Drumbeat: July 26, 2013

Posted by Leanan on July 26, 2013 - 9:49am

Antitrust Probe Targets Halliburton's Fracking Business

> A federal antitrust probe into the $36 billion hydraulic fracturing market is increasing pressure on oilfield-service companies already reeling as skyrocketing competition cuts into their profit margins.
>
> Halliburton Co. and Baker Hughes Inc. said this week the U.S. Justice Department is seeking documents for an antitrust investigation related to pressure-pumping services, which include hydraulic fracturing, or fracking. Stephen Harris, a spokesman for Schlumberger Ltd., the world's largest oilfield-services company, declined to say whether it has been contacted by investigators.
>
> The investigation was met with widespread surprise among industry analysts and investors because it comes at a time when rising competition and falling prices have been the business's biggest problem.

Halliburton pleads guilty to destroying Gulf spill evidence

> (Reuters) - Halliburton Co has agreed to plead guilty to destroying evidence related to the 2010 Gulf of Mexico oil spill, the U.S. Department of Justice said on Thursday.
>
> The government said Halliburton's guilty plea is the third by a company over the spill and requires the world's second-largest oilfield services company to pay a maximum $200,000 statutory fine.

Halliburton Admits It Destroyed Gulf Spill Evidence, Pays 0.0007% of Revenue Fine

> The maximum statutory fine for this apparent misdemeanour? $200,000! Or 0.0007% of expected revenues for 2013. Well, that'll teach 'em for sure - they won't be destroying evidence again, eh?

WTI Poised for Weekly Drop as China Cuts Manufacturing Capacity

> West Texas Intermediate was poised for the first weekly drop in more than a month amid rising crude output in the U.S. and speculation that China's plans to cut excess

manufacturing capacity will curb fuel demand.

Futures fell as much as 0.9 percent, heading for a weekly loss of 3.1 percent. China ordered more than 1,400 companies in 19 industries to cut excess production capacity this year, part of efforts to shift toward slower, more-sustainable economic growth. U.S. oil output surged to a 22-year high while refiners cut processing, government data showed on July 24. Prices will extend their decline next week, a Bloomberg News survey of analysts predicted.

[OPEC to Reduce Exports as Demand Passes Peak, Oil Movements Says]

Crude shipments from the Organization of Petroleum Exporting Countries will decline from near their highest in a year as summer demand passes its peak, tanker-tracker Oil Movements said.

The group, which supplies about 40 percent of the world's oil, will cut exports by 410,000 barrels a day, or 1.7 percent, to 23.95 million barrels a day in the four weeks to Aug. 10, the researcher said today in an e-mailed report. The figures exclude two of OPEC's 12 members, Angola and Ecuador.

[Gas price hike: Moily says govt can't be timid]

Defending the decision to double gas prices from next fiscal, oil minister M. Veerappa Moily Friday said the government cannot afford a "timid mindset" while taking policy decisions of national importance.

[4 oil firms to cut fuel prices Saturday]

Major oil firms Pilipinas Shell and Petron will roll back the prices of some of their fuel products on Saturday.

[Russia August Primorsk Oil Exports to Reach Five-Year Low]

Russia plans to ship less than 1 million barrels a day of Urals crude from the port of Primorsk for a third month, with shipments set to drop to the lowest in more than five years, a preliminary loading program showed.

[Nigeria to Keep Crude Oil Exports Little Changed in September]

Nigeria, Africa's largest oil producer, will keep daily crude exports for September little changed from August, according to loading programs obtained by Bloomberg News covering 17 grades excluding Bonny Light.

South Sudan Cuts Back Oil Output, Braces for Shutdown

South Sudan made further reductions in oil output as it prepares to halt pipeline exports through neighboring Sudan amid conspiracy recriminations between the former foes.

Oil production from Africa's newest country fell to 97,000 barrels a day from 200,000 barrels a day a week ago, Mawien Makol Arik, a foreign affairs ministry spokesman, said today by telephone from South Sudan's capital Juba.

The Peak Oil Crisis: A Summer Review

It has been an interesting summer. In the midst of a deluge of "peak oil is dead" stories, crude prices surged upwards taking gasoline with them. Most "end of peak oil" stories talk mainly about the rapid growth in U.S. oil production in the last few years that has come from hydraulic fracturing of tight oil formations in North Dakota and Texas, without any context. Many assume open-ended growth that will soon spread around the world as more "shale" formations are discovered and attacked with the latest technology. A few acknowledge that even these wonderful formations will eventually run dry, but that is generally portrayed as so far down the road that we will have abundant oil for the foreseeable future.

