



DrumBeat: April 4, 2007

Posted by [Leanan](#) on April 4, 2007 - 8:52am

Topic: [Miscellaneous](#)

[DOE Does Not Accept Initial SPR Bids](#)

The U.S. Department of Energy's Office of Fossil Energy today said that it had reviewed, and deemed unacceptable, the bids that it had received in response to a solicitation to purchase up to four million barrels of crude oil for the Strategic Petroleum Reserve (SPR). The Office of Fossil Energy determined that the bids were too high and not a reasonable value for taxpayers.

In keeping with Secretary Bodman's commitment to fill the SPR in a deliberate, predictable, and transparent manner, consistent with the Department's updated guidelines that were announced in November 2006, the Office of Fossil Energy will issue another solicitation for bids in mid-April.

[Robert Rodriguez's Perspectives on Energy Stocks](#)

In the case of supply, within the next five years, three countries may reach a peak in oil production: Mexico, China and Russia. Several analysts estimated that Mexican oil production would likely peak around 3.4 million barrels per day and that this event would occur in 2004. Mexico's largest oilfield, Cantarell, appears to have peaked and if this is the case, so has Mexican oil production, since six of every ten barrels produced by Mexico comes from this one field. Earlier this year, a 3% decline rate was forecast for Cantarell's production. This has proved incorrect since it is now estimated that the decline rate is 8%. Obviously, this is likely to be of some concern to Mexico. Should this forecast of peak oil production for these three countries be correct, an additional 35% of non-OPEC oil production will have peaked, and together with the 41% from eleven major countries and others that have experienced a peak in production rates, 76% of non-OPEC oil production might have peaked by 2012. If this occurs, it will give the middle-eastern countries even more clout in the setting of oil prices. This is not a pleasant thought.

[Palm oil: the biofuel of the future driving an ecological disaster now](#)

"When you look closely the areas where companies are getting permission for oil palm plantations are those of high-conservation forest," said Willie Smits, who set up SarVision, a satellite mapping service that charts the rainforest's decline. "What they're really doing is stealing the timber because they get to clear it before they plant. But the

timber's all they want; hit and run with no intention of ever planting. It's a conspiracy."

[Coal the car fuel of the future, claim experts](#)

But while visions of the future have focused on cars powered by electricity or bio-fuel, experts claim that motorists could fill up their tanks with coal in the not-too-distant future.

[Japan Pumps Funds Into Energy Drive](#)

Increasingly concerned about its medium- and long-term energy security amid stubbornly high prices -- and intensifying global competition -- for oil and gas, resource-poor Japan has set an ambitious goal of boosting the ratio of "Hinomaru oil," or oil developed and imported through domestic producers, from the current 15 percent to 40 percent by 2030.

[China's CNPC sees 2007 natural gas output at 54 bln cu m, up from 44.5 bln](#)

Li Jingming, a vice president and member of PetroChina's Research Institute for Petroleum Exploration and Development, told XFN-Asia on the sidelines of a energy forum here that natural gas will mainly come from a field in Sichuan province, and the Tarim and Qaidam Basins in Qinghai province, which account for 80 pct of its gas output.

[China energy reduction target tough to reach - state researcher](#)

China will struggle to reach its goal of reducing energy consumption by 20 pct per GDP unit by 2010 as heavy industry continues to grow at a rapid pace, a government researcher said.

[Tax on Carbon Emissions Gains Support](#)

As lawmakers on Capitol Hill push for a cap-and-trade system to rein in the nation's greenhouse gas emissions, an unlikely alternative has emerged from an ideologically diverse group of economists and industry leaders: a carbon tax.

[Reports From Four Fronts in the War on Warming](#)

Over the last few decades, as scientists have intensified their study of the human effects on climate and of the effects of climate change on humans, a common theme has emerged: in both respects, the world is a very unequal place.

[Denial in the Desert](#)

Some climatologists have not hesitated to call this a "mega-drought," even the "worst in 500 years." Others have been more cautious, not yet sure whether the current aridity in the West has surpassed the notorious thresholds of the 1930s (the Dust Bowl in the southern Plains) or 1950s (devastating drought in the Southwest). But the debate is possibly beside the point: The most recent and authoritative research finds that the "evening redness in the West" (to invoke the portentous subtitle of Cormac McCarthy's *Blood Meridian*) is not simply episodic drought but the region's new "normal weather."

[Environment: For a Greener Garden](#)

All gardens may look green, but some are greener than others. Truly green, or organic, gardens are free of synthetic fertilizers and pesticides and filled with native plants that need minimal amounts of extra water. They're good for the environment, and they're safe for kids and pets to play in. Planting one is simpler—and cheaper—than you might think.

[Postponing the Effects of Peak Oil](#)

In honor of the U.S. Government Accountability Office's (GAO) report warning us of the effects of peak oil, this week we'll examine its recommendations on how to delay the catastrophe.

The global peak in oil production is right around the corner, and closer than you might think.

