



Peak Oil News

A Compilation of New Developments, Analysis, and Web Postings

[Tom Whipple](#), Editor

Tuesday, December 09, 2008

Current Developments

[1. OIL SLIPS AS MARKETS QUESTION IMPACT OF OUTPUT CUT](#)

George Jahn
Associated Press Writer
December 9, 2008

VIENNA, Austria – Oil prices edged down Tuesday as investors questioned whether a big production cut — expected to be announced by OPEC next week — will be able to curb crude's stunning 70 percent free-fall over the past five months. The expected announcement has helped oil prices come off 4-year lows touched last week, but analysts are now wondering how large an impact it can have as the global economy struggles with recession. The fall in oil prices was limited nonetheless by news that President-elect Barack Obama plans to implement a major infrastructure program to help boost employment in the weakening U.S. economy. "With all the stimulus packages and output cuts by OPEC, we may see the oil price stabilizing," said Victor Shum, an energy analyst with Purvin & Gertz in Singapore.

[2. CRUDE OIL FUTURES DECLINE AMID SIGNS RECESSION MAY DEEPEN](#)

By Christian Schmollinger and Grant Smith

Dec. 9 (Bloomberg) -- Crude oil fell in New York on signs the global recession may be deeper than anticipated, limiting demand for fuels. The economy in Japan, the world's second-largest oil importer, contracted 1.8 percent in the third quarter, more than the government originally estimated, the Cabinet Office said today. The Organization of Petroleum Exporting Countries, controller of 40 percent of global oil supplies, is due to meet in eight days. "As the economic downturn persists, demand for oil deteriorates on what appears like a daily basis," said Rob Laughlin, senior broker at MF Global Ltd. in London. "OPEC will have to make a significant cut next week." Crude oil for January delivery fell as much as 41 cents, or 0.9 percent, to \$43.30 a barrel, in after-hours electronic trading on the New York Mercantile Exchange. It traded for \$43.41 at 11:14 a.m. London time.

[3. NATURAL GAS REACHES 15-MONTH LOW AS DOW CHEMICAL TO SHUT PLANTS](#)

By Reg Curren
Dec 08, 2008

Dec. 8 (Bloomberg) -- Natural gas futures in New York fell to a 15-month low after Dow Chemical Co., the largest U.S. chemical maker, said it plans to shut plants and cut jobs because of declining sales. "Dow is a big consumer of gas," said Phil Flynn, senior trader at Alaron Trading Corp. in Chicago. "It seems natural gas is focusing on the fact industrial demand is so weak." Natural gas was the only energy futures market to decline today. Crude oil surged on a plan from President-elect Barack Obama to start the biggest U.S. public works program in about 50 years to revive the economy. Natural gas for January delivery fell 17.6 cents, or 3.1 percent, to settle at \$5.566 per million British thermal units at 3:27 p.m. on the New York Mercantile Exchange. The settlement is the lowest since futures prices reached \$5.501 on Sept. 7, 2007. Gas futures dropped 12 percent last week and are down 26 percent this year.

4. OIL IS UNLIKELY TO FALL BELOW \$40 A BARREL, BOONE PICKENS SAYS

By Robert Tuttle

Dec. 8 (Bloomberg) -- Oil prices, which have fallen 70 percent since July, are unlikely to fall below \$40 a barrel, billionaire hedge-fund manager Boone Pickens said today. "I don't think you will stay at that level very long because you are going to start shutting down a lot of projects," he said at a press conference in New York. "It will be obvious we can't sustain anything like that." Crude, which rose to a record \$147.27 a barrel on July 11, dropped to \$40.50 a barrel on Dec. 5, the lowest in almost four years, after a credit squeeze earlier this year sent the U.S. and Europe into recession, cutting energy demand. Oil may rise to \$100 a barrel by "this time next year" if there is an economic recovery, said Pickens, who manages funds linked to energy commodities and equities through Dallas-based BP Capital LLC.

5. NIGERIA: AKPABIO WARNS - ECONOMY COULD COLLAPSE IN SIX MONTHS

Constance Ikokwu and Chinedu Eze

This Day

9 December 2008

As the price of oil continues to decline, the Institute of International Finance (IIF) 2009 commodity forecast says oil will average \$56 per barrel in the first quarter of next year, rising to about \$65 towards the end of the year. This is some good news for the Nigerian government which had predicated its earnings next year on \$45 per barrel of crude oil - and with the commodity now selling below the budget benchmark, Governor Godswill Akpabio of Akwa Ibom has warned that Nigeria's economy could collapse in six months if the downward trend continued. Akpabio said the country's economy might collapse in six months "if the price of crude in the international markets continues to tumble". The governor expressed worries over the instability of the nation's economy while speaking with newsmen yesterday at the Murtala Muhammed International Airport (MMIA), Lagos, expressing regrets that Nigeria is dependent on the market forces that are not in its control.

6. PETROBRAS DELAYS STRATEGIC PLAN; RECEIVES INVESTMENT OFFERS

Eric Watkins

O&GJ Oil Diplomacy Editor

LOS ANGELES, Dec. 8 -- Brazil's Petroleo Brasileiro SA (Petrobras) continues to review its 2009-13 strategic plan, with no deliberation taking place yet at the board level, according to an official report. Even as the company firms up its plan, however, government officials claim to have no concern over funding, especially as substantial offers of finance are coming in from other nations such as China and the UAE. "The company is finalizing the review of its strategic plan," Petrobras said in a filing with stock regulators. "Until now, there has not been any deliberation by neither executive directors or nor the board of the company about the plan." Mines and Energy Minister Edison Lobao told the state news agency that the plan was still due to be released by yearend—changing earlier dates announced by Petrobras downstream director Paulo Roberto Costa, who said the board would meet by Dec. 19 or 20 to discuss and finalize the document.

7. SINOPEC BOOSTS OIL, GAS RESERVES AT TAHE FIELD 16%

By Wang Ying

Dec. 9 (Bloomberg) -- China Petroleum & Chemical Corp. boosted its proven oil and gas reserves at its second-biggest field by 16 percent this year after making "significant" progress in exploration, its parent said. Sinopec, as China Petroleum is known, added 135 million metric tons of proven reserves at the Tahe field in the northwestern province of Xinjiang this year, increasing the accumulative deposits to 996 million tons, parent China Petrochemical Corp. said in a statement in its in-house newsletter today. "This has the potential of lifting Sinopec's total proven oil and gas reserves by about 5 percent from the current 4 billion barrels of oil equivalent," Gordon Kwan, energy analyst at CLSA Ltd., said in a note today. He

based the calculations on an estimate that about 20 percent of the additional 135 million tons could be recoverable.

8. FUEL SHORTAGE IN PIMPRI-CHINCHWAD LEAVES COMMUTERS FUMING

Tarun Nangia
India Express
Dec 09, 2008 at 0415 hrs

Pune : Commuters in Pimpri-Chinchwad bore the brunt of the unavailability of petrol and diesel since Monday morning in many petrol pumps in the area. Long queues of vehicle owners with empty fuel tanks could be seen outside petrol pumps. However, this reporter visited Jai Hind service station petrol pump in Chinchwad, Pimple, Supreme petrol pumps in Pimpri and Indian Oil petrol pump in Kasarwadi on Monday afternoon and found that petrol and diesel were not available. Rahul Joshi, who was stranded outside the a petrol pump in Pimpri, said "I visited three petrol pumps on the Pune-Mumbai highway, but none of them had fuel. Now, I don't even have enough fuel to go back home. I am going to park my vehicle near the petrol pump and take a bus to my office."

