The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

# Will the New Year bring Happiness and Prosperity?

Posted by Heading Out on January 1, 2007 - 12:57pm
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I would like to begin, despite the title, by wishing you each, individually, a Prosperous and a Happy New Year.

The past year has been an interesting one to watch, and comment on, and I would hope that this site will continue to be of interest to you as the topic evolves over the next year. And let me quietly suggest that the topic is likely to remain sufficiently evident that Halfin's suggestion of a change in emphasis is unlikely to come to pass.

The problem with making predictions, and I suppose also the fun, is that there are so many imponderables, such as the weather, that can make them into so much hot air or wasted electrons which, as we have discussed relative to predictions from folks such as CERA, can later make them embarrassing to have to recognize. And given that FTX has collected some of the more interesting ones already, maybe I should avoid that route.

So instead of making them as predictions, perhaps it would be better to frame the following as areas that will likely get more interest from the main stream media in the next year, and thus, in turn, get a greater share of public awareness.

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Given that Russia and Belarus have now agreed to a price for gas the new year will not start with an immediate shortage in the West of Europe, but the increasing control that Gazprom is obtaining over the supply pipelines (in this agreement they gain 50% control of the Belarus pipelines) is likely to become increasingly worrying. In part this is because Gazprom will not allow competitors to use their pipes, and the greater growth in Russian production is likely to come, over the next year, from those independent companies, though they could, of course, end up being swallowed by Gazprom, as it continues to flex it's muscles. The problems of supply within Russia may also rise again, if, as last year, there is a strong cold spell – since the country is increasingly relying on natural gas as a power source.

Over the course of the year it is likely that the succession will be stabilized in Turkmenistan, and it will become a little more evident if the country will continue to supply natural gas through Russia, or whether the Chinese can strengthen their position and gain a source of supply. Given that they are currently strengthening their position in Kazakhstan the growing impact of Chinese demand and their acquisition of the resources to fill it will limit the resources that can provide for the growing needs of other countries. This example has not been lost on the South Koreans, who are planning to buy more resources foe their own use.

> Korea is pushing to produce 18 percent of the country's oil needs from Korean-owned oil fields by 2013, against 4 percent now.

Given that the decline in production from Cantarell is having an impact both on overall Mexican production, but also on exports – most of which go to the United States, we can expect this to start having a visible impact sometime this next year, bringing the Peak Oil debate back to the country's attention. For while it may not be that hard to replace the odd 200,000 bd, when this starts to reach more than 500,000 bd it may become a little more difficult, depending on how tightly OPEC will maintain their production cuts.

And in that regard it will be interesting to see how production from the Kingdom of Saudi Arabia changes. They are projecting that there might be some from the Manifa field next year though the maximum production of 900,000 bd will not be reached until 2011. At that time two refineries in the KSA will also come onstream to process that particular crude. Needless to say the Chinese are also involved, since a third refinery is being built in Fujian that will take an additional 160,000 bd from KSA. However there should be new production coming along next year in the KSA.The current status of new production plans (as of December 6th) appears to be:

> The Abu Hadriyah, Fadhili and Khursaniyah fields are being developed, with production of 500,000 bpd of Arabian Light crude oil, plus more than one billion standard cubic feet/day (scfd) of associated gas. This is forecast to come online in December next year.
> Located deep in the Rub Al-Khali, or Empty Quarter, the Shaybah field has been delivering 500,000 bpd of Arab Extra Light crude oil since its start-up in 1998. Plans call for increasing production capacity to one million bpd, with the first increment of 250,000 bpd under implementation and slated to come onstream by the end of 2008.
> Two other major field development projects on track to meet the maximum production capacity target are the Khurais and Nuayyim fields. The Khurais project, which will also include production from the Abu Jifan and Mazalij fields, is projected to produce 1.2 million bpd of Arab Light crude oil in 2009. The Nuayyim project, a central Arabian field, is slated to add 100,000 bpd of Arabian Super Light crude oil by 2008.

Note that there is not much in this list until the end of next year, and then there is an increase in 2008, that will be supplemented with an increase in NGL by 310,000 bd, though again in 2008. Given that there are still those depletion numbers that must be dealt with, it will be another set of numbers to watch as the months roll by.

And speaking of numbers to watch the growing risks of American natural gas shortages by the end of the decade will likely become more evident. With the limited potential for alternatives, this will likely bring discussion on LNG terminals more into focus, though it is starting to be a little late to establish new supply trains from scratch to match the 10% of supply that was supposed to come from the Shtokman field but that is now scheduled for Western Europe.

The change in power in the Congress will bring more light on the situation as alternatives start to be discussed, and, in that regard, I suspect that some of the gilt may rub off the ethanol gingerbread. The price of corn has been steadily climbing and is now at $3.90 a bushel. Given that, just last July the Department of Argriculture was suggesting that the ethanol impact would only raise the price from $2.00 to $2.45, this additional cost may make the enterprise a bit less profitable and thus enticing. The calculation that shows a simplified version of the potential profit is given here. It suggests that there is no margin when the price of ethanol is $1.80/gal and corn costs $4.68/bu. This could lead to a fair amount of debate in those states that have mandated a certain percentage of ethanol be included in gasoline.

And, while I don't foresee any major changes in direction for this site, I do expect that there will be an increasing focus on global warming with the change in Congress. Whether that will bring a greater degree of reality to the debate over energy supplies is, unfortunately, another matter.

Well, with a soft chuckle, my attempt to move higher up the TOD rankings for next year has now been made. (Sometime around the end of next year I will invite comments on this post that may move me (grin) above 16th in the ranking).

Until then, again, my very best wishes for the New Year to you all.

HO (Who is, alas, starting the New Year himself with a heavy cold, and hence posting instead of partying).