Reports of Peak Oil's death are somewhat premature

Due to a dearth of new content, the management decided to stop publishing new material after July 31, leaving the existing content as a permanent archive. Naturally this evoked chortles of mirth from the Wall Street Journal. Those dumb old gloom-n-doomers at The Oil Drum, they speculated, were suffering crippling depression from the North American fossil fuels boom in the Bakken shale and the Alberta tar sands. See, these displays of rugged ingenuity were sending Peak Oil theory the way of phlogiston.

Reports of the Death of Peak Oil Have Been Greatly Exaggerated

A week or so ago, there was a mini-flurry of blog posts announcing that peak oil was dead. Thanks to shale oil, tar sands, heavy oil, deepwater oil, and all the other kinds of oil that the peakists didn't know about, the world was now practically drowning in the stuff.

The whole thing was very strange for several reasons. First, the peak oil community not only knows about all those kinds of nonconventional oil, its forecasts have always included them in minute detail. The question isn't whether they exist, it's when production declines in existing mature fields will outpace the modest amounts of new oil we're getting from nonconventional sources and new drilling technologies. Second, the world *isn't* drowning in oil. There's no dispute that shale oil has ramped up over the past few years, but it's added only a couple of million barrels a day to worldwide production and it's likely to start declining pretty quickly (within five or ten years or so). It's really not that big a deal on a global scale. Third, peak oil has never been only about the exact date that production of oil hits its highest point. It's been about how long production will plateau; how steep the subsequent decline will be; how expensive it will be to extract nonconventional oil; and how much oil prices will spike up and down as demand bumps up permanently against supply limits.

Platts Energy Week: Gasoline Prices (video)

Platts News Director John Kingston explains the latest price developments, and their relationships to crude oil and fuel markets.

Why Not Everyone’s Happy to See the Bitumen Bubble Burst

The bitumen bubble — that much discussed and oft-lamented hindrance to Canada’s public finances — seems to have finally popped. North American oil prices, at least for the time being, are once again fetching around the same amount as world prices, after trading for nearly $25-a-barrel less earlier this year.

A return to strength for Canadian oil prices is certainly music to the ears of Alberta’s oil sands players, as well as those in the Bakken region of southeast Saskatchewan. But not everyone is hearing the same sweet sounds. The disappearance of the huge price disadvantage that has so burdened North American oil producers should ring a discordant note for environmentalists.

BG Profit Declines 3% on Lower Output From Kazakhstan, Egypt

BG Group Plc, the U.K.’s third-largest natural-gas producer, said earnings dropped 3 percent in the second quarter as output declined in Kazakhstan and Egypt.

Profit excluding disposals and one-time items slipped to $986 million from $1 billion a year earlier, the Reading, England-based company said today. That beat the $968.4 million average estimate of eight analysts surveyed by Bloomberg.

Pemex in $3.87bn loss

Pemex has run up yet another large quarterly loss as the Mexican state-owned oil giant saw its revenues shrink further.

The Mexico City-based behemoth posted a net loss of 49 billion pesos ($3.87 billion) in the three months to the end of June, Reuters reported on Friday.

Repsol Seeks to Block Chevron Deal With YPF Through World Bank

> Repsol SA is asking a World Bank panel to help prevent Argentina's YPF SA from developing assets seized from the Spanish oil producer after Chevron Corp. agreed to invest $1.24 billion in a shale venture in the country.

[TransCanada profit jumps on higher power prices in Alberta]

> (Reuters) - TransCanada Corp, Canada's No.2 pipeline operator, reported a 34 percent jump in second-quarter profit due to higher prices in its power-generation business.
>
> The company also said it expects the Keystone XL pipeline to be in service about two years after receiving a presidential permit from the Obama administration.

[Escalating Iraq violence tied to Syria civil war]

> Iraq has been shaken by its worst wave of violence in the last five years. The United Nations has warned that the sectarian bloodshed in Iraq and the civil war in neighboring Syria are merging into one conflict.
>
> The outgoing UN envoy to Iraq has warned the Security Council that Syria's civil war has spilled over into Iraq, saying that "the battlefields are merging" into one conflict, which could destabilize the broader Middle East.

[US plans to bring Iran oil exports down to zero]

> WASHINGTON – The US House of Representatives will vote next week on legislation aimed at slashing Iran's ability to export any oil.
>
> With 360 co-sponsors in the 435-member body, the bill will pass, and is expected to be matched in the Senate after Congress's August recess.

[China Coal-Fired Economy Dying of Thirst as Mines Lack Water]

> At first glance, Daliuta in northern China appears to have a river running through it. A closer look reveals the stretch of water in the center is a pond, dammed at both ends. Beyond the barriers, the Wulanmulun's bed is dry.
>
> Daliuta in Shaanxi province sits on top of the world's biggest underground coal mine, which requires millions of liters of water a day for extracting, washing and processing the fuel. The town is the epicenter of a looming collision between China's increasingly scarce supplies of water and its plan to power economic growth with coal.

