ODAC Newsletter, Monday 29 October

Posted by Doug Low on October 29, 2007 - 3:01pm in The Oil Drum: Europe
Topic: Miscellaneous

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1a/ The sky has already fallen (The Telegraph, Thu 25 Oct)

http://blogs.telegraph.co.uk/business/ambroseevanspritchard/oct07/skyhasf...

Comment: Ambrose Evans-Pritchard does a pretty good job of summarising the economic mess we are in. Not for the feint hearted or those looking for a hint of good news. Of particular concern is the suggestion that the fund set up recently by the big four banks in the USA was a cover to hide their debts/losses. The fund was for $75B: "... Some $370bn still needs to be rolled over, and there lies the rub. The strong suspicion is that Hank Paulson's $75bn SIV rescue for the big four US banks is intended to cover up the problem by feeding out losses slowly, rather than allowing firesales to cause a cascade..."

> Over the last three months we have seen a rolling collapse of speculative debt and real estate across half the global economy, yet friends still come over to my desk at the Telegraph, with that maddening look of commiseration on their faces, and jab: "so when is the sky going to fall then, eh"?
>
> Well, excuse me. The sky has fallen. The median price of new homes in the US has crashed from a peak of $262,6000 in March to $238,000 in September. (Commerce Department). This is a 9pc drop nationwide
>
> The slide in existing homes is catching up. They have come down from $229,200 to $211,700 in three months. (National Association of Realtors). Yet we have barely begun to see the default hurricane as Teaser rates contracted in 2005 and 2006 on floating mortgages kick up venomously over the winter, peaking around in the Spring of 2008.
>
> ... Japan is in recession. Housing starts fell 23.4pc in July and 43.4pc in August.
>
> The US dollar has fallen below parity with the Canadian Loonie for the first time since 1976, and to all-time lows on the global dollar index.
>
> ... All it will take now for a full-fledged rout is a move by the Saudi and Gulf states to break their dollar pegs, which they may have to do to prevent imported US inflation causing havoc; or for the Asian banks stop buying US Treasuries – as Vietnam, Singapore, Korea, and Taiwan, have gingerly begun to do.
>
> And for good measure, the Bank of England has just warned in its Financial Stability Report that lenders are still in serious trouble, that there is a risk of commercial property crash, and that equities are "particularly vulnerable" to a downturn. It is said there may well be a repeat of the summer crisis, "potentially on an even larger scale."
>
> ... Some $370bn still needs to be rolled over, and there lies the rub. The strong suspicion is that Hank Paulson's $75bn SIV rescue for the big four US banks is intended to cover

up the problem by feeding out losses slowly, rather than allowing firesales to cause a cascade.

... In any case, the Paulson Super-Siv has failed to calm the horses. “This rescue has back-fired. The central banks don’t want anything to do with it. There is a fear that the big four US banks are trying to hide their debts,” said Hans Redeker, currency chief at BNP Paribas.

... Spare me the mantra that the “fundamentals” are sound. Credit is the ultimate fundamental.

Woe betide Wall Street if the Fed fails to slash rates dramatically over the Winter, starting on October 31.

Woe betide the dollar if it does.

1b/ A catastrophe foretold (International Herald Tribune [NY Times], Fri 26 Oct)

http://www.iht.com/articles/2007/10/26/opinion/edkrugman.php?WT.mc_id=ne...

Comment: Paul Krugman on the US subprime crisis.

'Increased subprime lending has been associated with higher levels of delinquency, foreclosure and, in some cases, abusive lending practices." So declared Edward M. Gramlich, a Federal Reserve official.

These days a lot of people are saying things like that about subprime loans - mortgages issued to buyers who don't meet the normal financial criteria for a home loan. But here's the thing: Gramlich said those words in May 2004.

And it wasn't his first warning. In his last book, Gramlich, who recently died of cancer, revealed that he tried to get Alan Greenspan to increase oversight of subprime lending as early as 2000, but got nowhere.

So why was nothing done to avert the subprime fiasco?

Before I try to answer that question, there are a few things you should know.

First, the situation for both borrowers and investors looks increasingly dire.

A new report from Congress' Joint Economic Committee predicts that there will be 2 million foreclosures on subprime mortgages by the end of next year. That's 2 million American families facing the humiliation and financial pain of losing their homes.