9. WHITE HOUSE AND DEMOCRATS PUSH FOR AUTO BAILOUT DEAL

By Thomas Ferraro and John Crawley
Tue Dec 9, 2008 4:48am EST

WASHINGTON (Reuters) - The fate of the U.S. auto industry and millions of jobs are on the line as major players work out details on Tuesday of a plan to extend emergency loans to the Big Three automakers in exchange for tougher oversight. Congressional Democrats and the White House have been in talks for several days to finalize an emergency loan package estimated to be worth up to \$15 billion to prevent the collapse of General Motors Corp and Chrysler LLC. Longer-term help also could be on the way if certain conditions were met. The U.S. economy hemorrhaged more than 530,000 jobs during November, further increasing the urgency for help to stop the collapse of GM and Chrysler and save more than 350,000 industry jobs and millions of others that depend on the industry. President George W. Bush has voiced concern about the automotive industry's ability to survive, prompting a meeting between White House aides and Democratic staffers.

10. GM SAYS IT "DISAPPOINTED" AND "BETRAYED" CONSUMERS

Mon Dec 8, 2008 4:29pm EST

DETROIT (Reuters) - General Motors Corp on Monday unveiled an unusually frank advertisement acknowledging it had "disappointed" and sometimes even "betrayed" American consumers as it lobbies to clinch the federal aid it needs to stay afloat into next month. The print advertisement marked a sharp break from GM's public stance of just several weeks ago when it sought to justify its bid for a U.S. government on the grounds that the credit crisis had undermined its business in ways executives could never have foreseen. It also came as Chief Executive Rick Wagoner, who has led the automaker since 2000, faces new pressure to step aside as GM seeks up to \$18 billion in federal funding. "While we're still the U.S. sales leader, we acknowledge we have disappointed you," the ad said. "At times we violated your trust by letting our quality fall below industry standards and our designs became lackluster."

11. PICKENS "ANXIOUS" OVER WIND FARM PROJECT FINANCING

NEW YORK, Dec 8 (Reuters) - Texas oil tycoon T. Boone Pickens said on Monday he is "anxious" for his company's multibillion dollar plans to build a giant wind farm in Texas as the economic crisis chokes off project financing. Mesa Power LLC is planning to build the world's largest wind farm in the Texas Panhandle, but financiers for the project have disappeared in the economic downturn. "Where's the money is the question. I don't know how we'll do it. I'm anxious to see what Obama comes up with. There is no money to finance a wind project now," Pickens told reporters at a briefing in New York City. "I'm a little anxious." Mesa Power began the first phase of the project, which is expected to cost \$2 billion, earlier this year when it purchased over 600 wind turbines. Wind power and natural gas are integral parts of the "Pickens Plan," a 10-year project to wean the United States off of foreign oil imports. The billionaire launched the plan this summer, when crude prices peaked over \$147 a barrel and interest in alternative energy surged.

12. STUDY LISTS BENEFITS TO TAPPING OFF-LIMIT US RESOURCES

Nick Snow
O&GJ
Washington Editor

WASHINGTON, DC, Dec. 8 -- Development of US oil and gas resources that Congress has kept off-limits for decades could generate more than \$1.7 trillion of government revenue, create thousands of new jobs, and enhance the nation's energy security by significantly boosting domestic energy production, a new study suggested. The study by ICF International, which the American Petroleum Institute commissioned, concluded that developing offshore areas covered by congressional moratoriums until recently, along with resources in the Arctic National Wildlife Refuge and a small portion of currently unavailable land in the Rocky Mountains, could increase US crude oil production by as much as 2 million bbl a day by 2030, offsetting nearly a fifth of the nation's crude imports.

13. HESS TO CUT 2009 CAPITAL SPENDING BY 27 PCT

Dec 08, 2008

NEW YORK, Dec 8 (Reuters) - Oil producer and refiner Hess Corp said on Monday it would cut 2009 capital spending by more than 27 percent from 2008 levels to protect its financial health during the economic slump. The steep drop in oil and gas prices from their highs in July and the economic recession that has swept across the globe have prompted energy companies to rein in spending on new projects. Hess' spending in 2009 will drop to \$3.2 billion from the \$4.4 billion planned for 2008, the company said in statement. Chairman and Chief Executive John B. Hess said in a statement that Hess had good investment opportunities but that current market conditions prompted it to trim spending. "The uncertain economic environment has prompted us to size our 2009 capital and exploratory program in a way that maintains our financial strength and protects our growth options," he said in a statement.

14. US SALES OF HYBRIDS DOWN 50% IN NOVEMBER

Green Car Congress
9 December 2008

Reported US sales of hybrids dropped 50% in November to 16,571 units from November 2007—a volume slightly above that of November 2005. Overall light duty vehicle sales in the US in November dropped 36.7%. (Earlier post.) For November, hybrids represented 2.22% of the new vehicle light duty market; year-to-date, hybrids hold a 2.4% share of new vehicle sales. November 2007 and 2008 had the same number of selling days. Toyota. Sales of the market-leading Prius were down 48.3% to 8,660—its lowest sales month since January 2007. Camry Hybrid sales were off 57.5%, down to 2,174 units. That accounted for 8.6% of all Camry sales. Total Camry sales for the month were down 28.8%. Sales of the Highlander Hybrid were down 64.8% to 907 units, representing 11.5% of all Highlander models sold. Total Highlander sales were down 35.9% in the month.

15. RUSSIA, CHINA TO CONTINUE LOAN TALKS IN MOSCOW

Mon Dec 8, 2008 12:22pm EST

MOSCOW, Dec 8 (Reuters) - Russia and China will continue in Moscow \$25 billion loan talks, which are expected to intensify on Wednesday, Russia's oil pipeline monopoly Transneft (TRNF_p.RTS: Quote, Profile, Research, Stock Buzz) said on Monday. China is considering lending the money to Russian state-controlled oil major Rosneft (ROSN.MM: Quote, Profile, Research, Stock Buzz) and Transneft in exchange for securing oil supplies for 20 years. But the talks, which have been previously held in China, have stumbled due to disagreements over interest rates and state guarantees, sources told Reuters last month. "The talks with the Chinese side will enter more active stage on Wednesday, when representatives of the China Development Bank and (China top oil firm) CNPC will come to Moscow," Transneft's spokesman Igor Dyomin told Reuters. Russian Energy Minister Sergei Shmatko said last month he hoped to finalise by the end of the year the deal, which is of crucial importance for both sides.

16. ROUBLE EXODUS HITS RUSSIA CREDIT RATING

By Catherine Belton in Moscow
Financial Times
December 8 2008 19:17

Russia on Monday became the first G8 country since the start of the financial crisis to have its credit rating downgraded after Standard and Poor's took fright at the recent exodus from the rouble and sharp drop in oil prices. S&P said it had lowered Russia's foreign currency credit rating by one notch from BBB+ to BBB because of the "rapid depletion" of the country's foreign exchange reserves and the "difficulty of meeting the country's external financing needs". It said the outlook for the rating was negative. Russia's reserves have fallen by \$128bn since August to \$455bn, as the country battles the capital flight that began following the war with Georgia and escalated as the oil price fell and the global crisis worsened. S&P said Russia could be forced to spend all \$200bn now parked in its two sovereign wealth funds on recapitalising the banking system and covering fiscal deficits in 2009 and 2010. The agency expects Russia to run a current account deficit next year of 2.6 per cent of gross domestic product due to the oil price fall, putting further pressure on the balance of payments.

Discussion and Analysis

17. OPEC'S 'SURPRISE' MAY DISAPPOINT

The cartel tells the world it's planning a surprise cut, but this could ckfire.