[Sinopec Sued by Hong Kong Businessman for Imprisonment]

China Petroleum & Chemical Corp. was sued for $5.17 billion by a Hong Kong businessman who said company executives were involved in a plot that had him imprisoned for five years on trumped-up charges.

[Keystone Prompts Congress to Let Lobbyist Write Letters]

The letters commend the State Department for its "thorough and transparent" analysis of the Keystone XL pipeline and urge U.S. officials to approve the project as soon as possible.

At least a dozen state and federal Republican lawmakers wrote in support of the $5.3 billion project that would cross six U.S. states. In doing so, they often pointed to the same facts and the used the same language.

[INFOGRAPHIC: Debunking Gasland Part II]

As many of you know, we put together a comprehensive debunk of Gasland Part II shortly after the film premiered in New York City in April. Since then, we've continued to expose the fraud that forms of the core of both Gasland and Gasland Part II, as well as director Josh Fox's insistence on repeating false and deceptive talking points about shale development.

But not everyone has the time to read through a 7,000-word blog post that details the laundry list of flaws with Gasland Part II. People are busy, they already know the movie is promoting a nonsensical agenda, but they also want something to digest quickly. What are they to do?

[China feed in tariff price for nuclear energy will boost nuclear power in China while still providing globally competitive electricity prices]

A price of RMB0.43 will be paid for each kilowatt-hour generated by new Chinese nuclear power plants, according to a ruling by the National Development and Reform Commission intended to incentivise construction. This equates to $70/MWh. Separately generators pay RMB0.0026/kWh ($4.2/MWh) for used fuel management. This it the cost of the nuclear power which EIA estimates at about $30-40 per MWh. This price to the suppliers is lower than the price of wind and energy feed in tariffs provided in European countries which can be several times higher to a little big higher (in the UK for large wind or hydro).

[Californians Consider a Future Without a Nuclear Plant for a Neighbor]

But after nearly half a century living with a radioactive neighbor, San Clemente is now adjusting to a future without the San Onofre nuclear power plant, whose proximity has long shaped life here in ways big and small.

Last month, Southern California Edison announced that the nuclear plant, which was closed in January 2012 when a problem with its new steam generators led to a small leak of radioactive steam, would shut down for good.

Many residents rejoiced at this news, but San Onofre's closing raises some uncomfortable questions for nearby towns that had relied on it as a source of cheap energy and jobs.

Tepco chief admits PR fiasco over water info

Tokyo Electric Power Co. waited too long to announce that radioactive groundwater from Fukushima No. 1 is reaching the Pacific Ocean, President Naomi Hirose admitted Friday.

He said three top officials, including himself, will have their pay cut for the error.

To bolster energy grid, states weigh compact

Kansas is undoubtedly a windy state, but it is not yet the "Saudi Arabia of Wind" that Republican Gov. Sam Brownback wants it to be.

Kansas has more wind energy potential than any state except Texas, but eight states generate more total megawatts of wind power -- even as Brownback and his legislature have taken steps to boost Kansas's wind industry. A key problem: a lack of high-voltage electricity lines to connect the remote areas where turbines churn out power to the bustling regions that demand it.

Biofuel Makers Seek to Ease Mandates to Avert Congress

Makers of some renewable fuels are asking the federal government to ease quotas for use of their products in a bid to head off a congressional overhaul of a program that refiners say is driving up costs at the pump.

With production of fuels made from sources such as wood waste, algae or used cooking oils at a fraction of what was envisioned in a 2007 law, the Environmental Protection Agency needs to adjust requirements for use of biofuels in coming years, according to the Advanced Biofuels Association. The statute allows the EPA to modify the requirements, and prompt EPA action would quell refiners' fears that there won't be enough renewable fuel to meet the mandate, they say.

Can Methanol Break OPEC's Grip On World Wealth? (video)

Ambassador R. James Woolsey (former CIA director) thinks that car manufacturers

> should offer vehicles that run on methanol (5X cheaper than oil), to spur competition and spread the wealth.

[Looking at Oil Palm's Genome for Keys to Productivity]

> On Wednesday a team of Malaysian and American scientists published a pair of papers in Nature on the genome of this profoundly important tree. In its 34,802 genes, they have been able to reconstruct millions of years of its evolution. They hope to use that knowledge to grow better trees that can yield more oil — and possibly reduce the pressure on the world's remaining rain forests.

