



Drumbeat: July 5, 2013

Posted by [Leanan](#) on July 5, 2013 - 9:28am

[Saudi taps new oil areas in plan to preserve capacity](#)

(Reuters) - Saudi Aramco plans to develop two less productive areas of major oilfields, industry sources said, as Riyadh takes care to maintain excess capacity for the long term, even while non-OPEC oil supplies are on the rise.

The plan to increase capacity from Khurais and Shaybah by a total of 550,000 barrels per day (bpd) by 2017 will take the strain off Ghawar, the world's largest conventional oilfield, two sources familiar with the plans said.

Such projects are not intended to raise Saudi production capacity beyond the current stated 12.5 million bpd, Saudi oil officials have previously said.

After pumping its biggest fields at near record rates to make up for lost supplies from Libya and Iran over the last two years, the kingdom wants to focus on less productive fields to ease pressure on aging reservoirs to help keep their output robust.

[Concern over Saudi Arabia's summer diesel consumption surge](#)

In the past, Saudi Arabia would have been able to satisfy all of its fuel requirements, including for diesel, through its own means. But as the population has grown, so has the need for fuel to power an ever-growing electricity generation network. According to the Saudi Electricity Regulatory Authority (Ecra), demand has risen by 7 per cent to 10 per cent annually during the past 5 years, one of the highest growth rates in the world. This is projected to continue until 2020.

Meanwhile the kingdom's production of diesel has remained relatively flat. So while there is still a vast amount of oil under ground, the country has not been able to extract and refine it fast enough to keep pace with demand. As a result, Saudi Arabia, the kingpin of oil, has had to start importing diesel, among other oil products.

At first, the volumes were small. But in line with galloping demand, these volumes have ballooned.

This summer, the country is on track to import record high volumes of diesel. The national oil company, Saudi Aramco, is believed to have imported 9.5 million barrels of diesel last month alone, up from an estimated 7 million barrels in May.

[OPEC Crude Exports to Rise, Oil Movement Says](#)

The Organization of Petroleum Exporting Countries will boost shipments by 2.3 percent through late July as driving demand peaks during the northern hemisphere summer, according to Oil Movements.

The group that supplies about 40 percent of the world's oil will ship 24.18 million barrels a day in the four weeks to July 20, up from 23.64 million in the period to June 22, the tanker tracker said in an e-mailed report. The figures exclude two of OPEC's 12 members, Angola and Ecuador.

[OPEC oil exports earn \\$1.24 trillion in 2012, up 8.5% from 2011](#)

London (Platts) - OPEC's collective oil export earnings rose 8.5% to \$1.24 trillion in 2012 from \$1.14 trillion in 2011, the oil producer group said Friday in its latest annual report. It stressed that the 2012 figure was a preliminary estimate.

The group pumped an average 31.13 million b/d of crude last year, which compares with 2011 average output of 29.78 million b/d. OPEC uses secondary sources to monitor its output.

[WTI Oil Trades Near 14-Month High on Outlook for Jobs](#)

West Texas Intermediate crude traded near a 14-month high, poised for a second weekly gain, on speculation a strengthening U.S. economy will boost demand.

Futures were little changed in New York after closing on July 3 at \$101.24 a barrel, the highest since May 3, 2012. U.S. employers probably created almost as many jobs in June as in the prior month, according to a Bloomberg News survey before a Labor Department report today. Crude inventories in the world's largest energy consumer fell by 10.3 million barrels last week, the most this year, government data showed two days ago.

[Russian Urals Crude Oil Premium Rises to 20-Year High](#)

Russian Urals crude jumped to the highest premium to Dated Brent in at least 20 years after a decline in seaborne exports.

Urals was at 73 cents a barrel more than Dated Brent in the Mediterranean, the highest since at least July 1991 when Bloomberg started tracking the data. Over the past two decades, Urals has usually traded at a discount to Brent, averaging almost \$4 less than the North Sea benchmark in 2005.