Lionel Laurent,
Forbes
12.08.08, 07:45 AM EST

Once upon a time it was tricky to decipher the intentions of the Organization of Petroleum-Exporting Countries, with its 15 members often torn between keeping prices high and political allies happy. But with oil prices sinking to four-year lows of \$40.00 per barrel on the back of slumping global demand, OPEC president Chakib Khelil has enticed traders back to black gold by desperately promising a "surprise" cut in production later this month. This "Helicopter Chakib" rescue seemed to do the trick Monday, with crude oil futures rising to \$42.50 per barrel, from \$40.81, on the New York Mercantile Exchange. European Brent crude rose just over a dollar to \$40.29, during midday trading. But market sentiment is so depressed that it will take a very big surprise to get traders smiling again. A cut of 1.5 million barrels has already been priced in by analysts, given the \$100 plummet in oil prices since July, so Khelil's promise of a "surprise" will now raise the bar to at least 2.0 million barrels. And to be a real surprise, the cut would therefore have to be a big one--well above 2.0 million.

18. ONE ECONOMIST'S DIRE PREDICTIONS FOR OPEC

OPEC ministers met November 29 and most agreed that members need to cut production at its next OPEC meeting on December 17. With demand steeply lower and global inventories higher, the \$64,000 question is just how much should they cut?

Platts Blog

According to Philip Verleger, it's got to be a big cut. In his widely-read weekly analysis, "Notes at the Margin," energy economist Verleger suggests that OPEC should execute an "astounding 7.7 million barrels per day" just to restore market balance today. Here's why, according to Verleger: -Global demand is down in December year-over-year by 5.2 million b/d to 81.6 million b/d, from 86.8 million b/d. -Non-OPEC production is projected at 49.4 million b/d, with OPEC NGLs at 5.2 million b/d, and processing gain at 2.3 million b/d. Verleger says that after adding those numbers, the call on OPEC is at 23.7 million b/d. By contrast, Platts' estimate of OPEC production in October was 32.26 million b/d, before its recent cut of 1.5 million b/d reached at a meeting in November. A call of 23.7 million b/d would stand in stark contrast to the IEA's estimate of a fourth quarter call of 31.1 million b/d and a full 2009 average of 30.4 million b/d.

Alternatives

19. SHELL WEIGHS GREEN PROJECT

LONDON -- Oil giant Royal Dutch Shell PLC and Dutch utility Essent NV said Monday they have agreed to study the feasibility of a 1,000-megawatt power plant in the Netherlands from which carbon-dioxide emissions would be captured and stored underground. The plant would convert coal or solid biomass to synthetic gas, from which the CO2 would be extracted. Many companies are planning projects to demonstrate the feasibility of capturing the CO2 emissions from power plants in order to meet European Union targets for emission reductions. However, the process is expensive and any financial incentive from the carbon Emissions Trading System has diminished as the price of CO2 allowances has fallen by half since the summer amid the global financial crisis. Shell and Essent said the project is likely to need some kind of subsidy. "Dutch and European government support, financial and regulatory, will be indispensable for realizing pioneering projects like the one announced today," the companies said in a joint statement.

1. OIL SLIPS AS MARKETS QUESTION IMPACT OF OUTPUT CUT

George Jahn
Associated Press Writer
December 9, 2008

VIENNA, Austria – Oil prices edged down Tuesday as investors questioned whether a big production cut — expected to be announced by OPEC next week — will be able to curb crude's stunning 70 percent free-fall over the past five months.

The expected announcement has helped oil prices come off 4-year lows touched last week, but analysts are now wondering how large an impact it can have as the global economy struggles with recession.

The fall in oil prices was limited nonetheless by news that President-elect Barack Obama plans to implement a major infrastructure program to help boost employment in the weakening U.S. economy.

"With all the stimulus packages and output cuts by OPEC, we may see the oil price stabilizing," said Victor Shum, an energy analyst with Purvin & Gertz in Singapore.

Light, sweet crude for January delivery edged down 31 cents to \$43.40 a barrel on the New York Mercantile Exchange by noon in Europe. The contract fell overnight \$2.90 to settle at \$43.71.

Prices fell last week to an intraday low of \$40.50, the lowest since December 2004.

"Oil should find support around \$40 a barrel and should form a bottom there," said Aaron Smith, who helps manage about \$1.7 billion as managing director at Superfund Financial in Singapore.

Smith, who uses technical analysis to help guide his investment decisions, has recently reduced bets that the price of oil will go down, known as shorting.

"We've reduced the size of our short positions in oil dramatically over the last couple months," said Smith, who invests half his fund in commodity futures contracts. "But if it breaches that \$40-\$41 level, it could really keep moving."

Investors are watching for signs of how much the Organization of Petroleum Exporting Countries may reduce output quotas at the group's meeting next week in Algeria.

OPEC President Chakib Khelil told the AP Saturday the group could announce a "severe" production cut and suggested the cartel could seek to surprise the market with the size of the reduction in a bid to bolster prices.

OPEC, which controls about 40 percent of world crude supplies, announced a production cut of 1.5 million barrels a day in October and 500,000 barrels in September, moves investors brushed off as a global economic slowdown worsened.

OPEC will have to adhere to any promised output cut if it hopes to help reverse the fall in oil prices, said Shum.

"I think OPEC will need to make a cut of at least 2 million barrels a day," Shum said. "I think pricing going down to \$40 last week will galvanize OPEC to make a substantial cut and comply better with their targets."

"But you can announce all the cuts you want. Compliance is the key."

In a reflection of eroding crude prices, U.S. gasoline is now at lows last seen nearly five years ago.

Retail gasoline fell for the twenty-first week since the July 4 holiday, noted trader and analyst Stephen Schork, in his Schork Report.

"As of Monday, prices in the U.S. plunged by 11.2 cents or 6.6 percent to a national average (of) \$1.699 a gallon," he wrote.

On Tuesday, gasoline futures were little changed at 96 cents a gallon. In other Nymex trading, heating oil was steady at \$1.48 a gallon while natural gas for January delivery rose by more than 2 cents to \$5.59 per 1,000 cubic feet.

In London, January Brent crude dipped 62 cents to \$42.80 on the ICE Futures exchange.

2. CRUDE OIL FUTURES DECLINE AMID SIGNS RECESSION MAY DEEPEN

By Christian Schmollinger and Grant Smith

Dec. 9 (Bloomberg) -- Crude oil fell in New York on signs the global recession may be deeper than anticipated, limiting demand for fuels.

The economy in Japan, the world's second-largest oil importer, contracted 1.8 percent in the third quarter, more than the government originally estimated, the Cabinet Office said today. The Organization of Petroleum Exporting Countries, controller of 40 percent of global oil supplies, is due to meet in eight days.

"As the economic downturn persists, demand for oil deteriorates on what appears like a daily basis," said Rob Laughlin, senior broker at MF Global Ltd. in London. "OPEC will have to make a significant cut next week."

Crude oil for January delivery fell as much as 41 cents, or 0.9 percent, to \$43.30 a barrel, in after-hours electronic trading on the New York Mercantile Exchange. It traded for \$43.41 at 11:14 a.m. London time.

Yesterday, futures gained \$2.90, or 7.1 percent, to \$43.71 a barrel. Prices have fallen 70 percent since reaching a record \$147.27 a barrel on July 11 as the recession deepens.

Exports from China, the second-biggest crude consumer, probably shrank last month as industrial output declined, said an adviser to the People's Bank of China.

"Things are not so good," Fan Gang said at a forum in Beijing. "November figures will come out soon, and industrial growth will be something around 5 percent and export growth will be negative."

Export Collapse

A collapse from China's 19.2 percent export growth in October would add pressure on policymakers meeting in Beijing this week to do more to sustain the expansion of the world's fourth-biggest economy. The government has already unveiled a 4 trillion-yuan (\$582 billion) stimulus package and cut interest rates by the most in 11 years.

