



## DrumBeat: May 29, 2007

Posted by [Stoneleigh](#) on May 29, 2007 - 9:00am

Topic: [Miscellaneous](#)

### [Our blind faith in oil growth could bring the economy crashing down](#)

Motorised transport is a form of time travel. We mine the compressed time of other eras - the infinitesimal rain of plankton on the ocean floor, the settlement of trees in anoxic swamps - and use it to accelerate through our own. Every tank of fuel contains thousands of years of accretions. Our future depends on the expectation that the past will never be exhausted.

The energy white paper the government published last week talks of new taxes, new markets, new research, new incentives. Anyone reading the chapter on transport would be forgiven for believing that the government has the problem under control: as a result of its measures, we are likely to see a great reduction in our use of geological time.

Buried in another chapter, however, and so far missed by all journalists, there is a remarkable admission: "The majority (66%) of UK oil demand is derived from demand for transport fuels which is expected to increase modestly over the medium term." To increase? If the government is implementing all the exciting measures the transport chapter contains, how on earth could our use of fuel increase?

### [Middle East makes inroads into Alberta oil patch](#)

In a startling reversal of history, a Middle Eastern energy company is pushing into the Canadian oil and gas market looking for secure supplies, and, thanks to a battle with activist shareholders on this continent, it may be getting a good deal in the process.

Abu Dhabi National Energy Co. (TAQA) said Tuesday it has struck a deal to buy North Rock Resources Ltd., a Calgary-based oil and gas exploration firm, for \$2-billion (U.S.) from Pogo Producing Co. of Houston.

Northrock president David Pearce said he thinks that, assuming Investment Canada approves the deal, it would make TAQA the first Middle Eastern company to become an owner in the Canadian oil patch. "It is my understanding through preliminary discussions that they have a desire to diversify into relatively secure geographies."

### [Global warming's boom town](#)

Ilulissat, a town of 5,000 people in the chilly north of Greenland, is hot. Majestic blue icebergs the size of small islands float outside its harbour; its ice fjord drains 7% of the area of the Greenland ice sheet. It is the place to go to see global warming in action. And getting there has just become much easier. This week Air Greenland began commercial flights between Kangerlussuaq, a former military airstrip to the south, and Baltimore in Maryland. American eco-tourists can now fly straight to the Danish territory without going via Copenhagen.

### [Anxiously watching a different world](#)

Having agitated about global warming for decades, northerners now find the focus is not on them but on wildlife. So while they welcome celebrities who drop by to publicise climate change—a British businessman, Sir Richard Branson, travelled across Baffin Island by dogsled this spring, while Jake Gyllenhaal, an American actor, visited Iqaluit in 2005—they have little time for those who equate saving the environment with animal rights.

What really worries some northerners is that the concomitants of climate change—more shipping, mining, and oil and gas exploration—may threaten the environment and with it the Inuit's traditional life, based on hunting and fishing. “We're more hardcore than Greenpeace because we know what nature is,” says Nick Illauq, a youth leader from Clyde River in Nunavut.

Others want development—but on their terms. Last year Nunavut's economy grew by 5.8%, second only to that of oil-rich Alberta. Much of the boost came from the opening of the territory's first diamond mine. “There has always been a sense that the northern ice desert of Canada was a treasure trove,” says Peter Gillin of Tahera, the mining company involved. Spending on mineral exploration in the three northern territories has almost tripled in the past five years. Of the 130 companies exploring in Nunavut this year, 32 are looking for uranium. Others are seeking gold, diamonds, silver, zinc, nickel, copper, iron ore and sapphires. Guy d'Argencourt, who supervises mining claims for Nunavut's government, recalls the old joke that a typical Inuit family consisted of father, mother, two children and an anthropologist. Now it is geologists who are ubiquitous, he says.

### [Turkish minister vows to implement gas project bypassing Russia](#)

The Turkish energy minister said Tuesday the ambitious gas pipeline project linking the energy-rich Caspian Sea to Europe, bypassing Russia, will definitely be implemented.

The \$6 billion pipeline project, referred to as Nabucco, is expected to run through Turkey, Bulgaria, Romania, Hungary and Austria. Construction is scheduled to begin in 2008, so that the pipeline could go on stream in 2011.

The European Union expects the project to diversify its supply routes away from Russia and boost European energy security.

### [Thirsty for oil](#)

Re-entering Libya is critical for a company like BP, which is desperate to boost its reserves and is seeing its Russian plans turn sour. But Libya knows just how much BP needs this deal. Gone are the days when BP could walk into a foreign land and pocket most of the revenue.

