



Drumbeat: June 7, 2013

Posted by [Leanan](#) on June 7, 2013 - 10:06am

[Dangerous Times As Energy Sources Get Costlier To Extract](#)

Remember the term “peak oil”? With all the oil now available from oil shale, tar sands, and other new sources, many analysts assume that the old talk of peak oil has been proven dead wrong. They buttress this conclusion with statistics showing decreased per capita oil usage, a signal, they say, of our entry into a golden era of rising supply and falling demand that will cut energy prices and fuel economic growth.

The optimists believe that our energy problems have been largely solved. I wouldn't bet on that. The real issue with oil isn't how much we have or even whether we can continue to increase production. That's what peak oil had come to represent and why, in retrospect, it was a misleading term.

Rather, what really matters is the cost of resources, in terms of resources required, including energy resources, to keep producing oil. On that front, the U.S. is losing ground at an alarming pace.

[Watts Up, Vaclav? Putting Peak Oil and the Renewables Transition in Context](#)

Like most serious energy geeks, I'm a huge fan of Vaclav Smil, Distinguished Professor Emeritus at the University of Manitoba in Winnipeg, Canada. His detailed and highly empirical work on energy is enormously useful for those who would have a realistic grasp on the future of energy.

But for heaven's sake, don't forecast the future of energy. Nothing brings down the Wrath of Smil like a confident forecast.

[Peak water limiting energy production](#)

As a non-renewable resource, it takes millions of years for organic material to turn into oil. So it is a reasonable assumption to make that once we burn the oil we currently have, there won't be any more for a long time. Water, on the other hand, is recycled through the ecosystem over a much shorter time period. Yet there is considerable evidence that the world is becoming short of water, at least in certain areas.

Just as there are oil-rich countries and oil-poor countries, parts of the world are rich in water resources (Brazil, Russia, Canada), while other areas are lacking in water, most

notably China and India but also some developed countries such as Australia. However, unlike with the oil sector, there is no significant trade in bulk water from countries with excess water to countries who lack it. In fact, here in Canada there has been serious opposition to any bulk water exports; an interesting contrast to how eager Canadians are to export our oil.

[WTI Heads for First Weekly Gain in Four Before Jobs Data](#)

West Texas Intermediate headed for its first weekly gain in a month before data forecast to show more jobs were added in the U.S., the biggest crude consumer.

Futures rose as much as 0.6 percent, and have advanced 3.5 percent this week. Employers in the U.S. probably created as many jobs in May as in the month before, a Bloomberg survey showed before the Labor Department's report today. WTI's discount to the European benchmark, Brent, widened for the first time in three days. WTI may slide next week, according to a separate Bloomberg survey.

"We are expecting a seasonal pick-up in demand in the coming months," said Amrita Sen, chief oil-market analyst at Energy Aspects Ltd., a consulting company in London. "The U.S. recovery has been broadly on track so far. The labor market is healing and the economy is slowly getting better."

[Oil markets oversupplied amid 'staggering' US shale boom: BP's Ruhl](#)

London (Platts) - The global oil market remains currently oversupplied helped by "staggering" US production gains which are eating into the demand for OPEC's oil, according to BP's chief economist, Christof Ruhl.

Booming volumes of unconventional light, tight oil output from the US are forcing OPEC to consider idling more of its production capacity in order to prop up oil prices, Ruhl said late Thursday.

"The production numbers for the US are quite staggering, so far they have always surprised to the upside," Ruhl said on the sidelines of a conference organized by Columbia University's Center on Global Energy Policy.

[Chicago gas prices, highest in U.S., continue climb](#)

Average gas prices in Chicago are now higher than anywhere in the United States, driven higher by a combination of refinery issues and the annual transition to a more costly summer blend.

Drivers in the city are now paying an average of \$4.55 a gallon, according to AAA, which is 20 cents higher than a week ago. On this day last year, drivers were paying \$4.12 per gallon.

The city still hasn't reached the record per-gallon price of \$4.68 a gallon, a mark set on March 27 of last year.

[Texas oil, gas stabilized at high level](#)

Oil and gas exploration and development in Texas this year has stabilized at a relatively high level while sustaining modest growth, according to the latest Texas Petro Index, an uncommon economic condition that benefits producers and consumers alike, a petroleum economist said.