... Second, much if not most of the subprime lending that is now going so catastrophically bad took place after it was clear to many of us that there was a serious housing bubble, and after people like Gramlich had issued public warnings about the subprime situation.

... So, once again, why was nothing done to head off this disaster? The answer is ideology.

In a paper presented just before his death, Gramlich wrote that "the subprime market was the Wild West. Over half the mortgage loans were made by independent lenders without any federal supervision." What he didn't mention was that this was the way the laissez-faire ideologues ruling Washington - a group that very much included Greenspan - wanted it. They were and are men who believe that government is always the problem, never the solution, that regulation is always a bad thing.

... In his final paper, Gramlich stressed the extent to which unregulated lending is prone to the "abusive lending practices" he mentioned in his 2004 warning. The fact is that many borrowers are ill-equipped to make judgments about "exotic" loans, like subprime loans that offer a low initial "teaser" rate that suddenly jumps after two years, and that include prepayment penalties preventing the borrowers from undoing their mistakes.

Yet such loans were primarily offered to those least able to evaluate them. "Why are the most risky loan products sold to the least sophisticated borrowers?" Gramlich asked. "The question answers itself - the least sophisticated borrowers are probably duped into taking these products." And "the predictable result was carnage."...

3a/ Shell and BP struggle to dig up returns (Financial Times, Thu 25 Oct)

http://www.ft.com/cms/s/0/db4252d8-832d-11dc-b042-0000779fd2ac,s01=1,str...

Shell's drop in third-quarter profits follows a trend seen elsewhere in the global oil and gas industry.

In spite of record oil prices, the major multinationals are struggling to book growth in profits, taking hits in their refining divisions or facing industry-wide cost pressures and delays to important new oil and gas projects.

John S Herold, an oil and gas research firm, and industry advisory group Harrison Lovegrove recently estimated that spending by the 228 global oil and gas companies increased 45 per cent to $401bn in 2006 but they generated only a 2 per cent increase in reserve volumes to 263bn barrels of oil equivalent.

The majors are still recording multibillion-dollar profits, but not at the levels they enjoyed before cost inflation took off.

BP's announcement this week of a 45 per cent reduction in third-quarter replacement cost profits was followed by drops in earnings at ConocoPhillips. And analysts predict similar gloomy news for Exxon's results next week.

At both Shell and BP, Europe's two biggest oil companies, upstream production has fallen since 2005. This week Shell reported third-quarter production of 3.14m barrels of oil equivalent per day from 3.25m boe/d a year ago. BP reported a 4 per cent drop to 3.65m boe/d.

... BP is similarly bullish about production plans. It told investors this week that revenue streams and production figures were expected to increase now projects that had long been delayed were due on stream.

But it, too, has had to look away from its traditional assets, and this week announced job cuts in the North Sea.

"Both companies are in a mode where they have to go to parts of the world to get new growth, moving on from old assets. The challenge is looking at delivering very complicated projects in the non-OECD world," says James Neale, an analyst at Citigroup.

> Both companies can also expect to take hits in the years to come when production-sharing contracts hit maturity and they have to begin to split profits with the host countries that the projects are in.
>
> But in the meantime, Shell may be facing more immediate problems.
>
> The provincial government in Alberta is considering raising taxes on Canadian oilsands projects. In Nigeria, where Shell holds a significant portion of its reserves, the government is also looking at altering contracts.

3b/ Oil prices driven by speculation and political tension, says Shell (Financial Times, Fri 26 Oct)

http://search.ft.com/nonFtArticle?id=071026000117&ct=0

Comment: Shell seem to have taken over the driving seat of trying to debunk Peak Oil. No mention of demand outstripping supply, and OECD crude oil stocks falling, for the last 6 months or so, as we enter the busiest time of year for oil consumption. Shell CEO Jeroen van der Veer has recently taken to telling us that there are up to 20 trillion barrels of oil left.