Last week, oil had the biggest fall since 1991 and metal prices slumped after economic data showed the recession is getting worse. The U.S. economy lost 533,000 jobs in November, bringing job losses this year to 1.91 million.

Brent crude oil for January settlement fell as much as 65 cents, or 1.5 percent, to \$42.77 a barrel on London's ICE Futures Europe exchange. It was at \$42.85 a barrel at 11:15 a.m. London time.

Saudi Overproduction

The Organization of Petroleum Producing Countries should make a "substantial" output cut when it meets in Algeria on Dec. 17, Libya's top oil official, Shokri Ghanem, said yesterday. OPEC, which pumps more than 40 percent of the world's oil, agreed to cut daily output 1.5 million barrels in October as prices slumped and inventories rose.

"The base case cut is 2 million barrels, but I don't think it's going to surprise anyone, so if they want to shock the market, then 3 million would have to be required," said Mark Pervan, a senior commodity strategist at Australia and New Zealand Banking Group Ltd. in Melbourne. "But that response may be short-lived because they'll want to see some compliance."

Saudi Arabia, the world's largest crude oil exporter, is furthest from meeting OPEC quotas, helping to dull the impact of the cartel's policy. The country is producing at 107 percent of its limit, according to Bloomberg estimates. That's more than Kuwait, Iran, Venezuela or the United Arab Emirates.

Saudi Arabia has started to trim oil exports. State oil company Saudi Aramco will reduce shipments to Japanese refiners including Nippon Oil Corp., Idemitsu Kosan Co. and Cosmo Oil Co. by 7 to 10 percent in January from levels agreed under annual contracts, said officials at two refineries who received notices yesterday from the company.

3. NATURAL GAS REACHES 15-MONTH LOW AS DOW CHEMICAL TO SHUT PLANTS

By Reg Curren
Dec 08, 2008

Dec. 8 (Bloomberg) -- Natural gas futures in New York fell to a 15-month low after Dow Chemical Co., the largest U.S. chemical maker, said it plans to shut plants and cut jobs because of declining sales.

"Dow is a big consumer of gas," said Phil Flynn, senior trader at Alaron Trading Corp. in Chicago. "It seems natural gas is focusing on the fact industrial demand is so weak."

Natural gas was the only energy futures market to decline today. Crude oil surged on a plan from President-elect Barack Obama to start the biggest U.S. public works program in about 50 years to revive the economy.

Natural gas for January delivery fell 17.6 cents, or 3.1 percent, to settle at \$5.566 per million British thermal units at 3:27 p.m. on the New York Mercantile Exchange. The settlement is the lowest since futures prices reached \$5.501 on Sept. 7, 2007. Gas futures dropped 12 percent last week and are down 26 percent this year.

Dow said today it will close 20 plants and temporarily idle 180 others. Dow uses gas and petroleum to power plants and as raw materials for plastics and chemicals.

The chemical industry accounted for 6.2 percent of total U.S. energy consumption in 2007, according to the American Chemistry Council. Gas represents 33 percent of the industry's demand for fuel and feedstocks, according to the association's Web site.

"Whenever you have industrials closing down, that's always going to put natural gas behind the eight ball," said Michael Rose, a director of trading at Angus Jackson Inc. in Fort Lauderdale, Florida. "Industrials are a big user of natural gas."

Oil Prices, Weather

Crude oil for January delivery rose \$2.90, or 7.1 percent, to \$43.71 a barrel on the New York exchange. It was the first increase in seven days. Oil is down 70 percent from a record \$147.27 in July. Gasoline and heating-oil futures also gained.

Higher temperatures forecast for next week also pressured natural gas lower, said Lisa Zembrodt, an analyst at Summit Energy Services Inc. in Louisville, Kentucky.

"There are above-normal temperatures forecast for the East Coast and we need colder weather to eat up supplies," she said. "Dow is confirmation of the bearish sentiment" on the economy and industrial demand.

Demand for gas from industrial consumers was about 1 billion cubic feet a day, or 6.3 percent, lower in November than a year earlier, Cameron Horwitz, an analyst at Sun Trust Robinson Humphrey in Houston, said in a note on Dec. 5.

About 42 percent of U.S. gas consumption comes from industrial and commercial users and another 30 percent is used in power generation.

Slumping Demand

Industrial production in such areas as steel and chemicals is slumping as the U.S. economy sags. Supplies of gas at the end of November were 69 billion cubic feet, or 2.1 percent, above the five-year average, the Energy Department said Dec. 4.

Traders are also reluctant to buy gas futures after having seen a series of "false starts" on moves higher in the past month, Rose said.

"Natural gas has been stopped and started about half a dozen times to the up side and traders are tired of it," he said. "Traders are waiting for gas to show them" a consistent move higher.

Gas gained 6 percent in trading between Nov. 3 and Nov. 5, reaching \$7.249 per million Btu. In the next two trading sessions, it declined 6.8 percent. The futures repeated the pattern the following week, surging 7.3 percent on Nov. 10 to \$7.248 per million Btu and then declining to \$6.312 by Nov. 14.

4. OIL IS UNLIKELY TO FALL BELOW \$40 A BARREL, BOONE PICKENS SAYS

By Robert Tuttle

Dec. 8 (Bloomberg) -- Oil prices, which have fallen 70 percent since July, are unlikely to fall below \$40 a barrel, billionaire hedge-fund manager Boone Pickens said today.

"I don't think you will stay at that level very long because you are going to start shutting down a lot of projects," he said at a press conference in New York. "It will be obvious we can't sustain anything like that."

Crude, which rose to a record \$147.27 a barrel on July 11, dropped to \$40.50 a barrel on Dec. 5, the lowest in almost four years, after a credit squeeze earlier this year sent the U.S. and Europe into recession, cutting energy demand.

Oil may rise to \$100 a barrel by "this time next year" if there is an economic recovery, said Pickens, who manages funds linked to energy commodities and equities through Dallas-based BP Capital LLC.

The equity fund was converted to cash after BP Capital lost \$2 billion since July, Pickens said last month on CNBC.

5. NIGERIA: AKPABIO WARNS - ECONOMY COULD COLLAPSE IN SIX MONTHS

Constance Ikokwu and Chinedu Eze
This Day
9 December 2008

As the price of oil continues to decline, the Institute of International Finance (IIF) 2009 commodity forecast says oil will average \$56 per barrel in the first quarter of next year, rising to about \$65 towards the end of the year.

This is some good news for the Nigerian government which had predicated its earnings next year on \$45 per barrel of crude oil - and with the commodity now selling below the budget benchmark, Governor Godswill Akpabio of Akwa Ibom has warned that Nigeria's economy could collapse in six months if the downward trend continued.

Akpabio said the country's economy might collapse in six months "if the price of crude in the international markets continues to tumble".

The governor expressed worries over the instability of the nation's economy while speaking with newsmen yesterday at the Murtala Muhammed International Airport (MMIA), Lagos, expressing regrets that Nigeria is dependent on the market forces that are not in its control.

He said: "The falling crude oil price is a worrisome development. I think the falling oil price will affect everybody, every state and will even affect the Federal Government. So, we are watching this and praying it will not go far below \$40 per barrel as it is going now but that shows the volatility of Nigeria economy. We are dependent on forces that are not within our control.

"If the oil price can fall from \$147 to less than \$50 per barrel under three months, that shows that Nigeria can actually collapse economically under six months. So, it's a source of worry that we must make the best prudent use of the available resources on a daily basis, that we must try to create additional revenue generating means and resources if Nigeria must survive."

The governor said that it is important that the state governments device ways to effectively manage their revenue and re-evaluate their developmental programmes, adding that in Akwa Ibom, his administration had decided to finish all ongoing projects before initiating new ones.