[Malaysian exports go down](#)

Kuala Lumpur (IANS) Malaysia's exports recorded a 3.3 percent drop in April, mainly due to decreased exports to its major trading partner like China and Japan, according to the external trade figure released Friday.

..."The lower exports in April 2013 was mainly due to reduced exports of crude petroleum, electrical and electronic products primarily electronic integrated circuits as well as petroleum products," the International Trade and Industry Ministry said in a statement.

[Mexico Weighing Profit Sharing in Oil Overhaul, Ambassador Says](#)

Opening Mexico's oil industry requires changing the constitution, and the Pena Nieto administration is weighing profit-sharing contracts for private companies, said Eduardo Medina Mora, the ambassador to the U.S.

Allowing profit-sharing agreements is one of "several routes that could be followed" in the energy overhaul proposal that the government is drafting to submit to congress in the second half of the year, Medina Mora said.

[Wintershall's Libya oil output still below pre-war levels](#)

OSLO (Reuters) - BASF-owned oil company Wintershall hasn't been able to raise its Libyan oil production to pre-civil war levels because of lingering infrastructure problems, and protests could continue to disrupt the country's exports.

The firm now produces 85,000 barrels per day and this year aims to get production back to the 100,000 barrels per day it had before the war in 2011, Uwe Salge, Wintershall's general manager in Libya, told Reuters.

[Gazprom Neft, Japan to start Siberia oil output in 2016](#)

(Reuters) - Gazprom Neft and Japan's JOGMEC will start jointly producing oil in East Siberia in 2016, the head of the Russian company said on Friday.

Gazprom Neft, the oil arm of Russian gas giant Gazprom, and Japan Oil, Gas and Metals National Corp last year agreed to team up in the Chonsk project to develop oil and gas in East Siberia, a region with huge untapped hydrocarbon reserves.

[Urals Exports Plunge as Russia Refiners Keep Oil](#)

Russia's refiners are processing so much of the country's Urals crude that exports via the Baltic Sea have tumbled to the lowest in 20 months, driving prices close to parity with Brent.

Shipments from Primorsk, Russia's largest port on the Baltic, will be 953,000 barrels a day in June, down from a five-year average of 1.4 million, a loading program obtained by Bloomberg showed. The grade sold for 3 cents a barrel less than Dated Brent in northwest Europe as of June 4, the smallest discount since August, when it traded at a premium.

[Petrobras's Biggest Oil Discovery Brings Cost Concerns](#)

For Petrobras, more oil means more investments and debt for a company that already has the world's second-biggest spending plan and is stretched for staff and equipment. The Rio de Janeiro-based producer will pay a multi-billion-dollar signing bonus for Libra at a time it sacrifices revenue from fuel sales as part of a government policy to curb inflation. Petrobras has sold imported gasoline and diesel at a loss since late 2010.

"They haven't got a shortage of reserves, so another new find isn't going to move the needle," Nick Robinson, the head of Brazilian equities at Aberdeen Asset Management, which has about \$15 billion in Latin American shares including Petrobras, said by telephone. "The big issue for Petrobras is cash flow generation."

[Russia proposes auctioning spare capacity on German OPAL gas pipeline](#)

Moscow (Platts) - Russia has proposed to the European Commission that spare capacity on the OPAL pipeline, which transports Russian gas from the Nordstream pipeline through Germany to the Czech-German border, could be auctioned off, to comply with the EU's Third Energy Package rules, energy minister Alexander Novak said late Thursday.

"Now we are looking at a variant which would suit both the European and Russian sides. This concerns firstly the option to put up for auction by companies which are developing the OPAL pipeline, including Gazprom, surplus gas shipping capacity," Novak said in an interview broadcast on the state-run TV network Russia 24.

[Mexico's Pemex says losing up to 10,000 bpd to oil theft](#)

(Reuters) - Crude oil theft at Mexico's state oil monopoly, Pemex, amounts to as much as 10,000 barrels per day (bpd) and has been rising by nearly a third annually, a top official with the company said on Thursday.

"It's between 5,000 and 10,000 barrels per day," Carlos Morales, head of Pemex's exploration and production arm, said on the sidelines of an oil conference in the resort city of Cancun.