> Royal Dutch Shell, Europe's biggest oil company, warned that record high oil prices were being driven by speculation and political tension, not a lack of supply.
>
> The comments by Peter Voser, chief financial officer, came as the group reported that third-quarter earnings, on a current cost of supply basis, had fallen 8 per cent to $6.39bn as a result of lower refining margins and sales volumes.
>
> But record high oil prices meant that profit attributable to shareholders rose 16 per cent to $6.916bn.
>
> "The price seems to be driven by some speculation and also has a political premium in it rather than actually some of the fundamental drivers," Mr Voser said at a news conference.
>
> ... Some analysts said that the results were buoyed by Shell's corporate line, which saw $413m in earnings, reflecting higher insurance underwriting income, improved interest income and favourable foreign exchange movements. This has raised questions about whether core operations will be able to ride out some of the geopolitical and market conditions surrounding the oil and gas industry.
>
> Shell expects to revive production from complex operations including a gas-to-liquids plant in Qatar and from its Canadian oil sands projects...

4/ Fertiliser prices jump as planting grows (Financial Times, Fri 26 Oct)

http://www.ft.com/cms/s/0/d3e48f8e-8359-11dc-b042-0000779fd2ac,s01=1,str...

> Fertiliser prices have surged this week to the highest level in at least a decade as farmers in Europe and North America prepare to plant more crops to cash in on high agricultural commodities prices.
>
> The prices of fertilisers have gone up by 50 per cent in the past year and will add

> significantly to farmers' costs, helping to sustain record agricultural commodities prices, analysts said.
>
> The elimination of a European Union rule requiring farmers to set aside as fallow 10 per cent of their land has also increased the amount of arable land and the demand for fertilisers.
>
> ... The start of the northern hemisphere planting season in the next few weeks has pushed the price of nitrogen fertilisers, the most widely used kind, to $320 a tonne. This is up 47 per cent on the year. Phosphate fertiliser prices have increased to about $470 a tonne, up 67 per cent in the past 12 months...

5/ Alberta to raise oil sector royalties (Financial Times, Fri 26 Oct)

http://search.ft.com/nonFtArticle?id=071026000194&ct=0

Comment: There have been various articles discussing the knock on effects of the increase in royalties with respect to future oil and gas production, all negative. Higher royalties = lower incentive to invest in new oil and gas production, apparently. Lower oil and gas production now means more later, and royalties are spread out into the future:

"Several companies had threatened to curtail or even withdraw investment if the government went through with the royalty increases and will have to decide now how to proceed."

Where exactly do they ("Several companies") intend to go to with their cash? Invest in buying back more of their own shares?

> The Canadian province of Alberta yesterday said it would follow other oil-rich nations in raising royalties on the oil and gas sector by as much as 20 per cent, despite warnings from the industry and some analysts that it would drive away investment.
>
> The decision surprised some in the industry, given the importance of energy to Alberta's economy. Yet it underlined the weakened position in which the international oil companies find themselves as oil-rich nations either block access or make them pay dearly for access to reserves.
>
> The new royalty regime includes a sliding scale implemented for oil sands royalty rates, ranging from 1 per cent to 9 per cent imposed before companies make a profit, and between 25 per cent and 40 per cent after they make a profit, depending on the price of oil.
>
> "Future generations of Albertans will receive a fair share from the development of their resources," said Ed Stelmach, state premier.
>
> He used 2010 as a benchmark to show how much the changes would bring Alberta, saying the royalties would increase by $1.4bn in 2010, a 20 per cent increase over currently projected revenues for that year.
>
> ... Several companies had threatened to curtail or even withdraw investment if the government went through with the royalty increases and will have to decide now how to proceed.

6a/ France goes green with switch from air to rail (The independent, Fri 26 Oct) http://news.independent.co.uk/europe/article3098886.ece

Comment: A rare good-news story. The French president looks as though he is making serious moves in the right direction. Whether or not he actually does / can time will tell. In this article The Independent does some analysis of its own, instead of the usual just reporting what was actually said, and in this case points out a few contradictions in French policy.

