



## DrumBeat: May 26, 2007

Posted by [Robert Rapier](#) on May 26, 2007 - 9:00am

Topic: [Miscellaneous](#)

### [Oil industry preps for Gulf storm season](#)

If you think gasoline prices are high now, consider the eye-popping possibilities if another monster storm pummels the Gulf of Mexico this hurricane season, the way Katrina and Rita battered the petroleum-rich waters in 2005.

'I think it's important to say, 'as best we can be," said Frank Glaviano, vice president of production for Shell Exploration and Production, an arm of Royal Dutch Shell PLC. (NYSE:RDS A) 'We thought we were prepared, and then we saw a storm like never before in terms of Katrina. ... Rita and Katrina are now part of what can happen -- not a possibility, but a probability.'

### [Japan Infiltrates the Middle East](#)

Japan has many good reasons to worry about the supply of its economy's lifeblood. It may face serious consequences from the new energy rush and the prospect of reaching peak global oil production, particularly in the face of rising competitors in Asia. For example, China alongside India and Iran form the triangle of Asian ancient civilization. China has a long history of trading with the Middle East that goes back many centuries to the Silk Road era. Many Chinese citizens are now working in oil-producing Arab countries. China's rising political power, stemming from its economic growth, has tempted autocratic rulers of Middle East countries to develop their relationship with Beijing, hoping to balance the West's long-term interference in the region.

### [Risky business: Big Oil's billion-dollar juggling act](#)

Rarely has one company faced such grave trouble at so many places in such a thin slice of time. The breakdowns form a composite of the challenges an oil giant faces at a time when fields like Prudhoe Bay are running short of oil, the refinery infrastructure in places like Texas City is out of date and overtaxed, and the prospects for success in exploration are dicier than ever.

### [Survey: Car buyers want size, power and better mileage.](#)

Of all the respondents - not just those currently shopping for a car - just 52 percent said they would be willing to get a smaller vehicle to get better mileage. Forty-one percent said they would be willing to give up performance and only 45 percent said they would take fewer amenities in exchange for better mileage.

### [Will tourists come?](#)

Despite the recent price jump, a University of Southern Maine economist predicted record-high traffic into Maine at the start of Memorial Day weekend. Northbound traffic on the turnpike was projected to rise by 4 percent over last year. The forecast took into account gas prices, weather and traffic trends.

### [Blame gas prices on the Prius?](#)

Getting 60 miles to the gallon, Prius drivers buy less gas, which is what the president said he wants. But the rest of us may be paying the long term price for the popularity of alternative fuels. So can we blame the high price of gas on Prius owners? "It's hard for me to be a judge, but put the pieces of the puzzle together, I might be thinking what you're thinking," said Prius salesman David Womack.

### ['Who Is Gouging Whom?'](#)

Last Wednesday the House of Representatives passed legislation instituting penalties of up to \$150 million for companies and up to \$2 million and 10 years' imprisonment for individuals found guilty of gasoline "price gouging." But the real gouger driving up gasoline prices is not the private sector, it is our government. To "gouge" means to extort, to take by force--something that oil companies and gas stations have no power to do. Unlike a government, which can forcibly take away its citizens' money and dictate their behavior, an oil company can only make us an offer to buy its products, which we are free to reject.

### [A Gas Crisis 30 Years in the Making](#)

Embrace the memory of the average \$3.21 cents we'll pay for each gallon of regular unleaded gasoline purchased this Memorial Holiday weekend. The chances are we'll pay a lot more next year and the year after that. What the oil companies are doing isn't moral. Nor is it illegal. But it is business.

## Contributions from Stoneleigh:

### [More cite hardship from gas prices](#)

Despite the skyrocketing cost, slightly fewer people than last year said they are reducing their driving, trimming other expenses or curtailing vacation plans due to higher energy costs. Asked to name a fair price for a gallon of gasoline, for the first time most volunteered \$2 and up, and not less than \$2.