[Centrica Said Close to Buying U.K. Shale From Cuadrilla](#)

Centrica Plc is close to buying a stake in shale gas fields in England, a person with knowledge of the matter said, placing the U.K.'s largest energy supplier at the center of efforts to start producing the fuel.

[Erdogan Can Win By Engaging Turkey's Park Protesters](#)

Every turn confirms that this protest is mainly about Erdogan's increasingly take-it-or-leave-it style, the excessive brutality of the police, and a slew of huge projects and initiatives that threaten to limit secular lifestyles and to concrete over not just Istanbul's Gezi Park, but also whole forests and city districts.

Anger was already mounting in Istanbul over a Roma neighborhood cleared for gated compounds, a 19th-century district near Taksim forcibly nationalized for redevelopment and a much-loved old central cinema peremptorily destroyed to make way for yet another shopping mall. In recent weeks, Erdogan pushed forward with plans to build a third Istanbul airport where a forest now stands, a grand mosque that would be visible from the whole city, plus a new bridge over the Bosphorus with associated highways that would plow through yet more woodland. A vast land-reclamation project in the Marmara Sea and a shipping canal parallel to the Bosphorus are also planned.

[India expected to further cut Iran crude oil imports](#)

Iranian crude imports to India are expected to continue to decline this year, as the country secured a fresh six-month waiver from the United States on sanctions against Iran this week, analysts say.

"India has reduced its dependence on crude oil imports from Iran to 13.3 million tonnes, 7.3 per cent of crude oil imports, in 2012-2013 from 18 million tonnes, 10.5 per cent of crude oil imports, the previous year," said Mayur Matani, an oil and gas analyst at ICICI Securities.

[Myanmar as Economic Miracle Hinges on Natural Gas Bounty](#)

Myanmar's opening to foreign investment has been compared to the fall of the Berlin Wall and the start of an economic growth story to emulate Vietnam. How those views pan out will be largely decided by natural gas.

[Aging Nations Like Low Prices Over High Income: Cutting Research](#)

Singapore-based economist Andrew Cates of the Swiss bank's global macro team plotted average inflation levels over the last five years against changes in the dependency ratio, which compares the very old and very young to the working-age population.

The resulting chart showed nations that have aged in recent years typically faced very low inflation and, in the case of Japan, deflation. By contrast, those that have been getting younger, such as India, Turkey and Brazil, have relatively strong price pressures.

"Since aging demographics will now start to feature more prominently in the outlook for many major developed and developing countries this is clearly of some significance for how inflation might evolve," said Cates in a May 30 report.

[U.S. to Lease Federal Waters for Commercial Offshore Wind Energy](#)

WASHINGTON — The federal government will hold the first lease sale for commercial offshore wind energy projects at the end of July, the Interior Department announced on Tuesday.

[Interior official hears wide range of views on oil drilling in Arctic](#)

Anchorage — Against the backdrop of Royal Dutch Shell's troubled 2012 attempt to drill in the Arctic Ocean, a top Interior official -- and former Alaskan -- heard the gamut of views Thursday about whether and how oil companies can safely drill offshore in the Alaska Arctic.

No drilling at all, said the Sierra Club.

Clear and consistent standards, said the oil companies and industry groups.

The Department of the Interior for the first time is crafting specific rules for oil and gas exploration and production offshore in the Arctic. While Shell was operating under special conditions, such as a ban on drilling into oil-rich zones without a spill containment system, those requirements don't automatically extend to other oil companies.

[Canadian Utility Finds a Use for Detroit's Pile of Oil Sands Byproduct](#)

OTTAWA — In something resembling a bottle return program, Detroit's enormous petroleum coke pile, a byproduct of Canadian oil sands, is making its way back to Canada.

A Canadian electrical power plant, owned by Nova Scotia Power, is chipping away at the three-story-high, blocklong pile of petroleum coke on Detroit's waterfront. The company is burning the high-carbon, high-sulfur waste product because it is cheaper than natural gas.

[Student Loan Bill Had Pipeline Implications](#)

A little-noticed part of U.S. Senate Democrats' effort to freeze the interest rates on federal student loans could have implications for the debate over the proposed Keystone XL pipeline.

The legislation, which stalled today on a procedural vote, would end a tax exemption on bitumen, the heavy form of crude mined in Canada's oil sands.