[Egypt's Islamists to hold 'Friday of Rejection'](#)

CAIRO — Egypt braced for more unrest Friday as Islamists prepared to take to the streets to protest against what they are calling a military coup.

A coalition of Islamist groups that includes the Muslim Brotherhood called for peaceful demonstrations, which are set to kick off early afternoon on what they have dubbed a "Friday of Rejection."

[Gulf drive against Hezbollah may hit ordinary Shi'ites](#)

DUBAI (Reuters) - Gulf Arab states are punishing Hezbollah for its role in Syria by expelling Lebanese expatriates linked to the group in a move that could victimize Shi'ite Muslims with no ties to the militants apart from their shared religious faith.

Set up by Shi'ite power Iran in the 1980s to fight Israeli occupation forces in south Lebanon, the Islamist group has sent its guerrillas to fight alongside the army in Syria's civil war, leading to defeats for rebels armed by some Gulf Arab states.

[US moved too fast on new sanctions ahead of Rowhani presidency: Iran](#)

Tehran (Platts) - The United States should have waited for Iran's new government to settle in before bringing into effect on July 1 the latest layer of sanctions aimed at Tehran's nuclear program, Iranian oil minister Rostam Ghasemi said Friday.

"We always seek to interact with the world. It was only fair that they [the US] had waited for the new government to take office...given that people stabilized the system with so many votes and the new president was elected with the slogan of interacting with the world," Ghasemi said in a speech broadcast on state television.

[Russian PM approves draft deal for South Stream gas line offshoot to Macedonia](#)

Moscow (Platts) - Russia's Prime Minister Dmitry Medvedev has approved the draft agreement with Macedonia to build an offshoot from the South Stream gas pipeline to the Balkan country, according to the government website.

Under Medvedev's orders published Friday, Russia's energy ministry and the ministry of foreign affairs have been asked to hold talks with Macedonia regarding the draft agreement.

[OMV turns towards upstream after Nabucco rejection](#)

A long-held pipeline dream last week came to an end for OMV, the Austrian oil and gas

company that is part-owned by Abu Dhabi's International Petroleum Investment Company (Ipic).

The Nabucco pipeline project, and ambitious project to link the Shah Deniz gasfield in Azerbaijan to the European market, was rejected in favour of a rival pipeline.

[Pakistan, China set sights on Arabian Sea link](#)

BEIJING (AP) -- China and Pakistan set their sights Friday on developing a transport link through rugged mountains and lawless lands, a route they hope will boost economic growth and bring critical oil supplies to power-hungry China much faster.

A broad agreement for the "economic corridor" was among eight pacts signed following a meeting in Beijing between Chinese Premier Li Keqiang and Pakistani Prime Minister Nawaz Sharif. The 2,000-kilometer (1,200-mile) transport link was described as a "long-term plan" to connect Kashgar in northwestern China to the Pakistani port of Gwadar, likely by road in the beginning and possibly by rail later.

[Nigeria's Jonathan Seeks Infrastructure Funds From China](#)

Nigerian President Goodluck Jonathan will take a group of state governors and key ministers to China next week, seeking to strengthen ties with the Asian nation in everything from power production to bond buying.

[At Anchor Off Lithuania, Its Own Energy Supply](#)

KIAULES NUGARA, Lithuania — The first Soviet republic to reclaim its independence was Lithuania. But more than two decades later, the energy industry of this European Union member still feels like an outpost of a creaking empire run from Moscow.

Lithuania's president, Dalia Grybauskaite, intends to change that.

This straight-talking politician, who holds a martial arts black belt, has enthusiastically backed a deal to anchor a ship near this tiny island and put it to work processing deliveries of liquefied natural gas into fuel for Lithuanian homes and businesses. That would break the stranglehold of Gazprom, the Russian government-controlled export monopoly that now supplies all of Lithuania's gas.

[Oscar Winner Woos West in Bid to Defeat Baku Oil Dynasty](#)

Oscar-winning screenwriter Rustam Ibrahimbayov says two things are certain about his electoral race against Azerbaijan's President Ilham Aliyev, whose family has run the oil-rich Caspian state for more than four decades.