### [Baird stands by refinery decision](#)

A proposed oil refinery in New Brunswick will go through the "toughest" environmental assessment before being built, Environment Minister John Baird insisted Friday, despite complaints the project is being allowed to skip some procedural steps.

The federal government announced Thursday it would study only the marine component of the \$7-billion Irving Oil refinery proposed for Saint John, N.B., and leave the more serious environmental assessment of pollution issues to the provincial government.

That decision infuriated environmentalists, who claimed the governments were taking a shortcut to rush the refinery into production.

### [Ending India's energy drought](#)

In most Indian cities, being middle class means owning your own power company. As summer temperatures approach 40 degrees Celsius (104 Fahrenheit), energy demand from electric fans and air conditioners is putting stretched utilities under stress. Against a peak demand of 104,000 megawatts last month, supply was 90,000 megawatts. That is a shortfall of 14 percent.

Rationing of power, which goes on throughout the year, becomes unbearable during the summer months. People resign themselves to blackouts that sometimes last all day, even longer if overburdened cables burn or aging transformers collapse.

Households and businesses create their own electricity by burning diesel in noisy, inefficient, polluting generators. Those who cannot afford to be power producers buy inverters: chargeable batteries that store power from the utilities for later use.

### [Russia: Bigger Than Big Oil](#)

Perhaps most astoundingly, late last year Russia quietly passed Saudi Arabia to become the world's biggest oil producer. After Russian President Vladimir Putin and U.S.

Secretary of State Condoleezza Rice recently agreed, face to face, to tone down their increasingly inflammatory rhetoric and concentrate instead on business, Russia's growing oil output and the U.S.'s corresponding decline seem increasingly meaningful, if not ominous.

### [Nigerian oil unions end strike after government concessions](#)

The government agreed to a 15 percent raise for all employees of the Nigerian National Petroleum Company and union officials ordered workers back to work on Saturday, said Peter Esele, leader of the white collar workers' bloc.

The strike did not affect crude output from Africa's biggest producer, but workers began leaving their jobs at export terminals on Friday, threatening to slow the flow of crude from Nigeria at a time when oil prices are near all-time highs. The work action began Thursday, after the government hastily sold off a refinery.

Esele said the tens of thousands of Nigerian workers in the oil industry would still participate in a separate two-day work stoppage beginning Monday to protest the country's deeply flawed April elections.

### [Risky business: Big Oil's billion-dollar juggling act](#)

The can-do culture of BP's past pushed it to explore the depths of oceans, deal with unsavory political regimes, pioneer the era of oil-industry consolidation and test the limits of technology. Malone was in Alaska trying to reignite BP's can-do spirit after nearly a decade in which the company scrimped on routine maintenance and ignored safety issues that led to the disaster in Texas and the spill in Alaska.

And now, an inability to tackle daunting technological challenges has forced BP to delay pumping from one of its brightest prospects for the future: BP's massive Thunder Horse platform in the Gulf of Mexico. A nearly 3-year delay in the startup of the world's largest floating oil platform, which covers an area the size of three football fields, is setting back the arrival of enough oil to boost total U.S. production by nearly 5 percent.

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The crisis at BP is symptomatic of challenges oil companies face in trying to slake the world's thirst for oil. The six "super-major" independent oil companies together take in nearly \$1.5 trillion each year. Yet the residue from the cutbacks and scrimping during the days of \$10-a-barrel oil in the late 1990s has left the industry ill-equipped to handle even the slightest hiccup.

### [Ottawa has a plan to protect infrastructure from terrorists](#)

The plan, in the works for almost three years, is revealed in briefing notes prepared for Public Safety Minister Stockwell Day after an al-Qaida affiliate in the Arabian Peninsula threatened in February to attack the petroleum interests of countries, such as Canada, that supply oil and gas to the United States.

The national strategy would reach far beyond the oil and gas sector to cover everything from power plants and telecommunications networks to banking systems, hospitals, transport routes, food-distribution networks, manufacturing facilities and the water supply.