But Washington, DC-based IIF released its forecast at a press briefing in Washington, DC, United States, yesterday with some promising news for Nigeria.

First Deputy Managing Director and Chief Economist of IIF, Mr Yusuke Horiguchi, said the forecast was based on events in the market which indicate a dramatic fall in oil demand due to a slow-down in world economy and a possible recovery next year.

The planned reduction of oil supply by the Organisation of Petroleum Exporting Countries (OPEC) will also affect the market, he added.

Horiguchi stated that the collapse in the global economy is here to stay for sometime. A slow recovery is expected by the middle of next year, which will spur growth, commodity demand and lead to a spike in prices, said Horiguchi.

There is "tremendous weakening in oil demand relating to collapse of world economy... This will continue for sometime and we are not seeing any recovery in world growth until the middle of next year... Once economic activity starts growing faster than now, in the second quarter of next year, demand will increase," said the economist.

Asked to assess the risks of the volatile price of oil to the Nigerian economy, IIF Special Advisor and Director of the Africa-Middle East Department, Mr George Abed, told THISDAY the deficit in the 2009 budget might be more than three per cent, given huge spending.

"Budget that has been put before the legislature assumes \$45 per barrel. At that price, given the spending, deficit will widen beyond three per cent, perhaps three per cent plus," he stated.

He added that there might be a strong demand to fund deficit projects with money from the foreign reserves.

The IIF in a report also stated that the recovery process for the world could be more painful than expected. The baseline scenario projects a rapid deceleration in global growth from 3.4 per cent in 2007 to 2.2 per cent in 2008 and 1.4 per cent in 2009.

Economic activity is expected to stagnate through mid-2009 in most advanced economies, as asset price and consumption boom deflate and financial institutions curtail credit to reduce leverage, said IIF.

Emerging and developing economies will be adversely affected by the crisis through reduced investment, trade and external funding, adds the institute. As a result, growth in emerging markets and developing countries is projected to moderate from the rapid pace of growth over the past several years, as spillovers from the global financial crisis intensify, the IIF stated.

The global financial crisis has led to a decline in oil prices from record highs mid this year to record lows this month. The commodity peaked in July costing well over \$147 per barrel, falling to a four-year low \$40 yesterday.

6. PETROBRAS DELAYS STRATEGIC PLAN; RECEIVES INVESTMENT OFFERS

Eric Watkins
O&GJ Oil Diplomacy Editor

LOS ANGELES, Dec. 8 -- Brazil's Petroleo Brasileiro SA (Petrobras) continues to review its 2009-13 strategic plan, with no deliberation taking place yet at the board level, according to an official report.

Even as the company firms up its plan, however, government officials claim to have no concern over funding, especially as substantial offers of finance are coming in from other nations such as China and the UAE.

"The company is finalizing the review of its strategic plan," Petrobras said in a filing with stock regulators. "Until now, there has not been any deliberation by neither executive directors or nor the board of the company about the plan."

Mines and Energy Minister Edison Lobao told the state news agency that the plan was still due to be released by yearend—changing earlier dates announced by Petrobras downstream director Paulo Roberto Costa, who said the board would meet by Dec. 19 or 20 to discuss and finalize the document.

In October, Petrobras delayed the release of its 2009-13 strategic plan, which is to include the company's first investments in the subsalt region, due to worsening global market conditions.

However, in this week's filing with the regulators, Petrobras said current market conditions would not significantly affect the company's investment plans.

The company's current strategic plan, released in 2007, envisioned investments of \$112 billion during 2008-12.

"Throughout its long history, Petrobras has confronted various adverse conditions that did not create obstacles for development of its long-term growth strategies," Petrobras said.

"In spite of the international financial crisis, the company was capable of raising \$7.5 billion throughout 2008 to finance its investments," Petrobras said.

Upbeat mood prevails

The firm's upbeat mood this week echoed remarks on Dec. 5 by Petrobras Chief Executive Officer Jose Sergio Gabrielli, who said that new strategic planning—"to be announced at the end of the year"—will be for investment above current plans of \$19.5 billion/year.

"The next plan will probably have investment at over \$20 billion annually," Gabrielli told delegates at the Annual Chemical Industry Meeting held by the Brazilian Chemical Industry Association (Abiquim).

Gabrielli said that the company's 2008 investment is expected to come in at over \$50 billion reais, a figure that should be surpassed in 2009.

The Petrobras announcement this week coincided with statements by Lobao that China and the UAE have offered Brazil resources to fund production from its potentially huge offshore oil fields.

"China is offering Petrobras \$10 billion initially," Lobao said in an interview published Dec. 8 by the daily Folha de Sao Paulo. "We also received a representative of a prince in the [UAE], which also wants to invest in Petrobras."

China made its offer in talks with Petrobras attended by Energy Ministry representatives, said Lobao, who added that the funds would be destined for the company's investment plans and development of the presalt layer.

Responding to questions about the Brazilian company's plans amid the global credit crisis, Lobao said that Brazil has "several other alternatives" to fund Petrobras's investment plan and pay for production from the pre-salt layer.

Among the alternatives, Lobao named domestic loans, foreign loans, the government budget and the "possibility of using part of the country's foreign exchange reserves," which are estimated at around \$207 billion.

Meanwhile, Gabrielli said that Petrobras will start to test oil exploration in the presalt areas of the Santos basin as of March 2009. The testing period will last 18 months, he said, and initially will aim to produce 15,000-30,000 b/d.

Last month, Brazilian officials issued conflicting statements concerning the potential impact of the current global financial crisis—as well as other issues—on the exploration and development of the country's subsalt layer (OGJ Online, Nov. 24, 2008).

7. SINOPEC BOOSTS OIL, GAS RESERVES AT TAHE FIELD 16% (UPDATE1)

By Wang Ying

Dec. 9 (Bloomberg) -- China Petroleum & Chemical Corp. boosted its proven oil and gas reserves at its second-biggest field by 16 percent this year after making ``significant'' progress in exploration, its parent said.

Sinopec, as China Petroleum is known, added 135 million metric tons of proven reserves at the Tahe field in the northwestern province of Xinjiang this year, increasing the accumulative deposits to 996 million tons, parent China Petrochemical Corp. said in a statement in its in-house newsletter today.

``This has the potential of lifting Sinopec's total proven oil and gas reserves by about 5 percent from the current 4 billion barrels of oil equivalent,'' Gordon Kwan, energy analyst at CLSA Ltd., said in a note today. He based the calculations on an estimate that about 20 percent of the additional 135 million tons could be recoverable.

Sinopec, China's second-biggest oil company, and rivals including PetroChina Co. and Cnooc Ltd. are increasing exploration to meet rising energy demand in the world's fourth- biggest economy. All the projected increase in world oil demand by 2030 will come from countries outside the Organization for Economic Cooperation and Development, including China and India, according to the International Energy Agency.

The additional reserves found this year at Tahe is 39.7 million tons, or 42 percent, more than in 2007, Sinopec Group, as China Petrochemical is known, said.

The Hong Kong-listed oil company produced 5.58 million tons of oil equivalent as of Dec. 2 this year, compared with 5.36 million tons last year, Sinopec Group said. The Tahe field was started in 1997 with an annual production of 390,000 tons at the time, it said.

8. FUEL SHORTAGE IN PIMPRI-CHINCHWAD LEAVES COMMUTERS FUMING

Tarun Nangia
India Express
Dec 09, 2008 at 0415 hrs

Pune : Commuters in Pimpri-Chinchwad bore the brunt of the unavailability of petrol and diesel since Monday morning in many petrol pumps in the area. Long queues of vehicle owners with empty fuel tanks could be seen outside petrol pumps.