The first is that the challenger will win more votes in the October contest. The second is that the incumbent will falsify the tally. "What happens next will depend on the will of the people," Ibrahimbayov, 74, said in an interview two days after uniting Azeri opposition groups behind his candidacy.

[Nigerian government holds crisis talks with oil unions over strike threats](#)

Lagos (Platts) - The Nigerian government, led by oil minister Diezani Alison-Madueke held talks Thursday with the country's two oil worker unions, in a bid to stave off a strike that could potentially disrupt oil production and exports.

Nigerian blue-collar oil workers union Nupeng on Tuesday called off a planned three-day strike to protest against planned job cuts by foreign companies. It has, however, threatened to go on indefinite strike if the government fails to halt plans to sack its members as well as regularize the employment status of several hundred others.

[BB Energy Raises Loan on Commodity Trader Debt Demand](#)

B.B. Energy Holdings NV, a closely-held oil trader, increased its first unsecured credit line to \$125 million, taking advantage of banks' willingness to commit funds to the sector.

"The appetite from banks to lend to traders is there, including from banks that are not historically trade-finance providers," Riccardo Greco, BB Energy's London-based chief financial officer, said in a telephone interview. The loan can be used by any of the group's trading offices, he said.

[Veolia May Raise Revenue From Oil Sector Five-Fold: CEO](#)

Veolia Environnement SA, Europe's biggest water company, may boost revenue from oil and gas operations five-fold to as much as 5 billion euros (\$6.4 billion) in four years, aided by shale drilling and the dismantling of aging offshore platforms.

The hydrocarbon business is "rapidly growing and rich," Chief Executive Officer Antoine Frerot said today at a news conference where he detailed plans to take the utility into areas more closely linked to industry. "Profit margins are attractive."

[Viridian Taps Macquarie in Bid for Irish Bord Gais Unit](#)

Ireland is selling the business as part of an accord stemming from its 67.5 billion-euro international bailout in 2010. GDF Suez SA, France's largest utility by market value, and Germany's E.ON SE may bid for the business, the Sunday Business Post reported March 17. Keppel Corp., the world's biggest oil-rig maker, based in Singapore, is also

interested in the company, the same newspaper reported May 19.

[The Evolution Of America's Energy Sources Since 1776 \[CHART\]](#)

The Energy Information Administration offers this interesting historical chart showing how energy sources have evolved in the United States.

[Shale Backers Sought Scalp, Fired French Energy Minister Says](#)

Former French Environment Minister Delphine Batho said her support for a ban on shale drilling and reducing dependence on nuclear power cost her her job.

"The battle crystallized notably on the question of shale gas and more discreetly on the reduction of nuclear in France," Batho said at a press conference yesterday at the National Assembly in Paris. "These forces that I am talking about wanted my scalp."

[Piper Alpha disaster prompted drastically improved safety measures in the oil industry, say experts](#)

SAFETY measures in the offshore industry have improved by "light years" since the Piper Alpha disaster, but workers need to remain vigilant and be aware of the "consequences of failure".

Industry experts and union leaders said lessons had been learned in the 25 years since 167 men lost their lives in the North Sea, but incidents like the Deepwater Horizon fire in 2010 showed things could still go wrong.

[Nuclear Cuts Vindicate Merkel as RWE Profit Dips](#)

Germany's \$710 billion green-energy drive is cutting production at nuclear reactors, the nation's most profitable large-scale plants, as power prices slump to a six-year low.

The proportion of hours during which electricity traded at less than 30 euros (\$39) a megawatt-hour, the level at which UBS AG says reactors start losing money, rose to 50 percent last month, the most since 2007 and 92 percent more than a year ago, data from the Epex Spot SE exchange show. RWE AG cut output at its Gundremmingen plant near Munich 31 times in the first half as solar and wind output jumped, compared with 18 times in 2012, according to data compiled by Bloomberg.