"There is a growing consensus in both the public and private sectors that there is a need for both critical infrastructure protection and cyber-security strategies to bring together existing capacities as well as to set new priorities," states a briefing note prepared for Day on Feb. 19 and obtained under the Access to Information Act.

### [Uganda scraps plan to cut rainforest for palm oil](#)

Uganda's government has scrapped plans to convert thousands of hectares of rainforest on an island in Lake Victoria into a palm oil plantation, the environment minister said on Saturday.

President Yoweri Museveni has faced intense opposition, including violent protests, over proposals to give private firms the right to bulldoze protected forests to create farms.

### [Motorists driven to Mexican fuel](#)

U.S. motorists are flocking to gas pumps south of the border to save 25% or more on the cost of a fill-up — courtesy of the Mexican government.

Worried about inflation, Mexican officials are keeping a lid on retail prices at the state-owned petroleum company Pemex. Regular-grade gasoline in this border town is selling for about \$2.60 a gallon. With prices in California averaging \$3.43 a gallon — and topping \$4 at some stations — Golden State residents such as Roger Moore are grabbing a deal while they can.

### [Alberta group wants province to design energy policy](#)

In the heart of free market Alberta, a prominent industry group is calling on the province to design an energy policy to better manage growth.

The Canadian Energy Pipeline Association is concerned about Albertans' recent backlash

against too much development and believes the government needs to be more engaged so the province's main industry can achieve its aggressive growth plans.

In terms of oil pipelines alone, companies are planning to invest \$20-billion between now and 2014 to transport oil from the oilsands to U.S. markets.

### [‘Iraqi oil law won’t allow foreign control’](#)

Iraq’s pending new oil law does not mention production-sharing contracts and will guarantee that 80 percent of oil reserves are managed by the Iraqi National Oil Company, the oil minister said in remarks published on Friday.

“There is no mention of production-sharing contracts,” Hussain al-Shahristani told the pan-Arab daily al-Hayat.

The state-owned Iraqi National Oil Company would control all fields other than those that are not now in production and which are a long way from production, he added.

### [LPG terminal inaugurated](#)

The first integrated liquefied petroleum gas (LPG) terminal at Port Qasim was inaugurated by President Gen Pervez Musharraf on Friday.

This terminal is the largest LPG infrastructure project in Pakistan with an investment worth \$50 million and built by SNC Lavalin.

### [Malaysia, Indonesia take to Europe to defend palm oil](#)

Malaysia and Indonesia said they will meet European lawmakers to debunk accusations oil palm plantations are environmentally destructive -- claims they said are hurting the sector.

### [Turkmenistan: Multiple Gas Pipelines Still Possible](#)

The agreement reached by the presidents of Russia, Turkmenistan and Kazakhstan earlier this month to build a gas pipeline from the Caspian shore to Russia has been hailed by the international media as a Russian victory over the West.

The excitement generated by the trilateral deal, which presidents Vladimir Putin of Russia, Kazakstan's Nursultan Nazarbaev and Gurbanguly Berdymuhammedov of Turkmenistan signed at a May 12 summit in the Caspian port of Turkmenbashi, stems from the belief that this agreement puts paid to a projected alternative route, the

### Trans-Caspian Gas Pipeline, TCGP.

The European Union has been lobbying for the TCGP, which would be laid under the Caspian Sea to Azerbaijan and would not go through Russian territory.

### [Iranian, Europeans Meet on Nuclear Issue](#)

With the threat of new U.N. sanctions looming, senior European officials met Friday with a ranking envoy from Iran in what officials described as an attempt to defuse the crisis over the Islamic republic's refusal to scrap uranium enrichment.

### [Pentagon says China expanding military reach](#)

China's ongoing military buildup remains focused on preventing Taiwan's independence but is expanding to include other regional military goals, including securing the flow of oil from overseas, according to an annual Pentagon study issued Friday.



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