[Drones count down to takeoff in Alaska's oilfields](#)

No pilot was required when the Aeryon Scout took off into the leaden skies of Alaska to inspect a stretch of oil pipeline. The miniature aircraft was guided by an engineer on the ground, armed only with a tablet computer.

The 20-minute test flight, conducted by BP Plc last fall, was a glimpse of a future where oil and gas companies in the Arctic can rely on unmanned aircraft to detect pipeline faults, at a fraction of the cost of piloted helicopter flights.

[Indigenous Peruvians protest state oil company taking over their land](#)

Members of the Achuar people say they won't allow Petroperu to enter their territory, but the company has other ideas.

[B.C. Premier says new cabinet puts focus on natural gas; includes surprising picks](#)

VICTORIA — B.C. Premier Christy Clark says the new cabinet she introduces today includes ministers responsible for driving her government's plans to develop British Columbia's natural gas industry and oversee what she's calling a line-by-line review of government spending.

[B.C. opposition to Northern Gateway puts focus on west-east pipeline: Alward](#)

FREDERICTON — Alberta Premier Alison Redford says Canada's biggest challenge is to improve access to international markets as she steps up efforts to promote a proposal to ship oil to Eastern Canada.

Redford spoke to the New Brunswick legislature in Fredericton today, where she said Alberta's lack of direct access to a coastal shipping route contributed to a \$6-billion slide in her province's revenues this year.

[Northern Gateway riches would benefit British Columbia's LNG, Enbridge says](#)

CALGARY – Enbridge Inc., battling stubborn resistance to its Northern Gateway pipeline on Canada's West Coast, is tying the fortunes of the project to British Columbia's liquefied natural gas industry.

[Abe's Power Plan Lifts Renewables at Utilities Expense](#)

Shinzo Abe's pledge to spur 30 trillion yen (\$302 billion) of investment in Japan's electricity industry opens the way for a surge in clean energy projects at the expense of traditional utilities.

The prime minister endorsed proposals to deregulate an industry that produces power mostly from fossil fuels, as well as boost competition among generators and make it easier for wind and solar energy to be distributed to consumers. His speech yesterday in Tokyo didn't mention restarting nuclear plants closed since the earthquake in 2011.

[SoCal Edison Retiring San Onofre Nuclear Generating Station](#)

The San Onofre Nuclear Generating Station (SONGS) will close.

The announcement that Unit 2 and Unit 3 reactors will retire was made by Southern California Edison early Friday.

[Strong demand for electric vehicles leaves supplies short](#)

A lease-price war is causing a run on battery-powered cars, and some models have even sold out in Southern California.

[Russia's First Hybrid Power Plant Launched in Siberia](#)

YAILYU (RIA Novosti) - Russia's first hybrid diesel/solar power plant was launched Friday in south-central Siberia.

[Bill Would Sweeten Loans for Energy-Efficient Homes](#)

Home buyers purchasing energy-efficient properties could qualify for larger mortgages than their incomes would normally allow under a Senate bill reintroduced Thursday with broad real estate industry support.

The measure would allow lenders to include projected energy savings from efficiency upgrades when measuring the borrower's income against expenses and the value of the home against the debt. In addition to giving borrowers larger loans in new purchases and refinancings, it could also lower their interest rates.

[Tesla Is Worse Than Solyndra](#)

How the U.S. government's bungled investment in the car company cost taxpayers at least \$1 billion.

[U.K. to Share More Wind-Power Wealth With Local Residents](#)

The U.K. will give residents more say over onshore wind farms and higher payments to communities affected by them, an effort to heal a rift over the technology that's divided lawmakers and sparked local resistance.

Wind farm developers must pay 5,000 pounds (\$7,721) a megawatt each year to communities that host projects, a five-fold increase from the current rate, the Department of Energy and Climate Change said in a statement today.

[Market Realities](#)

These days, "fracking" is almost a household word. Half a dozen years ago few had even heard of this rupturous, explosive method for fuel extraction. Back then, the energy mantra was "go green". People worried about peak oil; now we wonder if the bounteous fuel output is harming aquifers. Today, electricity costs are fairly level. Historically low-cost natural gas is piping forth in abundance.

So, with such competition, how are projects for solar, wind, and other alternative energy faring?