The reductions, which typically last for hours at a time, underscore how Chancellor Angela Merkel's plan to replace atomic power with renewable energy within a decade is gaining ground at the expense of profit at utilities from RWE to E.ON SE. The boom in green power, coupled with the lowest demand in 10 years, sent the average operating margin at 15 European utilities to the lowest since 2002, company data compiled by Bloomberg show.

[Belgium wants lion's share of Tihange 1 nuclear profits](#)

(Reuters) - Belgium will guarantee the costs of extending the life of one of the country's oldest nuclear reactors but will take 70 percent of the profits to invest in other energy sources, Belgium's energy minister said on Friday.

In July 2012, Belgium decided to delay the closure of Tihange 1 until 2025, due to concerns that it would not have enough alternative forms of energy.

[“Pandora’s Promise” and “Switch” raise the right issues but get nuclear wrong](#)

Two recent movies, *Pandora’s Promise* and *Switch*, promote massive changes in the U.S. energy economy; both embrace nuclear power and point to France as the nuclear success story. The two-part company, however, on natural gas: *Switch* sees gas plus nuclear as the major energy sources of the future, but *Pandora* gives gas no significant role.

These are “good-bad” movies. They effectively raise the right issues but crash on flawed conclusions. *Pandora* correctly places energy at the heart of the most important environmental issue: climate change. *Switch* nods to the importance of climate change, but its forte lies in portraying the energy economy as a whole.

[NY homeowners sue power companies for devastating fires during Superstorm Sandy](#)

Lawyers for 120 of the homeowners whose residences went up in flames during Superstorm Sandy sued the utilities in charge on Tuesday for failing to kill the power as rising seawater sparked off the electrical system last October.

About 150 homes in all were destroyed as enormous fires swept through the communities of Breezy Point and Rockaway Beach as Sandy pummeled the East Coast on Oct. 29.

Fire officials determined in January that the fires broke out because the power was still on when rising seawater came in contact with the electrical system.

[Utility Line Worker Cuts Hubble Emergency Storm Response](#)

Four days before Hurricane Sandy struck in October, Consolidated Edison Co. (ED) sought 1,800 power-line-repair workers from its fellow utilities to help respond to the massive storm brewing in the Atlantic Ocean.

It got just 32. Three days later, the New York-based utility boosted its request to 2,500. It got 171.

Con Edison's difficulties getting help from the industry's mutual aid program, under which U.S. utilities send workers to other regions during emergencies, show how years of cost cuts and regulatory pressure to keep prices low has left them less prepared to restore power from the biggest natural disasters.

[Masdar looking beyond Thames offshore wind farm](#)

Masdar is seeking its next UK clean energy project after the world's largest offshore wind farm was inaugurated in the Thames estuary yesterday.

The London Array, an assembly of 175 turbines that rise out of the waters of the Thames estuary that can produce up to 630 megawatts of electricity, owes its existence in no small part to Abu Dhabi.

[Solar Plane: Making clean tech sexy, adventurous](#)

WASHINGTON (AP) — In noisy, energetic New York City, the pilots of a spindly plane that looks more toy than jet hope to grab attention in a surprising way: By being silent and consuming little energy.

This revolutionary solar-powered plane is about to end a slow and symbolic journey across America by quietly buzzing the Statue of Liberty and landing in a city whose buildings often obscure the power-giving sun. The plane's top speed of 45 mph is so pokey, it would earn honks on the New Jersey Turnpike.

[Desertec's collapse unlikely to affect EU energy plans](#)

The collapse of a €400 billion plan to build solar plants in North Africa to power Europe will not affect Brussels' energy plans, say experts.

Earlier this week the Desertec Foundation finally pulled the plug on the project, becoming the the latest in a series of companies that have terminated their membership with the Desertec Industrial Initiative, which was tasked with building the farms.

[U.S. Floating Offshore Wind Pilot Project Put On Hold](#)

LONDON -- Norwegian energy company Statoil has announced that it will put its 12 MW, US \$120 million Hywind Maine floating offshore wind project, planned for construction off the coast of Maine in the U.S., on indefinite hold.