However, this reporter visited Jai Hind service station petrol pump in Chinchwad, Pimple, Supreme petrol pumps in Pimpri and Indian Oil petrol pump in Kasarwadi on Monday afternoon and found that petrol and diesel were not available.

Rahul Joshi, who was stranded outside the a petrol pump in Pimpri, said "I visited three petrol pumps on the Pune-Mumbai highway, but none of them had fuel. Now, I don't even have enough fuel to go back home. I am going to park my vehicle near the petrol pump and take a bus to my office."

According to Manohar Ingale, sales officer, HPCL, "There is no problem on the supply front and the Hindustan Petroleum Corporation Limited (HPCL) petrol pumps in Chikali and Akurdi are functional. The problem may have cropped out as petrol pumps might not have bought stock anticipating the increased demand on account of reduced fuel prices."

Vijay Desai, owner of Jaihind service station petrol pump on Chinchwad station, said, "Delivery schedules were affected owing to the changed rates of petrol and diesel from last week, for which software upgradation had to be done. Also, as the rate of both petrol and diesel fell, customers made a beeline outside the pumps on Saturday. We sold around 17,000 litres of fuel on Saturday instead of the usual 10,000 litres approximately. And Sunday, there was no supply of fuel. Thus, supply was affected on Monday too."

9. WHITE HOUSE AND DEMOCRATS PUSH FOR AUTO BAILOUT DEAL

By Thomas Ferraro and John Crawley
Tue Dec 9, 2008 4:48am EST

WASHINGTON (Reuters) - The fate of the U.S. auto industry and millions of jobs are on the line as major players work out details on Tuesday of a plan to extend emergency loans to the Big Three automakers in exchange for tougher oversight.

Congressional Democrats and the White House have been in talks for several days to finalize an emergency loan package estimated to be worth up to \$15 billion to prevent the collapse of General Motors Corp and Chrysler LLC. Longer-term help also could be on the way if certain conditions were met.

The U.S. economy hemorrhaged more than 530,000 jobs during November, further increasing the urgency for help to stop the collapse of GM and Chrysler and save more than 350,000 industry jobs and millions of others that depend on the industry.

President George W. Bush has voiced concern about the automotive industry's ability to survive, prompting a meeting between White House aides and Democratic staffers.

The administration has maintained that any plan must include best efforts to guarantee taxpayer dollars are paid back and that the automakers are able to reorganize and compete.

Democrats were trying to allay administration concerns through a counter proposal. They said they were confident a deal could be reached.

In return for aid, lawmakers have requested a serious commitment from automakers to change the way they do business. GM, Ford Motor Co and Chrysler submitted business-plan information to Congress on their plans last week with a \$34 billion bailout request.

The latest draft would release loans later this month while establishing an oversight office of one or more officials to ensure compliance by the automakers. No bonuses or "golden parachutes" for top executives will be permitted and the Big Three would have to sell their company planes.

The proposal also sets a March 31 deadline for the companies receiving loans to submit detailed plans of how they intend to cut costs and further overhaul their businesses.

The time frame means any long-term restructuring would occur under President-elect Barack Obama who is believed to be more sympathetic than the Bush administration to problems affecting U.S. automakers.

Problems plaguing the auto industry have spread beyond the United States. Italian carmaker Fiat said it was too small to survive alone. Sweden has reportedly mulled a rescue package for Volvo and Saab.

10. GM SAYS IT "DISAPPOINTED" AND "BETRAYED" CONSUMERS

Mon Dec 8, 2008 4:29pm EST

DETROIT (Reuters) - General Motors Corp on Monday unveiled an unusually frank advertisement acknowledging it had "disappointed" and sometimes even "betrayed" American consumers as it lobbies to clinch the federal aid it needs to stay afloat into next month.

The print advertisement marked a sharp break from GM's public stance of just several weeks ago when it sought to justify its bid for a U.S. government on the grounds that the credit crisis had undermined its business in ways executives could never have foreseen.

It also came as Chief Executive Rick Wagoner, who has led the automaker since 2000, faces new pressure to step aside as GM seeks up to \$18 billion in federal funding.

"While we're still the U.S. sales leader, we acknowledge we have disappointed you," the ad said. "At times we violated your trust by letting our quality fall below industry standards and our designs became lackluster."

The unsigned open letter, entitled "GM's Commitment to the American People" ran in the trade journal Automotive News, which is widely read by industry executives, lobbyists and other insiders.

In the ad, GM admits to other strategic missteps analysts and critics have said hastened its recent decline.

"We have proliferated our brands and dealer network to the point where we lost adequate focus on the core U.S. market," the ad said. "We also biased our product mix toward pick-up trucks and SUVs."

But GM also says in the ad that it was hit by forces beyond its control as it tried to complete a restructuring earlier this year.

"Despite moving quickly to reduce our planned spending by over \$20 billion, GM finds itself precariously and frighteningly close to running out of cash," the ad says.

A failure of GM would deepen the current recession and put "millions of job at risk," according to the ad, which also highlights the automaker's pledged restructuring and intention to begin repaying taxpayers in 2011.

GM spokesman Greg Martin said the ad was an attempt by the automaker to present "a pledge directly to the public."

"We believe we need to deliver this commitment unfiltered since quite a bit of media commentary has not kept pace with our actual progress to transform the company," Martin said.

Senate Banking Committee Chairman Christopher Dodd, a Democrat from Connecticut who is central to the effort to craft an auto bailout bill, on Sunday said GM should replace Wagoner.

GM says Wagoner has the support of the company's board.

11. PICKENS "ANXIOUS" OVER WIND FARM PROJECT FINANCING

NEW YORK, Dec 8 (Reuters) - Texas oil tycoon T. Boone Pickens said on Monday he is "anxious" for his company's multibillion dollar plans to build a giant wind farm in Texas as the economic crisis chokes off project financing.

Mesa Power LLC is planning to build the world's largest wind farm in the Texas Panhandle, but financiers for the project have disappeared in the economic downturn.

"Where's the money is the question. I don't know how we'll do it. I'm anxious to see what Obama comes up with. There is no money to finance a wind project now," Pickens told reporters at a briefing in New York City.

"I'm a little anxious."

Mesa Power began the first phase of the project, which is expected to cost \$2 billion, earlier this year when it purchased over 600 wind turbines.

Wind power and natural gas are integral parts of the "Pickens Plan," a 10-year project to wean the United States off of foreign oil imports. The billionaire launched the plan this summer, when crude prices peaked over \$147 a barrel and interest in alternative energy surged.

Since then, oil has tumbled to \$44 a barrel as demand in the United States and other big consumer nations slowed.

"We had them standing in line a year ago, they were all over the place. A couple of them that we had have gone out of business," Pickens said.

Pickens, whose BP Capital hedge fund lost \$2 billion earlier this year as energy prices tumbled and before it shifted into cash, said he does not believe prices will fall below \$40 a barrel. He added prices could rebound back to the \$100 a barrel level in a year if the economy recovers.

But even if oil prices remain low, interest in energy alternatives will not wane, Pickens said.

"Most everybody realizes that there is something wrong importing 70 percent of our oil, and over half of it coming from areas that are unfriendly to us," Pickens said.

"You know that at some point it's going to be disastrous for us. You don't know when, but it's going to come sometime."

Pickens said he believes the Obama administration may play a key role in promoting U.S. energy independence by extending tax credits for alternative energy -- such as the production tax credit for wind power -- and by taking the lead in promoting natural gas for heavy duty vehicles.

"President-Elect Obama has got out in front and said that we will not be importing any oil from the Middle East in 10 years ... and I think he does have a plan," Pickens said.

"He desperately wants to create jobs and he wants to get the economy going and I think that energy could be a big part of the solution."

Despite the challenges in financing the project, Pickens remained optimistic about plans for Mesa's wind farm.