One of the reasons Western majors have taken so long to return to the country is the onerous terms Colonel Gaddafi's ministers have set.

### [Blair praises 'easy' relationship with Gadaffi](#)

"The fact is we need Libya's help now in combating terrorism and there are fantastic, huge commercial opportunities, but it's also important for the development of Africa," Blair was reported to have told journalists during the flight to Tripoli.

He said relations with Libya have been "transformed" and are now "completely productive".

### [The cruelties of global warming](#)

Peru's glaciers are melting. High in the Andes, freak hailstorms and cold snaps are freezing llamas to death. In the north of Kenya, unprecedented droughts have driven herdsmen into deadly battles for the few water holes. In the mountains of Tajikistan, near the border with Afghan-istan, flooding and landslides are washing away the crops.

Across the developing world, man-made climate change is an indisputable reality and it is already hitting hardest against the poorest nations.

### [South Korea to start state-led carbon fund](#)

South Korea, which imports 97 percent of its energy and mineral needs, said Monday that it planned to establish the country's first government-led carbon fund in July.

The fund may be as large as 200 billion won, or \$216 million, the Ministry of Commerce, Industry and Energy said. It will invest in carbon-reducing businesses approved by the United Nations and profit from selling the carbon credits these businesses produce.

### [APEC to Study Impact of State-Owned Oil Companies](#)

Ministers from APEC, which accounts for 60 percent of global oil and gas demand, are meeting in Darwin, Australia, to discuss energy security and minimizing harmful emissions. The group's dependency on oil imports is set to rise at a time when governments led by Russia and Venezuela are seizing oil assets from private companies.

``It's a problem that private, international oil companies find it difficult to develop reserves," Claude Mandil, the International Energy Agency's executive director, said in an interview today. ``Partnerships of state-controlled and private oil companies are needed, but the way to cooperate hasn't been invented."

BP Plc's Russian venture lost a court case yesterday over its license to a Siberian gas deposit with enough fuel to supply Asia for five years, allowing Russia's government to regain control of the field as early as this week.

### [China opposes new Sudan sanctions, defends oil cooperation](#)

China on Tuesday said it opposed more sanctions against Sudan and defended its cooperation in oil exploitation with the Sudanese government.

'If you only put pressure on Sudan, it is not helpful to resolving the issue [of Darfur]; it can only make the issue more complicated,' said Liu Guijin, a special envoy to Sudan for Chinese President Hu Jintao.

### [China to regulate natural gas imports from June 10](#)

Competition over gas purchases has helped overseas exporters raise prices, it said.

The situation has been blamed on the lax import system for natural gas. Currently, enterprises do not have to satisfy any conditions to obtain import permits for natural gas. After June 10, each application for an import permit will be examined and approved, Xinhua said.

Apart from the three major companies, enterprises controlled by local governments have joined the competition for gas imports, which is contributing to a further hike in prices, the agency said.

### [Pakistan says BP to bid for state oil firm - official](#)

A Pakistani government minister said that British oil firm BP has not yet won a majority stake in Pakistan State Oil (PSO), but it has been approved to make a bid for it.

Minister of Privatization and Investment Zahid Hamid said bidding for a controlling stake in the country's largest oil supplier would only begin later in June.

### [Iran hopes to finalise India pipeline deal in June](#)

Iran said on Tuesday it hopes to sign a final deal next month for a \$7 billion pipeline that transfers natural gas to India through Pakistan, Iranian media reported.

The three countries agreed over the price formula for the pipeline in January and a new round of negotiations started in Tehran on Sunday.

### [Gazprom goes after 10pc of UK gas market](#)

Gazprom, Russia's gas monopoly, has drawn up ambitious plans to seize control of 10pc of the UK gas market by 2010.

As part of the plan Gazprom is considering building power stations in the UK in partnership with other energy firms, Vitaly Vasiliev, chief executive of Gazprom Marketing and Trading (GMT) told The Daily Telegraph.

### [Gasoline message heard clearly](#)

Voters are steamed about the record prices they're seeing at the pump, just as the summer vacation season is getting under way.

And lawmakers are scrambling to do something, anything they can to help.

Brushing aside veto threats from the White House, the House last week passed bills authorizing the federal government to sue the Organization of the Petroleum Exporting Countries and to go after price gougers.

The Senate could take up similar provisions in June.

Lawmakers also are taking to the microphones to castigate the oil companies for their refinery mishaps, raise the specter of renewed government intervention into the industry and — this being Washington — take potshots at one another.