[Special UN Report: Biofuels Impact Food Prices and Availability](#)

A new report from the High Level Panel of Experts on Food Security and Nutrition (HLPE) out of Rome, for the United Nations, implicates biofuels as a cause of high food prices. The June 2013 report, released today, is titled, "Biofuels and food security" (PDF). This comprehensive document includes many interesting graphics and it attempts to cover all aspects of biofuels production.

[Peak everything](#)

he surge in production from ultra deep water and on land unconventional plays has indeed produced a bump on the order, or even a little greater than what came after Prudhoe came on line in the 80s. But we're still below that level and well below the point where Peak Oil for the USA came in 1970.

So anyway, as far as corn and corn prices are concerned, what does it mean? Well, regardless of whether we had a massive government corn ethanol program, I'll submit that over time the cost of various forms of calories will tend to equalize with each other. I haven't done the calculations lately but the last time I did, it looked like \$80 crude oil made corn worth about \$5/bushel on an equivalent basis.

[Allan Savory: "Agriculture is More Destructive than Coal Mining"](#)

He named some of the factors related to this soil loss, which included the burning of grasslands around the world, the loss of forests, the loss of biodiversity, and the silting of continental shelves.

Then, he explained to us that because healthy soils are an important natural reservoir of water, today we have a big problem of decreased effectiveness of rainfall due to degraded and eroded soil. This is caused by agricultural practices, not by climate change. Because healthy soils sequester Carbon, large soil losses and resting soils have led to a reduced capacity to mitigate climate change. **So, agriculture is more destructive than coal mining or anything else going on in the world today.**

[Syrian crop risks threaten to worsen food shortages: U.N.](#)

ROME (Reuters) - Four million Syrians, a fifth of the population, are unable to produce or buy enough food, and farmers are short of the seed and fertilizers they need to plant their next crop, the United Nations said on Friday.

The U.N. Food and Agriculture Organisation (FAO) and the World Food Programme (WFP) said Syria's domestic wheat production over the next 12 months is likely to be severely compromised and that it will need to import 1.5 million metric tons of wheat for the 2013/14 season.

[Poachers Are Elusive Catch in City Waters](#)

Sharp cuts from the federal sequestration meant furloughs this spring for the United States Park Police officers who patrol the bay, part of the Gateway National Recreation Area. Those officers are routinely called away to guard the Statue of Liberty.

State authorities have faced their own problems; Hurricane Sandy destroyed a dock used by the officers from the Department of Environmental Conservation, forcing them to keep boats many miles outside the bay.

“We’re not catching 50 percent of the people,” Captain Lopez estimated. “We just don’t have the manpower.”

[Hoping for the Worst](#)

The idea that capitalism will collapse under its own weight has much less traction today, in our markedly anti-utopian times, but it does appear in various forms. I’ve mentioned peak oil: the group Deep Green Resistance argue that come 2015 industrial capitalism will start to unravel as a result of diminished oil reserves and will be ripe for take down by a small group of committed militants. We also saw, at the start of the financial crisis, some glee on the radical left that capitalism was unravelling and that our time had finally come. Clearly, that didn’t turn out so well and such euphoria has mainly receded. But it has a hold on the imagination of leftists of various stripes, from anarchist to Marxist, such as Immanuel Wallerstein who draws on the notion of Kondratiev waves to argue that capitalism has been stagnating since the early 1970s and in twenty to thirty years will no longer be with us, replaced by either something better or worse.

[Labrador fires shut down highway, affect air quality](#)

Stubborn forest fires in western Labrador have forced police to again shut the main highway, as smoke from fires in the area and Quebec affected air quality hundreds of kilometres away.

The Trans-Labrador Highway near Wabush — the mining town that was temporarily evacuated last weekend — was shut late Friday night, with the Royal Newfoundland Constabulary saying it was too dangerous to provide escorts for vehicles needing to reach communities in Labrador’s interior.

[Church Dropping Fossil Fuel Investments](#)

The United Church of Christ has become the first American religious body to vote to divest its pension funds and investments from fossil fuel companies because of climate change concerns.