"We don't receive turbines until late 2010, so you've got some time for a recovery and we'll see where we go from there," he said.

12. STUDY LISTS BENEFITS TO TAPPING OFF-LIMIT US RESOURCES

Nick Snow
O&GJ
Washington Editor

WASHINGTON, DC, Dec. 8 -- Development of US oil and gas resources that Congress has kept off-limits for decades could generate more than \$1.7 trillion of government revenue, create thousands of new jobs, and enhance the nation's energy security by significantly boosting domestic energy production, a new study suggested.

The study by ICF International, which the American Petroleum Institute commissioned, concluded that developing offshore areas covered by congressional moratoriums until recently, along with resources in the Arctic National Wildlife Refuge and a small portion of currently unavailable land in the Rocky Mountains, could increase US crude oil production by as much as 2 million bbl a day by 2030, offsetting nearly a fifth of the nation's crude imports.

Natural gas production could increase by 5.34 bcfd, or the equivalent of 61% of the expected gas imports in 2030, the study added. It also estimated that development of all US oil and gas resources on federal lands could exceed \$4 trillion over the life of the resources.

US crude production would rise by 36% and natural gas production would increase by 10% if development was permitted in the studied areas of the US Outer Continental Shelf, ANWR, and the Rockies, according to the ICF study. About 160,000 jobs would be created in the process, it indicated.

API Pres. Jack N. Gerard said the study underscore how the oil and gas industry could enhanced US energy security and help solve domestic economic problems by increasing production of US oil and gas resources.

"The US oil and gas industry supports more than 6 million jobs, and more drilling for oil and gas will mean more energy for America, more well-paying jobs and trillions of dollars of much-needed revenues that will help federal, state and local governments pay for critical services," he said.

13. HESS TO CUT 2009 CAPITAL SPENDING BY 27 PCT

Dec 08, 2008

NEW YORK, Dec 8 (Reuters) - Oil producer and refiner Hess Corp said on Monday it would cut 2009 capital spending by more than 27 percent from 2008 levels to protect its financial health during the economic slump.

The steep drop in oil and gas prices from their highs in July and the economic recession that has swept across the globe have prompted energy companies to rein in spending on new projects.

Hess' spending in 2009 will drop to \$3.2 billion from the \$4.4 billion planned for 2008, the company said in statement.

Chairman and Chief Executive John B. Hess said in a statement that Hess had good investment opportunities but that current market conditions prompted it to trim spending.

"The uncertain economic environment has prompted us to size our 2009 capital and exploratory program in a way that maintains our financial strength and protects our growth options," he said in a statement.

Hess expects to spend \$1.4 billion to start up the deepwater Shenzi Field in the Gulf of Mexico during the first half of 2009, continue drilling in the Okume complex off the coast of Equatorial Guinea and expand production in the Bakken Shale of North Dakota.

Another \$900 million will go toward redevelopment of the Valhall field in Norway, as well as drilling in the Gulf of Mexico's Pony Field and development of the oil rim at the Ujung Pangkah field in Indonesia.

Hess will spend \$800 million on exploration and exploitation of sites in the Santos and Espirito Santo basins of Brazil as well in the Northwest Shelf of Australia.

Marketing and refining spending will total about \$70 million in 2009, and corporate expenses about \$30 million, the company said.

14. US SALES OF HYBRIDS DOWN 50% IN NOVEMBER

Green Car Congress
9 December 2008

Reported US sales of hybrids dropped 50% in November to 16,571 units from November 2007—a volume slightly above that of November 2005. Overall light duty vehicle sales in the US in November dropped 36.7%. (Earlier post.) For November, hybrids represented 2.22% of the new vehicle light duty market; year-to-date, hybrids hold a 2.4% share of new vehicle sales. November 2007 and 2008 had the same number of selling days.

Toyota. Sales of the market-leading Prius were down 48.3% to 8,660—its lowest sales month since January 2007. Camry Hybrid sales were off 57.5%, down to 2,174 units. That accounted for 8.6% of all Camry sales. Total Camry sales for the month were down 28.8%. Sales of the Highlander Hybrid were down 64.8% to 907 units, representing 11.5% of all Highlander models sold. Total Highlander sales were down 35.9% in the month.

The Lexus Rx 400h posted 624 units, a drop of 62.7% from the year before, and representing 10.7% of all Rx models sold. Total Rx sales were down 27.2%. The GS 450h posted 42 units, a 58% drop from the year before, and representing 4.2% of all Gx models sold. Total Gx sales were down 45.4% in November. The LS 600h sold 37 units, a 78.2% drop from the year before, representing 8.7% of all Lx models sold.

Ford. Ford posted combined sales of the Escape and Mariner hybrid of 1,361 units, a 38.8% drop from the prior year, and representing 11.4% of all Escape and Mariner models sold in the month. Combined sales all Escape and Mariner models dropped 17.9% in November.

GM. GM posted a combined 1,335 hybrid units in November. The company sold 767 units of the two-mode hybrid versions of the Tahoe, Yukon and Escalade full-size SUVs, representing 9.3% of total model sales for those vehicles.

GM posted 328 units for the Saturn VUE Green Line Hybrid (BAS), representing 9.7% of all VUE sales. The company sold 195 units of the Malibu BAS hybrid, representing 2.1% of all Malibus sold, and 45 units of the Saturn Aura BAS hybrid.

Honda. Honda sold 1,043 units of the Civic Hybrid, a 67.8% drop from the year before, representing 5.9% of all Civics sold. Total Civic sales were down 29.6% for the month. Honda posted no sales of the Accord Hybrid; in November 2007, it had sold 204 units.

Nissan. Nissan sold 353 units of the Altima Hybrid, a 70.4% drop from the prior year, representing 3.3% of all Altima models sold. Total Altima sales dropped 45.3% in the month.

Chrysler. In the first month of reported sales, Chrysler posted 35 units of the Aspen and Durango two-mode hybrid SUVs, representing 1.0% of combined model sales.

15. RUSSIA, CHINA TO CONTINUE LOAN TALKS IN MOSCOW

Mon Dec 8, 2008 12:22pm EST

MOSCOW, Dec 8 (Reuters) - Russia and China will continue in Moscow \$25 billion loan talks, which are expected to intensify on Wednesday, Russia's oil pipeline monopoly Transneft (TRNF_p.RTS: Quote, Profile, Research, Stock Buzz) said on Monday.

China is considering lending the money to Russian state-controlled oil major Rosneft (ROSN.MM: Quote, Profile, Research, Stock Buzz) and Transneft in exchange for securing oil supplies for 20 years.

But the talks, which have been previously held in China, have stumbled due to disagreements over interest rates and state guarantees, sources told Reuters last month [ID:nLC33731].

"The talks with the Chinese side will enter more active stage on Wednesday, when representatives of the China Development Bank and (China top oil firm) CNPC will come to Moscow," Transneft's spokesman Igor Dyomin told Reuters.

Russian Energy Minister Sergei Shmatko said last month he hoped to finalise by the end of the year the deal, which is of crucial importance for both sides.

Rosneft desperately needs cash to refinance its heavy debt and Transneft has to fund its expensive pipeline projects, which is hard at a time of plunging oil prices, while Beijing is seeking direct access to some of Russia's biggest fields.

Transneft is building a 600,000 barrel-per-day oil pipeline from the resource-rich region of East Siberia to Asia -- its first oil pipeline to the region -- and is in talks with Beijing on constructing a spur to China.

Rosneft, which is expected to be the main oil exporter via the pipeline, is now supplying around 10 million tonnes of oil to China by railway under the \$6 billion 2004 deal which helped Rosneft to buy the assets of bankrupt former rival YUKOS.