For some insight, here's a discussion with participants in renewable energy work, who talk about projects that adapt to "the new generation" of onsite power market realities.

[Solar energy plan no space oddity](#)

Peter Glaser, who worked with Nasa on numerous experiments carried out in space or

on the moon, is credited as the first person to have proposed a method for creating space-based energy that could be beamed back to earth.

He did so back in 1968 and received a patent for his idea five years later. His concept, in short, was to have a satellite that could harness solar energy from the sun, convert it into microwave frequencies and then zap it back as energy to the earth's surface, according to the Institute of Electrical and Electronics Engineers (IEEE), a professional group.

[Gravity of challenges is not to be underestimated](#)

Launching a satellite into space to capture energy from the sun is a bold enough idea.

But, in this increasingly interconnected world, global politics and business trends are representing a growing challenge to researchers and financial backers in this market.

From a cost perspective, it might be best for a company or government body to build a launching facility on a Pacific island near the equator, says Philip Chapman, a former Nasa scientist who is a proponent of this movement. Yet, he warns, "it'll also give that organisation or country strong advances of military uses in space".

"There are issues here about national security," says Mr Chapman.

[Apple does a 180 with suppliers in China](#)

FORTUNE -- Ma Jun, the noted Chinese environmental activist, says Apple has gone in a short period of time from being the most uncooperative of electronics companies to "one of the most proactive IT suppliers" of all.

Speaking at a panel on supply-chain trends at the Fortune Global Forum in Chengdu, China, Ma practically gushed about Apple's change in behavior. He said that when his group, the Beijing-based Institute of Public & Environmental Affairs, initially approached 29 big Western brands about cooperating with its environmental work, 28 responded -- all but Apple. "They said they had a long-term policy against" participating with such groups. Things changed after Ma's group published two reports critical of Apple. "They approached us," he said. "They said, 'We need transparency.'"

[Why we need 202-story skyscrapers](#)

FORTUNE -- Today, for the first time, more people worldwide live in cities than in the countryside. What's often missed in this equation is how fast this trend will accelerate. Take China. Currently 650 million people, or 52% of the population, now live in cities. Fast-forward only ten years or so and that number is expected to hit one billion. That means that some 350 million people, the equivalent of the entire population of the U.S., will move from the Chinese countryside into urban areas. The number of Chinese cities with a million or more people will hit 221.

This migration presents a challenge. China's urban dwellers on average consume three times more energy than rural ones. That means we must design new cities and rebuild old ones in ways that will allow billions to live, drive, eat, and work sustainably. At today's session on Rethinking Our Cities at Fortune's Global Forum in Chengdu, Zhang Yue, the CEO of Broad Group, a maker of energy equipment and a real estate development company, said that we have to totally redefine what it means to live in cities.

"People don't want to have to get on trains or drive a car to get to work," he said. One solution: Zhang plans to lick the urban congestion problem by building up. His proposed high-rise prefab in Hunan Province called Sky City will soar 202 stories to a height of 838 meters.

[The Best and Simplest Way to Fight Global Poverty](#)

Proof that giving cash to poor people, no strings attached, is an amazingly powerful tool for boosting incomes and promoting development.

[Farm Subsidies Leading to More Water Use](#)

A study by researchers at the University of California, Davis, this year concluded that Kansas farmers who received payments under the conservation subsidy were using some of their water savings to expand irrigation or grow thirstier crops, not to reduce consumption.

Another study by researchers at New Mexico State University in 2008, which studied an area running from Colorado to New Mexico, came to the same conclusion.

"Policies aimed at reducing water applications can actually increase water depletions," the researchers said.

[World Wheat Harvest Seen at Record High on Europe and Black Sea](#)

The world will reap its biggest wheat crop ever in the coming season as larger harvests in Europe and the Black Sea region lift stockpiles, according to the Agricultural Market Information System.

Production will climb to 702 million metric tons in the 2013-14 season starting July 1 from 659 million tons in 2012-13, Rome-based AMIS, which was set up by Group of 20 countries, wrote in an online report today. That will rebuild inventories and reduce trade as importers in Asia and Europe grow more of the grain at home, the report showed.