> President Nicolas Sarkozy last night declared a "green" French revolution which will cut the nation's energy consumption and carbon emissions, reduce road and air transport and promote organic farming.
>
> He was speaking after a two-day national conference intended to place France at the cutting edge of global action to protect the environment.
>
> The outcome of the conference was mixed: radical in some areas but timid and mealy-mouthed in others. There was a pledge to sharply reduce France's carbon "footprint" from road and air transport and from home heating. There was a promise to increase organic farming to six per cent of the total land area in five years and to 20 per cent by 2020.
>
> But the conference, under severe pressure from farmers, ditched plans to impose a sharp reduction in France's lavish use of pesticides. Plans to impose a "carbon tax" on industry were also postponed for "further study". Proposals for a cut in road speed limits were rejected.
>
> M. Sarkozy, nonetheless, hailed the meeting as an "important moment" in a shift away from a "production and consumer" society to a world which rejected "waste" and accepted the need to defend the "future of the planet".
>
> He promised to implement all the agreements reached over two days by a conference of politicians, employers, trades unions, ecological pressure groups and farmers – claimed to be the first meeting of its kind in the world.
>
> ... In this, and several other areas, M. Sarkozy's relatively recent conversion to green politics appeared to conflict with his other statements and priorities. In a speech in July, M. Sarkozy promised French farmers that he would push for a "high production" agricultural model in Europe. This week's conference agreed that France should push towards a much greater proportion of organic – and almost certainly – low production farming.
>
> The conference agreed a new tax on lorries on non-motorway roads and promised a shift from road transport to railways and canals (including 3,000 miles of high-speed railways in the next 23 years). At the same time, the French state railways, the SNCF, has just announced a winding-down of part of its freight operations...

6b/ Sarkozy Promises a Green Revolution for France (Reuters, Fri 26 Oct)

http://www.reuters.com/article/environmentNews/idUSL2511474720071025?fee...

Comment: Same story from Reuters:

“... and asked the agriculture minister to look at halving the use of farm pesticides "if possible" in 10 years.”

This is the sort of policy we need to tackle Peak Oil, but according to item 6a was shelved.

> President Nicolas Sarkozy promised a green revolution on Thursday, unveiling a mix of tax measures and investment pledges that he said would put France in the vanguard of the war against global warming.
>
> ... The congress was one of the highest profile green initiatives ever launched in France and fulfilled an election campaign promise by Sarkozy, who has said his government will emphasize sustainable development.
>
> The French president pledged investments to improve energy efficiency in buildings, as well as measures to encourage greener vehicles in a package that was welcomed by France's main farmers' lobby and by green groups.
>
> ... Sarkozy said he would order the suspension of commercial cultivation of crops genetically modified to repel pests, pending a wider study and asked the agriculture minister to look at halving the use of farm pesticides "if possible" in 10 years.
>
> Further consultations will be held before the end of the year and parliament is expected to legislate in the first half of next year...

6c/ French Green Congress Proposes Motorway Freeze (Planet Ark [Reuters], Thu 25 Oct)

http://www.planetark.com/dailynewsstory.cfm/newsid/44990/story.htm

Comment: Same story with a more impressive headline and more background information.

> A freeze on new motorway and airport construction and a special tax on heavy trucks are among measures proposed by a special congress set up by President Nicolas Sarkozy to reshape French environmental policy. Other suggestions included a labelling system to identify heavily polluting private vehicles and measures to improve building energy efficiency and support organic farming.
>
> The congress also recommends that France should increase the amount of energy produced from renewable sources like solar and wind power from 9 percent at present to 20 percent by 2020.
>
> Two days of roundtable discussions on Wednesday and Thursday will wrap up three months of work by six panels tasked with providing recommendations in areas ranging from biodiversity to to building regulations.
>
> Many of the measures focus on road transport, with the aim of cutting greenhouse gas emissions from the roads by 22 percent by 2020. Environment Minister Jean-Louis Borloo wants to take transiting heavy freight vehicles off French motorways and plans two major freight rail routes over the coming five years.
>
> France has lagged other European countries -- such as Germany or the Scandinavian nations -- in promoting measures to protect the environment, but Sarkozy made sustainable development one of his priorities when he was elected in May...

7a/ Plans to Speed Up Troll Output Canceled (Energy Intelligence [International Oil Daily], Mon

22 Oct)

No link. From newsletter.

> The Norwegian government Friday pulled the plug on StatoilHydro's plans to accelerate gas output from the massive North Sea Troll field, saying it would not approve the development because it may harm oil production from the field.

7b/ Europe Faces Potentially Flatter Norwegian Gas Profile (Energy Intelligence [World Gas Intelligence], Wed 24 Oct)

No link. From newsletter.

Comment: Energy Intelligence hinting that fast growth in Norwegian gas output may now be history.