[European Parliament approves backloading proposals](#)

Plans to temporarily remove permits to pollute under the Emissions Trading System (ETS) have been passed by the European Parliament at a plenary vote in Strasbourg.

The vote (by 344 to 311) in favour of 'backloading' is being seen as a signal of support in EU climate policy and paves the way for a renewed drive in green investment.

[After Failed Attempt in April, Europe Approves Emissions Trading System](#)

LONDON — The European Parliament approved on Wednesday a measure intended to revive sagging prices and confidence in the European Union's emissions trading system, the centerpiece of Europe's effort to cut greenhouse gases and a model for similar systems around the world.

The vote had taken on symbolic importance because Parliament had rejected a similar proposal in April. That vote threatened the carbon trading system, which has been emulated globally as a way of using markets to curb greenhouse gases.

[Dangers of climate change must force N.J. to reduce carbon footprint](#)

Businesses did not flee the United States when child labor laws were passed in the early 20th century, or when national minimum-wage laws were introduced in the 1930s.

And, not surprisingly, businesses were not destroyed when the Clean Air and Clean Water acts were adopted.

There is absolutely no reason to believe efforts to reduce our carbon footprint will result in massive job loss.

[Let's fight rising sea, not plan to flee inland](#)

Washington Post columnist Dana Milbank recently wrote that coastal areas, including the Florida Keys, New Orleans, and parts of Long Island "eventually may need to be abandoned to higher seas. As a start toward depopulating those areas, the federal government may need to cut off disaster insurance."

This is nonsense.

Coastal towns need to make wise decisions about where new waterfront projects are permitted and how they are built, and let's appreciate the great storm-absorbing capacity of tidal marshes and dunes. But talk of depopulating a thriving beach community on the basis of unproven projections is extreme.

[How to combat global warming and prosper](#)

In his recent speech on climate change, President Barack Obama warned that "someday, our children and our children's children will look at us in the eye and they'll ask us, did we do all that we could when we had the chance to deal with this problem and leave them a cleaner, safer, more stable world?"

He's probably right. Then they'll say, "Why the heck didn't you pass a carbon tax?" And we won't be able to give them a good reason.

[Industries rip climate-change plan to cut coal-fired power](#)

BOW, N.H. — President Barack Obama's push to fight global warming has triggered condemnation from the U.S. coal industry across the industrial Midwest, where state and local economies depend on the health of an energy sector facing strict new pollution limits.

But such concerns stretch even to New England, an environmentally focused region that long has felt the effects of drifting emissions from Rust Belt states.

[Charles Krauthammer: Obama's global-warming folly](#)

Net effect: tens of thousands of jobs killed, entire states impoverished. This at a time of chronically and crushingly high unemployment, slow growth, jittery markets and deep economic uncertainty.

But that's not the worst of it. This massive self-sacrifice might be worthwhile if it did actually stop global warming and save the planet. What makes the whole idea nuts is that it won't. This massive self-inflicted economic wound will have no effect on climate change.

The have-nots are rapidly industrializing. As we speak, China and India together are opening one new coal plant *every week*. We can kill U.S. coal and devastate coal country all we want, but the industrializing Third World will more than make up for it. The net effect of the Obama plan will simply be dismantling the U.S. coal industry for shipping abroad.

[The Amazing Energy Race](#)

But I would not get caught up in the anti-carbon pollution details of the president's speech. I'd focus on the larger messages. The first is that we need to reorder our priorities and start talking about the things that are most consequential for our families, communities, nation and world. That starts with how we're going to power the global economy at a time when the planet is on track to grow from seven billion to nine billion people in 40 years, and most of them will want to live like Americans, with American-style cars, homes and consumption patterns. If we don't find a cleaner way to grow, we're going to smoke up, choke up and burn up this planet so much faster than anyone predicts. That traffic jam on the Beijing-Tibet highway in 2010 that stretched for 60

miles, involved 10,000 vehicles and took 10 days to unlock is a harbinger of what will come.



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