much of that power is underdeveloped."

The company began in northern NSW, developing the shallow-water Nereus turbine, which can generate power from rivers. It has since moved to Singapore, nearer its Asian markets.

Mr Cornelius said the company was lobbying state governments in Australia for support to build fields of underwater turbines off the coast of Western Australia and Victoria.

19. A LAND RUSH IN WYOMING SPURRED BY WIND POWER

By Felicity Barringer
NY Times

WHEATLAND, Wyo. — The man who came to Elsie Bacon's ranch house door in July asked the 71-year-old widow to grant access to a right of way across the dry hills and short grasses of her land here. Ms. Bacon remembered his insistence on a quick, secret deal.

The man, a representative of the Little Rose Wind Farm of Boulder, Colo., sought an easement for a transmission line to carry his company's wind-generated electricity to market. His offer: a fraction of the

value of similar deals in the area. As Ms. Bacon, 71, recalled it: "He said, 'You sure I can't write you out a check?' He was really pushy."

A quiet land rush is under way among the buttes of southeastern Wyoming, and it is changing the local rancher culture. The whipping winds cursed by descendants of the original homesteaders now have real value for out-of-state developers who dream of wind farms or of selling the rights to bigger companies.

But as developers descend upon the area, drawing comparisons to the oil patch "land men" in the movie "There Will Be Blood," the ranchers of Albany, Converse and Platte Counties are rewriting the old script.

Ms. Bacon did not agree to the deal from the Little Rose representative, Ed Ahlstrand Jr. Instead, she joined her neighbors in forming the Bordeaux Wind Energy Association — among the new cooperative associations whose members, in a departure from the local culture of privacy and self-reliance, are pooling their wind-rich land.

This allows them to bargain collectively for a better price and ensures that as few as possible succumb to high-pressure tactics or accept low offers. Ranchers share information about the potential value of their wind.

The development of eight Wyoming wind associations (with three more waiting in the wings) and similar groups in Colorado, Montana and New Mexico has not always been a simple matter. While ranchers have always been ready to help their neighbors, they have been less willing to discuss their financial affairs.

That has made it easier for wind developers to make individual deals and insist that the terms be kept secret. The developers' cause has not been hurt by a 10-year drought's impact on agricultural families' finances.

Gregor Goertz heads the Slater Wind Energy Association, one of the oldest although less than two years old, formed by dozens of independent-minded men and women. "Maybe they wouldn't talk to each other often about other issues," he said, "but here they could see a common goal."

Mr. Goertz added that, of the 45 or more landowners who came to his first meeting, just one declined to join. The group's land holdings, which total about 30,000 acres, are centered on a row of buttes where the wind routinely blows at 25 miles per hour.

Mr. Goertz said that because of the changes a forest of turbines would make in the serrated, far-flung vistas here, "everybody in the community is going to be affected." The association, he said, would "assure that everybody will have some income whether they have a turbine placed on their property or not."

The developers hope to supply Wyoming wind power to markets like California, which intends to have one-third of its power from renewable sources by 2020.

"This is the best wind in North America, we think," said Ronald Lehr, a representative of the American Wind Energy Association, the developers' trade group.

Of course, the decline in oil prices and the constraints on the capital markets are most likely to slow the development of wind energy. But for ranchers, the calculations remain the same about whether to deal with developers individually or as a group.

Bob Grant, 82, a rancher who sleeps in the bed his Scottish grandfather brought across the ocean and the prairie a century ago, has never liked the wind here. Mr. Grant has seen it hurl gravel off ridges and into a friend's face like shrapnel.

He said he warmed to the idea of wind associations after long, individual negotiations with enXco, a French-owned developer.

In early 2007, the centerpiece of the price discussed was a per-acre payment of about \$2.50, Mr. Grant and an enXco representative said. Discussions broke off, then resumed a year later; the suggested price per acre has nearly doubled.

The doubling of the offer made Mr. Grant and his sons wonder how they could assess, and trust, any offer, they said.

Greg Probst, a representative of enXco, said the first offer had not been an effort to drive a hard bargain. It was, Mr. Probst said, a realistic appraisal, given the difficulties of transporting wind power to market when there was little transmission capacity to spare.

From early 2007 to late 2008, he said, the potential marketability of wind power in southeastern Wyoming was enhanced as plans for construction of the Wyoming-Colorado Intertie, a privately financed transmission line, became firmer and Xcel Energy showed an interest in buying the renewable energy.

“There’s a better chance that there’s a market for the power, and a way to get the power to market, than there was 18 months or two years ago,” Mr. Probst said. “So we’re definitely willing to pay more at this point.”

But the experience made the Grant family look harder at the possibility of joining their lands with those of their neighbors in a new group, the Bordeaux Wind Energy Association, which sent its incorporation papers to the state just before Thanksgiving.

The godfather of such associations is a federal official, Grant Stumbough, whose work for the Resource Conservation and Development office of the Agriculture Department was focused on ways to keep ranchers on the land. Revenue from wind farms, he believed, could mean the difference between success and failure for some ranchers.

Mr. Stumbough felt the ranchers were at a disadvantage when dealing individually with wind developers. The developers, in most cases, know more than landowners about the value of the wind and the transmission lines that will carry it.

For instance, the deal that Mr. Ahlstrand offered Elsie Bacon was valued, yard for yard, at as little as a quarter of the amount that the largest local electrical cooperative had paid for a large transmission right of way. And it included a nondisclosure clause to prevent her from comparing notes with neighbors.

(Mr. Ahlstrand did not respond to repeated telephone calls and e-mail messages seeking his version of these events.)

Mr. Stumbough said: “I thought we could use collective bargaining strategies to maybe have a little more leverage in negotiating with wind developers. If we could all get together and work together cooperatively and do some cost sharing and maybe share some of the profits, I think it’s going to be a benefit to everybody.”

The idea has quickly spread. Aside from the promise of economic dividends, which may make it easier to stay on the land, ranchers are finding other less tangible benefits to the groups.

Larry Cundall, a rancher in Glendo who heads the Glendo Wind Energy Association, said the organizational meeting in April attracted 126 people, some from 60 miles away. It had, Mr. Cundall said, “the feeling of an old country dance.”

“Afterward,” he went on, “everyone stood around and visited like we did before we had TV.”

The initial reaction, Mr. Cundall said, had been “90 percent positive,” although he admitted there was skepticism. “Everyone takes everything with a grain of salt around here,” he said.

The associations send out requests to wind developers who may be interested in constructing a wind farm; Mr. Goertz’s Slater Association, the first one formed, gave tours of their lands to at least a dozen different developers, Mr. Goertz said, and are in the final stages of making a deal.

Asked if the terms of the impending deal were better than those offered to some of the ranchers originally, Mr. Goertz said simply, “Yes.”

The financial arrangements of each association are unique, but in the case of the Slater Wind Energy Association, 55 percent of the total annual royalties is to be distributed among the landowners who have turbines on their properties. The rest is to be distributed among all association members, both those with turbines and those without.

Jim Anderson, the state senator whose district covers the windy acres of this region, welcomes the rise of these associations as vehicles to market their wind and as bargainers with the leverage to get ranchers a good deal. "I think the word is kind of out," Mr. Anderson said, "that Wyoming is probably ahead of the curve in regard to those people who might be opportunist and want to come in and take advantage" of local ranchers.

"I think that we've positioned ourselves well to be prudent and intelligent negotiators."

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