[Genetically Altered Wheat in Oregon Comes as No Surprise](#)

One week after the revelation that an Oregon farmer had found genetically engineered wheat growing in his fields, scientists remain mystified over how the strain — apparently the remains of a test crop shut down a dozen years ago — got there.

But few are surprised. Even with extensive precautions, gene-altered plants turn up in unwanted places regularly enough that farmers have come to consider a few of them weeds, and even a threat to their livelihood.

[Peak soil: industrial civilisation is on the verge of eating itself](#)

A new report says that the world will need to more than double food production over the next 40 years to feed an expanding global population. But as the world's food needs are rapidly increasing, the planet's capacity to produce food confronts increasing constraints from overlapping crises that, if left unchecked, could lead to billions facing hunger.

[Plans for Subdivision May Threaten Bat Colony](#)

SAN ANTONIO — As the sun sets every summer night at Bracken Cave in the Hill Country, a vortex of Mexican free-tailed bats rushes forth. For as long as four hours a night, a stream of bats leaves the cave to dart south, over the tree line, to hunt. The scene at the cave is repeated in reverse at dawn, when the bats return.

Making up the largest colony of flying mammals in the world, the bats can number as many as 20 million. But a plan to build a subdivision near the cave has conservationists worried about the colony's fate.

[4 Topics Clean Energy And Climate Change For Obama and Xi](#)

While many people are skeptical that China can break its fossil fuel dependence, Chinese officials have repeatedly affirmed they would grow the country's share of clean energy and curtail its greenhouse gas emissions. This commitment is reflected by the energy and carbon intensity and clean energy targets under its 12th Five Year Plan. And, there are recent signs of progress. For instance, China is planning to launch its first pilot regional carbon trading system later this month. While this project is not expected to reduce emissions on its own, it offers an important testing ground for how emissions can be reduced cost-effectively.

Furthermore, it's clear that China has several reasons to embrace clean energy. Beyond its economic goals, China is motivated by its concerns over energy security, a desire to improve local environmental conditions, the impacts of climate change, and the opportunity to display greater leadership on the global stage.

[Greens put carbon tax back on the table](#)

(BusinessDesk) - The Green Party is considering whether to revert to support for a carbon tax to force climate change behaviour changes, given the failure to date of local and global emissions trading scheme to place a meaningful price on carbon emissions.

The proposal emerges in a discussion paper issued at a Green Party-sponsored climate change conference at Parliament, which has attracted a who's who of New Zealand climate scientists, thinkers and policy-makers.

[Hungary next to fear surging Danube, as Elbe floods eastern Germany](#)

(CNN) -- Hungary has been warned it could suffer its worst floods ever, as record levels are expected over the next three days from the surging River Danube, which has already inundated parts of Germany, Austria and Slovakia.

[In Flooded Europe, Familiar Feelings and New Questions](#)

MEISSEN, Germany — Andrea Bahrmann refused to talk about what it cost to rebuild 11 years ago, after the floodwaters of the Elbe reached record levels, bursting over the banks and devastating this riverside city near Dresden in eastern Germany. On Thursday, she wavered between anger and dismay as she watched the river's surging brown water rise once again to record levels, drowning her house to the windowsills.

As a native of this city, famed for its fine porcelain, Ms. Bahrmann echoed the words of many who live along the major rivers of Central Europe as torrents of rain have produced another once-in-a-lifetime disaster, barely a decade after the last.

[Antarctic ice loss less severe than previous IPCC estimates: research](#)

New research by a group of international scientists has found ice sheet loss in Antarctica is likely to be less extreme than previously thought.

The review - published in the journal Nature - confirms that Antarctica and Greenland are both losing ice and contributing to rising sea levels.

But it found that Greenland is losing twice as much ice as Antarctica, and that Antarctic ice loss is likely to be less extreme than previously suggested.

[Warming World: It's Time to Give Up the 2 Degree Target](#)

Limiting global warming to just 2 degrees Celsius, as called for by the UN Framework Convention on Climate Change, has become patently unrealistic. Political will is lacking, and emissions continue to increase. The target needs to be revised.

[Infographic: This Is What's Causing Climate Change](#)

Cars are, predictably, the biggest individual contributor. But the next biggest? Deforestation. Chopping down forests doesn't just make our land less pretty or put plant and animal species at risk: it reduces the planet's natural ability to filter out our garbage in the air.



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