> By pulling the plug on StatoilHydro's plans to accelerate gas output from the massive North Sea Troll field, the Norwegian government has also buried planning for a new gas pipeline to European markets. Near simultaneous shipping of Norway's first LNG cargo supports an official contention that Norway's output will grow nonetheless. But stable, rather than sharply growing, Norwegian production now looks to be at least a possibility.

8a/ Palm island dredgers running out of sand (Arabian Business, Thu 11 Oct)

http://www.arabianbusiness.com/502020-sands-of-time-running-out-for-nakheel

Comment: Comment from ODAC contact in the Middle East: “I could not help but laughing at this - Insanity of mega Island construction -so now its "Peak Sand" even in Arabia !!!”

> Dubai developer Nakheel is finding it increasingly difficult to dredge up enough sand to build its man-made islands, a senior official said in comments published on Thursday.
>
> Ali Mansour, Chief Executive of Palm Jebel Ali, the second biggest of Nakheel’s three palm-shaped islands, said that decisions will need to be made soon on how to guarantee there is enough sand to finish the job.
>
> “We have to stay in UAE waters when we dredge up the sand, and it is a lot more difficult than it was when land reclamation first began,” Mansour told Time Out Dubai.
>
> ... Nakheel is building three palm-shaped islands off the coast of Dubai, as well as an archipelago shaped as a map of the world and an extensive waterfront development - all of which require tens of millions of square metres of reclaimed sand to build.
>
> Reclamation work on the Palm Jumeirah has finished, but reclamation on the other projects is still ongoing and the remaining projects are much better in scale than the Palm Jumeirah.
>
> Only around 20% of land reclamation is complete on the Palm Deira, reclamation on The World will not be finished till next year, and Dubai Waterfront - an 8,100-hectare development made up of seven islands - is in the early stages of reclamation.

> The Palm Deira will be the world's largest man-made island when complete, eight times bigger than the Palm Jumeirah and five times bigger than the Palm Jebel Ali.
>
> And dredging work has not yet finished on the Palm Jebel Ali either...

8b/ Dubai Megaprojects (Gulf News, Ongoing)

http://www.gulfnews.com/megaprojects/

Comment: Links to very interesting interactive map showing Dubai's MegaProjects, a series of investments now totalling over one trillion (1000 billion, where 1B = 1000 M) dollars, much of it borrowed money, and dependent on relatively cheap flights bringing in millions of visitors from Europe and elsewhere. Comment from ODAC contact in the Middle East:

"Went to "Cityscape" exhibition last week in Dubai to look up MASDAR solar powered City proposal. Interesting concept with huge model of a solar powered city but probably unrealistic and most senior person on stand admitted he was not knowledgeable on solar relectricity.

Cityscape is cited as now the largest property investment exhibition in the world - its exhibition center is over 1km long and it would take a fit jogger to travel all the isles in a day - I nearly threw up looking at all the mega projects under construction or proposed, all of which will require mega energy input to make habitable ("Solar Oven's in the Sky"). Even Yemen had a stand on a new luxury man made island project in Red Sea coast. Over $1 Trillion of residential, retail and tourism projects already in various stages of completion and many more proposed.

To give an idea of what is happening in Dubai and being copied by surrounding states with the new mega surplus of "Petrodollars" have a look at:

http://www.gulfnews.com/megaprojects/

What this will do to available Oil exports I canot begin to estimate but now believe as someone I noted on "Oil Drum" that within 5 years available exports from this part of the world could be cut 50% - its simple arithmetic."

> From a desert oasis to an international metropolis - Dubai has every right to be dubbed the Gulf's most exciting city.The emirate is currently engaged in a multi-billion dollar building phase, which will transform its skyline, add hundreds of kilometres to its beachfront and push development way out into the desert. Click on the links above to find out more about each of the main projects currently taking place in Dubai.

8c/ UAE to court private power investors (Arabian Business, Wed 24 Oct)

http://www.arabianbusiness.com/index.php?option=com_content&view=article...

Comment: "Although no official figures exist for capacity in the emirates, Transco estimates there is already a shortfall in supply." Indeed.