The purchase made Rosneft Russia's largest oil producer and refiner, but the firm said it would not extend the deal beyond 2010 because it considered it poorly priced. (Reporting by Vladimir Soldatkin, writing by Tanya Mosolova)

16. ROUBLE EXODUS HITS RUSSIA CREDIT RATING

By Catherine Belton in Moscow
Financial Times
December 8 2008 19:17

Russia on Monday became the first G8 country since the start of the financial crisis to have its credit rating downgraded after Standard and Poor's took fright at the recent exodus from the rouble and sharp drop in oil prices.

S&P said it had lowered Russia's foreign currency credit rating by one notch from BBB+ to BBB because of the "rapid depletion" of the country's foreign exchange reserves and the "difficulty of meeting the country's external financing needs". It said the outlook for the rating was negative.

Russia's reserves have fallen by \$128bn since August to \$455bn, as the country battles the capital flight that began following the war with Georgia and escalated as the oil price fell and the global crisis worsened.

S&P said Russia could be forced to spend all \$200bn now parked in its two sovereign wealth funds on recapitalising the banking system and covering fiscal deficits in 2009 and 2010.

The agency expects Russia to run a current account deficit next year of 2.6 per cent of gross domestic product due to the oil price fall, putting further pressure on the balance of payments.

"There are a lot of layers of concern," said Frank Gill, primary credit analyst at Standard and Poor's. "There are macroeconomic and political risks . . . and Russia has not operated a current account deficit since 1997 and that was less than 1 per cent of GDP."

Vladimir Putin, Russia's prime minister, has staked his political credibility on avoiding a sharp rouble depreciation.

The thought of devaluation raises the spectre of the 1998 rouble crash that wiped out Russians' savings, although economists say any devaluation this time would be far less severe.

17. OPEC'S 'SURPRISE' MAY DISAPPOINT

The cartel tells the world it's planning a surprise cut, but this could backfire.

Lionel Laurent,
Forbes

12.08.08, 07:45 AM EST

Once upon a time it was tricky to decipher the intentions of the Organization of Petroleum-Exporting Countries, with its 15 members often torn between keeping prices high and political allies happy. But with oil prices sinking to four-year lows of \$40.00 per barrel on the back of slumping global demand, OPEC president Chakib Khelil has enticed traders back to black gold by desperately promising a "surprise" cut in production later this month.

This "Helicopter Chakib" rescue seemed to do the trick Monday, with crude oil futures rising to \$42.50 per barrel, from \$40.81, on the New York Mercantile Exchange. European Brent crude rose just over a dollar to \$40.29, during midday trading.

But market sentiment is so depressed that it will take a very big surprise to get traders smiling again. A cut of 1.5 million barrels has already been priced in by analysts, given the \$100 plummet in oil prices since July, so Khelil's promise of a "surprise" will now raise the bar to at least 2.0 million barrels. And to be a real surprise, the cut would therefore have to be a big one--well above 2.0 million.

"You're never going to surprise if you say in advance you're going to surprise," said Simon Wardell, an analyst at IHS Global Insight. "You wonder whether there will be genuine compliance with a cut of over 2.0 million barrels."

OPEC's November meeting proved a disappointment, with no additional cuts in production even though a move so soon after October's 1.5 million-barrel cut would have seemed like panic. (See "Higher Prices Elude OPEC.") And so far only 66.0% of the total cut has been implemented, according to a Reuters survey: key OPEC member Saudi Arabia has tightened its taps accordingly while Ecuador did not reduce production at all.

The cartel's reliance on Saudi Arabia is understandable, given that it is the biggest producer in the group and therefore the one with the most room for maneuver. But IHS Global Insight's Wardell said that Saudi Arabia would have trouble cutting more than 500,000 barrels next month, as it reached the minimum production needed for its domestic gas supplies.

18. ONE ECONOMIST'S DIRE PREDICTIONS FOR OPEC

OPEC ministers met November 29 and most agreed that members need to cut production at its next OPEC meeting on December 17. With demand steeply lower and global inventories higher, the \$64,000 question is just how much should they cut?

Platts Blog

According to Philip Verleger, it's got to be a big cut.

In his widely-read weekly analysis, "Notes at the Margin," energy economist Verleger suggests that OPEC should execute an "astounding 7.7 million barrels per day" just to restore market balance today.

Here's why, according to Verleger:

-Global demand is down in December year-over-year by 5.2 million b/d to 81.6 million b/d, from 86.8 million b/d.

-Non-OPEC production is projected at 49.4 million b/d, with OPEC NGLs at 5.2 million b/d, and processing gain at 2.3 million b/d.

Verleger says that after adding those numbers, the call on OPEC is at 23.7 million b/d. By contrast, Platts' estimate of OPEC production in October was 32.26 million b/d, before its recent cut of 1.5 million b/d reached at a meeting in November. A call of 23.7 million b/d would stand in stark contrast to the IEA's estimate of a fourth quarter call of 31.1 million b/d and a full 2009 average of 30.4 million b/d.

"The implication, then is that OPEC countries need to reduce quotas not by one million or two million barrels per day, but rather by six or seven million barrels," Verleger says in his report. "Since cuts of such magnitude are out of the question, one should expect prices to come under further downward pressure."

Downward pressure is already evident; WTI crude oil prices have since fallen roughly \$20/b since OPEC announced a production cut of 1.5 million b/d at its October 24 meeting.

While demand is at low levels, the current contango in crude prices is causing a rapid stock build. The contango in the front of the NYMEX crude futures curve is rapidly approaching levels last seen in April 2007, when a backlog of barrels in the Midwest due to a fire at Valero's 170,000 b/d McKee, Texas refinery sent US stocks soaring. The then active front-spread in NYMEX crude settled at minus \$2.83/barrel on April 11, 2007, while the January/February calendar spread settled at minus \$2.65/b Monday after settling last week at minus \$2.12/b.

In an interview, Saudi Oil minister Ali Naimi said that global inventories were "a little too high at 55 days of forward demand cover rather than the apparent target of 52 days." But Verleger says in his report that while OPEC officials think global stocks cover 55 days, the correct number is probably between 61 and 62 days, far more than the International Energy Agency has estimated. Infact, the cover may still increase by the next meeting.

"By OPEC's next meeting, global stocks may cover 65 days of forward consumption," Verleger said. "This, I believe, would be a record."

19. SHELL WEIGHS GREEN PROJECT

LONDON -- Oil giant Royal Dutch Shell PLC and Dutch utility Essent NV said Monday they have agreed to study the feasibility of a 1,000-megawatt power plant in the Netherlands from which carbon-dioxide emissions would be captured and stored underground.

The plant would convert coal or solid biomass to synthetic gas, from which the CO2 would be extracted.

Many companies are planning projects to demonstrate the feasibility of capturing the CO2 emissions from power plants in order to meet European Union targets for emission reductions.

However, the process is expensive and any financial incentive from the carbon Emissions Trading System has diminished as the price of CO2 allowances has fallen by half since the summer amid the global financial crisis.

Shell and Essent said the project is likely to need some kind of subsidy.

"Dutch and European government support, financial and regulatory, will be indispensable for realizing pioneering projects like the one announced today," the companies said in a joint statement.

FAIR USE NOTICE: This newsletter contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available in our efforts to advance understanding of issues of environmental and humanitarian significance. We believe this constitutes a 'fair use' of any such copyrighted material as provided for in section 107 of the US Copyright Law. In accordance with Title 17 U.S.C. Section 107, the material in this newsletter is distributed without profit to those who have expressed a prior interest in receiving the included information for research and educational purposes. For more information go to: <http://www.law.cornell.edu/uscode/17/107.shtml>. If you wish to use copyrighted material from this newsletter for purposes of your own that go beyond 'fair use', you must obtain permission from the copyright owner.