[Studying the hydrogen energy chain](#)

Alternative-energy companies are targeting state and local governments as the places to showcase the latest hydrogen fuel technology, but there are still many issues to clear up before the technology becomes a significant part of everyday life.

[Could uranium hit \\$1,000 a pound?](#)

And over the weekend, I heard an industry insider propose \$1,000-a-pound uranium!

"That's crazy talk," I said.

"No," the industry insider said. "It would only raise the price of power from a nuclear plant to a level five times as high as it is currently. In a peak oil scenario – where

gasoline is trading at \$15 per gallon – that's quite doable."

He has a point. If the cost of fuel for our cars can quintuple, then so can the cost of electricity for our houses. And the idea of quintupling energy prices is not that far-fetched.

[Getting the price right for solar](#)

Even without technology breakthroughs, solar power will get cheaper from economies of scale, say experts. But without government subsidies, it is still more expensive than fossil fuels.

[Georgia's energy woes continue](#)

Georgia's energy supply still faces an uncertain future. On a recent trip to Baku, Nika Gilauri, Georgia's Energy Minister, met with his Azerbaijani counterpart, Natic Aliyev. His aim was to extend the terms of the Georgian-Azeri agreement which has seen Georgia receive 1.3 million cubic meters of natural gas per day since January from Azerbaijan's internal reserves. The inconclusive outcome of this meeting has only made the precariousness of Georgia's position clearer.

[Uganda: Kenyan Pipeline Blamed for Fuel Shortage](#)

"The Kenyan pipeline is facing frequent shutdowns arising from power and other mechanical breakdowns. It is reported that power supply to the line is inadequate and the transformers are stripping frequently," a statement by the ministry revealed.

[Iraq's economy](#)

The government is seeking foreign money to finance the huge infrastructure upgrades needed—including a proposed road linking all three of Kurdistan's main towns with their borders—and Mr Muhamad floated the intriguing option of "sharing management services" usually associated with the government, such as greater private-sector participation in the education sector, and even potentially PFIs in road and bridge construction. With the constitution confining sovereign debt issuance solely to the federal government, and the KRG allocated just 17% of federal oil revenue (after current spending)--the planning minister, Othman Shwani, among others, has argued that Kurdistan needs more, considering Saddam's legacy in the Kurdish areas – foreign money is desperately needed.

[Corny Energy 'Solution'](#)

Last stage of denial: ethanol will save us!

[Gas prices could set new record this year](#)

Gasoline prices are still 15 cents a gallon away from last May's all time high for Northern Nevada, but new highs could be set this summer, an American Automobile Association spokesman said Tuesday.

[This week in bad energy news](#)

One of the world's great oil fields is Cantarell, located in the Bay of Campeche (the southernmost area of the Gulf of Mexico), and it has been worked by PEMEX for years. According to Simmons, it's gone into decline. "That's a disaster happening in front of our eyes," said Simmons last week. He mentioned he had been in Mexico the week before and suggested Cantarell is down 20% in a year, a frightening prospect. "[Cantarell] produces six out of every 10 barrels from our friendliest supplier right across the border," said Simmons. (Let's ignore the diss to Canada there.) "The big discussion in PEMEX is, will the 20% persist or might it ease off to 14%? I raised the issue it might go to 25%."

[For cleaner US ports, cut truck fumes first?](#)

An L.A. ports coalition hopes its plan to allow only trucking firms that embrace new emissions standards will expand nationwide.

[Silicon Valley's "best brains" work on energy](#)

Venture capitalists in Silicon Valley have been searching for the next big thing in high-tech for years, but now many have switched to greener pursuits -- finding technology to help cut global warming.

[Global warming happens: but is it "catastrophic?"](#)

Likely headlines predicting a global warming "catastrophe," "disaster" or "cataclysm" after a U.N. report due on Friday risk sapping public willingness to act by making the problem seem too big to tackle, some experts say.

[NASA: Arctic lost part of its perennial sea ice in 2005](#)

But "recent studies indicate Arctic perennial ice is declining seven to 10 percent each decade," said Ron Kwok from NASA's Jet Propulsion Laboratory in Pasadena, California.

[Ruling Undermines Lawsuits Opposing Emissions Controls](#)

Yesterday's Supreme Court ruling on carbon dioxide emissions largely shredded the underpinning of other lawsuits trying to block regulation of the emissions and gave new momentum to Congressional efforts to control heat-trapping gases linked to climate change.

[Emissions law could still face hurdles](#)

California won a major victory in its campaign to regulate greenhouse gases on Monday. But the battle is not over.

The state still faces challenges on two fronts — at the U.S. Environmental Protection Agency and in a lawsuit by automakers — before it can implement its landmark law slashing greenhouse gas emissions from car exhaust. Even if California prevails, Congress could end up passing weaker national legislation that would supersede the state's.

[Bush holds line on global warming despite ruling](#)

President George W. Bush said on Tuesday he planned no new action to impose caps on greenhouse gases blamed for global warming despite the Supreme Court ruling that the Environmental Protection Agency must regulate U.S. emissions.