> ... Abu Dhabi is still looking to more than double its power generating capacity to at least 10,000 megawatts by 2012.
>
> According to the Abu Dhabi Transmission & Dispatch Co's (Transco) five-year electricity

> demand forecast, the smaller northern emirates need 1,343 megawatts of extra capacity by 2012.
>
> Although no official figures exist for capacity in the emirates, Transco estimates there is already a shortfall in supply.
>
> "They could split up each power generation element and sell it as an individual company, but the crucial issue is generation capacity," said Douglas Caskie at London-based IPA Energy and Water Consulting. "They could amend the laws to attract private sector generation companies but keeping the existing structure unchanged."
>
> The power shortage has hit Ras al-Khaimah the hardest, where rising demand for natural gas for electricity, industry and construction have forced many companies to use diesel to generate power or even shut down in the day during the summer.
>
> Fewa sells power at less than 30% what it costs to produce, or 20 fils per kilowatt hour compared with 70 fils per kilowatt hour, according to a Ras al-Khaimah government official, who did not want to the identified.
>
> "There is no incentive for Fewa to add capacity or for private companies to buy into it, unless the government allows it to increase its fees," said the official.
>
> Ras al-Khaimah, the UAE's most northern emirate, plans to lure investment worth $15 billion by 2009 to develop its tourism and industrial sectors.

8d/ Shanghai owner aims to buy 'China' on The World (Arabian Business, Sat 20 Oct)

http://www.arabianbusiness.com/index.php?option=com_content&view=article...

Comment: ‘The World’ is one of Dubai’s man-made group of islands, a holiday resort for the super-rich (if Peak Oil does not put the spanner in the works first).

> The Chinese businessman behind last week's purchase of ‘Shanghai' on Nakheel's The World, will bid to purchase every one of the six islands that represent China on the iconic project.
>
> ... So far four Chinese developers have bought islands on The World: in addition to ZIHG, Chinese companies have snapped up Beijing, Taiwan and Hong Kong. However, Bin Hu's ambition is to own the whole of ‘China' as it is represented on the island project. He is keen to open negotiations with the as yet unnamed company that currently owns Beijing.
>
> ... Prices for islands range from US$15m to US$50m, but the total cost of developing an island is much higher as the owners are expected to meet all infrastructure requirements. Around 40% of the 300 islands that make up The World have been sold so far.
>
> Some of the islands represent countries, while others represent cities. In August this year, Nakheel revealed that it had sold the island of Greece for US$15.5m to an undisclosed buyer.

9/ 'Quality' crude oil supply declining [podcast] (Platts, Thu 25 Oct) http://www.platts.com/podcasts/news/index2.xml?src=energybulletin

Comment: Interesting 6.5 min podcast from Platts. The trend from lower quantities of medium-grade crude to higher quantities of lower-grade crude (as old, good-quality oil fields deplete and newer, lower-quality oil fields come onstream) means that refineries will need to be upgraded, equivalent to about 18 Mb/d, over the next few years – I think the podcast was implying by 2015.

> In this podcast Larry Chorn, Platts chief economist, discusses a recent Platts forecast of declining crude oil supply quality and the impact it may have on refining; the growing reliance on heavier, sour crudes; and the growth of US diesel demand relative to Europe.

10a/ Beer drinkers beware: Shortage to boost costs (MSNBC, Fri 26 Oct)

http://www.msnbc.msn.com/id/21491206/

> Fans of Snipes Mountain Brewery's cloudy Hefeweizen relish the subtle wheat flavor of the bright, summery brew, and like beer drinkers everywhere, they know when their favorite brew tastes a little too hoppy or bitter.
>
> Connoisseurs could be in for a surprise this year, and they may not be alone.
>
> Small brewers from Australia to Oregon face the daunting prospect of tweaking their recipes or experimenting less with new brews thanks to a worldwide shortage of one key beer ingredient and rising prices for others.
>
> Oh, and one other thing: Beer prices are likely to climb. How high is anybody's guess. Craft brewers don't have the means to hedge against rising prices, like their industrial rivals.
>
> ... Now the bright spot in the brewing industry is facing mounting costs on nearly every front. Fuel, aluminum and glass prices have been going up quickly over a period of several years. Barley and wheat prices have skyrocketed as more farmers plant corn to meet increasing demand for ethanol, while others plant feed crops to replace acres lost to corn.
>
> A decade-long oversupply of hops that had forced farmers to abandon the crop is finally gone and harvests were down this year. In the United States, where one-fourth of the world's hops are grown, acreage fell 30 percent between 1995 and 2006.
>
> Australia endured its worst drought on record. Hail storms across Europe damaged crops. Extreme heat in the western United States hurt both yields and quality.
>
> Big brewers can hedge against rising prices for raw ingredients and can negotiate better, longer-term contracts for ingredients, while smaller brewers generally are left with whatever is left.