[Two Energy Futures: a fossil-free future can be just around the corner]

> The site compares two possible models of energy production and consumption for the year 2035. The first, 'Fossil-Fuelled Future', is the future the International Energy Agency forecasts we are currently heading for, if governments and fossil fuel companies follow through on their promises on energy and climate change. So this is not even the worst-case scenario – it's the best that politicians and businesses are currently offering us. Needless to say, this scenario leads us to runaway climate change. The second, 'Cleaner Fairer Future', draws on extensive research including the latest Zero Carbon Britain report by the Centre for Alternative Technology. It shows that currently available renewable energy technologies can meet the energy needs of our growing global population in an equal and environmentally sensitive way.

['Carless People' wants half of EDSA for pedestrians, bikes]

> MANILA – Two groups composed of climate change advocates and lawyers are asking various government agencies to allot more space for commuters and pedestrians along EDSA.
>
> The Climate Change Litigation Team and Filipino Lawyers for the Carless People of the Philippines said they will file cases against several agencies if the government fails to implement improvements on EDSA for the welfare of pedestrians and bike riders.

[Michigan: More Money to Combat Asian Carp]

> A $50 million federal plan released Wednesday for keeping Asian carp from reaching the valuable fish populations of the Great Lakes calls for reinforcing electrical and other barriers and for field-testing other methods, including the use of water guns and hormonal fish love potions to lure carp for killing or capture.

[Obama administration's $50M Asian carp plan doesn't separate waterways]

> WASHINGTON — The Obama administration on Wednesday unveiled a new, $50-

million strategic plan to keep the invasive Asian carp out of the Great Lakes. But several researchers reacted with skepticism, as it doesn't include what they said is most needed — separating the lakes from the Mississippi River.

Baby Oysters In 'Death Race' With Acidifying Oceans

During the first two days of life, an oyster's prime directive is to build a shell of calcium carbonate to protect itself against predators. To do this, it relies entirely on energy from its own egg, as it has not yet developed the ability to feed.

"They must build their first shell quickly on a limited amount of energy – and along with the shell comes the organ to capture external food more effectively," said George Waldbusser, a marine ecologist at OSU who was lead author on the study. "It becomes a death race of sorts. Can the oyster build its shell quickly enough to allow its feeding mechanisms to develop before it runs out of energy from the egg?"

Reuters's global warming about-face

Reuters has long been one of the most prolific producers of climate change journalism, leading *The New York Times* and the *Guardian* for most climate-centric articles in 2011. But a new assessment lends credence to recent claims that the newswire is pulling back its coverage after the addition of a global-warming skeptic to the company's editorial management.

Trading Halt Shows UN Carbon System in Jeopardy

An unprecedented freeze in United Nations carbon trading is fanning speculation the five-year-old market designed to combat greenhouse-gas emissions in poor countries is in danger of becoming superfluous.

Glacier melting, monsoon rains responsible for Uttarakhand tragedy

Melting of glaciers coupled with monsoon rains, triggering overflow of rivers, were responsible for the Uttarakhand tragedy, a top official of the Ministry of Earth Sciences said on Friday.

"The flood was not only due to the rains but also because of melting of snow. Rainfall came almost two weeks early in the state. During that period, winter snow was already there. Now when the rain came, snow melted and flowed down along with the rains which increased the volume of water in rivers significantly," the Ministry secretary Shailesh Nayak said.

Global warming to cut snow water storage 56 percent in Oregon watershed

> CORVALLIS, Ore. – A new report projects that by the middle of this century there will be an average 56 percent drop in the amount of water stored in peak snowpack in the McKenzie River watershed of the Oregon Cascade Range - and that similar impacts may be found on low-elevation maritime snow packs around the world.
>
> The findings by scientists at Oregon State University, which are based on a projected 3.6 degree Fahrenheit temperature increase, highlight the special risks facing many low-elevation, mountainous regions where snow often falls near the freezing point. In such areas, changing from snow to rain only requires a very modest rise in temperature.

Gazprom takes delivery of second LNG tanker to operate via Northern Sea Route

> Moscow (Platts)- Russian gas giant Gazprom has taken delivery of the Yenisei River LNG tanker, the second tanker it is contracting from Greek LNG operator Dynagas which is able to operate via the Northern Sea Route, the company said in a statement Friday.

Polar Thaw Opens Shortcut for Russian Natural Gas

> YURKHAROVSKOYE GAS FIELD, Russia — The polar ice cap is melting, and if executives at the Russian energy company Novatek feel guilty about profiting from that, they do not let it be known in public.
>
> From this windswept shore on the Arctic Ocean, where Novatek owns enormous natural gas deposits, a stretch of thousands of miles of ice-free water leads to China. The company intends to ship the gas directly there.