Instead, Bush pointed to his proposal to require cars to burn more gasoline made from home-grown sources like ethanol, and repeated his long-held stance that U.S. action is meaningless without changes by China and India.

[Time to Pay Attention, China Trade War, Housing, Iran and more](#)

Probably the most shocking news of the week was not the tension in the Middle East around Iran. No, as disturbing as is the *possibility* of another shooting war in immediate proximity to 25% of the world's daily oil shipments, the *reality* of a trade war with China announced on Friday (March 30 th , 2007) was even more disturbing:

[Foreign oil workers freed in Nigeria](#)

Kidnappers on Wednesday released two foreign oil workers abducted in Nigeria's restive southern oil region.

American Association of Petroleum Geologists convention: [Oil peak predicted for year 2020](#)

Development of the globe's remaining untapped oil reserves will push world production to its ultimate peak as early as 2020, before a long, slow decline begins near mid-century, petroleum experts predicted Tuesday.

[Oil – Venezuela's lifeblood – is also a political flashpoint](#)

Hugo Chavez vs. Big Oil. Now there's a showdown without an obvious crowd favorite.

The notoriously anti-American president of Venezuela started this fight by tearing up his contracts with four oil industry partnerships, demanding they convert the government's minority stakes into majority control. The oil majors developing the projects, including ExxonMobil, Chevron and ConocoPhillips, fume about having their deep pockets picked, but they don't have much choice. If they can't agree on financial terms by June 26, Chavez could always order the army to seize the oil fields.

[U.S. Must Get Head out of Sand on Oil Dependency](#)

The House Committee heard from two extraordinary witnesses – Daniel Yergin, author of the definitive history of the oil industry, “The Prize: The Epic Quest for Oil, Money and Power,” and former CIA Director John Deutch, co-chair of a recent Council on Foreign Relations task force report on “The National Security Consequences of U.S. Oil Dependence.”

[What if coal is running out too?](#)

But what if our core beliefs about coal are wrong? What if coal isn't as abundant as we thought? What if we're rapidly approaching peak coal?

[Reaping the benefits of Scotland's oil](#)

However, Gordon Brown and his colleagues in Westminster would have us believe only bad news about Scotland's oil wealth. His recent gaffe in claiming that oil revenues were falling, despite the undeniable fact that they are on a rising trend only serves to demonstrate the UK government's attitude to Scotland's oil wealth – to downplay its significance and squander its future potential.

Heinberg: [Nations must prepare for life after plentiful oil](#)

Nations may suffer severe economic, social and political effects if they remain

unprepared for the time when maximum oil production is reached, according to a speaker for the Truckee Meadows Livable Communities Series.

[BP proposes pipeline reversal to accommodate Canadian crude](#)

The UK-based oil industry giant's North American subsidiary BP Pipelines Inc. launched a so-called "open season" process last week to gauge the interest of its shipping customers in reversing the flow of the BP No. 1 Pipeline, which currently terminates in Whiting.

This would boost the flow of Canadian light crude oil from the Chicago area to Cushing, Okla., which dubs itself the "Pipeline Crossroads of the World."

"The open season demonstrates the changing nature of North American crude oil movement," said BP spokesman Scott Dean. "Midwest refineries are taking larger volumes of Canadian crude oil, which has caused a need to transport the oil south."

[US refinery problems and high demand to have depleted gasoline stocks](#)

Refinery problems in the US and heightened demand are expected to be highlighted in this week's snapshot of oil inventories, said analysts.

[Fueling debate](#)

When Anne Siglin moved to Alameda from Chicago in 2005, she was shocked by the price of gas in the Bay Area.

"There are refineries right here," she said. "Why does gas cost so much more?"

As gas prices continue to soar and Californians are paying 60 cents more for a gallon of unleaded than the national average, many Bay Area residents are wondering the same thing.

[Kernel of truth for corn](#)

Rain and cold in the Midwest, coupled with falling prices, could put a damper on the planting record fueled by ethanol demand.

[Better than ethanol](#)

Biobutanol, the plant based fuel similar to ethanol, promises more power and less

transport headaches. But can it be done cheaply enough?

[Palm oil is not a failure as a biofuel](#)

The Associated Press (AP) recently quoted Marcel Silvius, a renowned climate expert at Wetlands International in the Netherlands, as saying palm oil is a failure as a biofuel. This would be a misleading statement and one that doesn't help efforts to devise a workable solution to the multitude of issues surrounding the use of palm oil.

[Biofuels in Africa: Investment Boon or Food Threat?](#)

Africa's vast arable lands have the potential to rival top agricultural nations like the United States in supplying biofuels to a world seeking cleaner energy sources.

But using land reserved for food production to supply biofuel demand could squeeze food supplies in a region vulnerable to shortages. It could also hurt poor consumers if the biofuel boom continues to push food prices higher.



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