10b/ Corn For Ethanol: An Inflation Crop (CIBC World Markets, Mon 22 Oct)

http://research.cibcwm.com/economic_public/download/soct07.pdf (PDF, 775 Kb)

Comment: Latest report from CIBC World Markets. The text below is from the main report introduction on page 1. The Corn/Ethanol report is pages 4-7. A quick look at the 9 charts will tell you everything you need to know. Note that CIBC is also warning of relatively serious inflation next year (4%), which if the last year is anything to go by will encourage central banks to keep interest rates high. Inflation is currently about 10% in Russia and elsewhere.

> The Fed may still be cutting interest rates, but markets should brace themselves for some of the hottest inflation numbers seen this cycle. If energy prices haven't gotten your attention then surely food prices have, where inflation is already running well above 4%. The coincident surges in food and energy price inflation are not unrelated. The massive policy-mandated diversion of the American corn crop from animal feed and human consumption to ethanol production has already led to huge distortions in agricultural prices, and threatens even greater distortions as land use patterns continue to change.
>
> The tandem soaring of energy and food prices will soon be in evidence as US headline CPI inflation next month climbs above 3% and continues to rise next year. During that time the consumer price level will be subject to a steady barrage of food and energy price shocks that will see headline inflation take a run toward 4% by the end of 2008.
>
> Still to come is not only the rise in crude prices to $100/bbl oil but, equally menacing to gasoline prices, a potential recovery in refinery margins. The twin impacts could push gasoline prices over $3.50 per gallon by next year. An even bigger push to headline inflation will come from another year of soaring food prices, as more of the US corn crop is devoted to the production of highly subsidized and trade-protected ethanol. Soaring corn prices not only pass directly into animal feed costs and cornbased cornbased food prices like tortillas, but they are spilling over to other grain prices as farmers scramble to expand corn production at the expense of other crops. Grain prices are the strongest they have been in memory while global inventories continue to shrink to record lows...

11/ Nuclear Power Output Could Double by 2030 - IAEA (Planet Ark [Reuters], Thu 25 Oct)

http://www.planetark.com/dailynewsstory.cfm/newsid/44992/story.htm

Comment: “Nuclear Power Output Could Double by 2030” - it could also fall.

> The world's output of nuclear power could nearly double by 2030, fuelled by demand from energy-hungry emerging economies and fears about security of supply and climate change, the UN said on Wednesday.
>
> But the share that nuclear energy will contribute to global electricity production is still set to decline over the same period, the International Atomic Energy Agency (IAEA) said in its latest annual projection of growth of nuclear power.
>
> Much of the expansion in nuclear-generated electricity will be in the far east and south Asia, IAEA nuclear energy analyst Alan McDonald said in an online interview.
>
> "China and India have booming economies, booming populations and growing energy demand," he said. "They basically need to develop all the energy sources they can."
>
> Currently, nuclear generation only accounts for 2 percent of China's total power output and 3 percent of India's.

Of the 31 nuclear power plants currently being built, 16 are in developing countries, mostly China and India.

For others nuclear power is more about supply security.

"In Japan and South Korea the problem is not so much the booming population as it is the lack of indigenous oil and gas resources in particular, and so for them nuclear is attractive for energy security reasons, and also -- particularly in Japan -- for reducing greenhouse gas emissions," said McDonald.

... But even though nuclear capacity will expand in absolute terms, its share of all generation will fall because other sources of electricity will grow faster.

In 1960, nuclear accounted for less than 1 percent of global electricity production. Its share rose to 16 percent in the mid-eighties and has kept steady around this level until now.

By 2030, this share is expected to drop to around 13 percent, the IAEA said.

12/ Future of Russia's Auto Industry Assured (FC Novosti, Mon 29 Oct)

http://www.fcinfo.ru/themes/basic/materials-rfcm-index.asp?folder=3352

More than 1.9mn cars were sold in Russia in January through September 2007. During that period, the domestic production of foreign models went up 73.3%, to 321,100 cars, and car imports grew almost 64%.