### [Easterners could freeze in the dark](#)

Indeed, Canada's official goal is greater continental co-operation, at the expense of our own security of supply.

For example, in researching how Canada's energy security would be affected by exporting more energy to the United States, I learned that Canada has no plans, or enough pipelines, to get oil to Eastern Canadians in the event of an international supply crisis.

Further, I was surprised that the government was not even studying Canadian energy security.

The National Energy Board wrote me on April 12: "Unfortunately, the NEB has not undertaken any studies on security of supply." Yet the board's mandate is to "promote safety and security ... in the Canadian public interest."

I asked if Canada, as a member of the International Energy Agency, will establish a Strategic Petroleum Reserve. The IEA was created to counter OPEC's boycotting power; its 24 members are supposed to maintain 90 days of emergency oil reserves.

The NEB replied that Canada "was specifically exempted from establishing a reserve, on the grounds that Canada is a net exporting country whereas the other members are net importers."

But that doesn't make sense. Canada may be a net exporter, but it still imports 40 per cent of its oil - 850,000 barrels per day - to meet 90 per cent of Atlantic Canada's and Quebec's needs, and 40 per cent of Ontario's.

### [Why gas costs so much](#)

In this first year daylight savings time was moved ahead by three weeks, vehicle use in Canada soared. Seems many folks used that extra hour of evening daylight to drive rather than park the car. Or to check tire pressure, a simple way of increasing fuel efficiency.

Sales of SUVs, pick-up trucks and other gas-guzzlers have declined, but remain more brisk than the media suggest. Small-car sales are on the rise.

But often they're a third addition to the family fleet, according to U.S. auto-trend watcher CNW Marketing Research.

That new Prius, Fit or Smart is a balm to the conscience, but seldom a replacement for the Jeep Grand Cherokee and 425-hp Chrysler 300 in the driveway, for hauling and vacations.

### [Report: Diesels to Outstrip Hybrids in Accelerating U.S. Growth](#)

With U.S. regulators looking to revise fuel economy standards amid concerns for energy security and greenhouse gas (GHG) emissions, new research published by UBS and Ricardo points to combined annual diesel and hybrid gasoline vehicle sales in the United States of 2.7 million by 2012. The Ricardo / UBS research report "Is Diesel set to boom in the US?" sets out the legislative and consumer drivers of engine technology for the North American automotive market over the coming decade, as well as the many candidate technologies available for future vehicle products.

At present, hybrid gasoline technology appears to be the preferred route in the United



States, not least due to its attraction as a visible badge of green awareness amongst higher income purchasers. Many original equipment manufacturers plan to launch hybrid products in the next few years, but the report highlights that this technology faces substantial manufacturing cost penalties, which are unlikely to be eroded even in mass production. Diesel has a clear cost advantage over hybrid, even when fitted with the type of complex exhaust after-treatment technologies necessary to meet future, more stringent emissions regulations.

### [CNOOC to Undertake Deepwater Exploration on its Own](#)

China National Offshore Oil Corp., or CNOOC, Friday said it plans go into deepwater exploration to look for petroleum reserves in offshore China, using its own deepwater drilling rig.

The "experiment" will be carried out in October, Chairman Fu Chengyu told reporters after the annual general meeting of CNOOC's listed unit, CNOOC Ltd. (0883.HK)

This will be CNOOC's first independent foray into deepwater exploration. The third largest Chinese oil firm in terms of assets has so far signed 10 deepwater contracts with foreign companies, such as Canada's Husky Energy Inc., (HSE.T), to use their expertise in drilling in depths where it lacks the necessary technology.

### [Britain may have missed its chance for clean coal](#)

Britain could be on the verge of missing a huge opportunity to export clean coal technology around the world, energy analysts said yesterday.

They warned that BP's decision to abandon plans for the development of a "green" power plant at Peterhead, Scotland, following this week's Government white paper on energy, could be the start of a slowdown in British efforts to tackle climate change. Stuart Haszeldine, an Edinburgh University geoscientist, said: "The Government says it wants to lead a carbon capture and storage project. Well, it had a lead. Now it has a lead in hot air."

The warning follows comments from Richard Budge, the chief executive officer of Powerfuel, which is now installing clean coal technology at the newly-reopened Hatfield colliery. Mr Budge said energy producers are not likely to follow his company without a much clearer position on financial incentives from the Government.

### [Australian bet on clean coal risks climate change](#)

The Australian Labor Party (ALP) is counting on clean coal technology (CCT) to achieve long term energy security by exploiting Australia's huge coal reserves. This is a high risk policy given the enormous challenge of CCT which captures carbon dioxide and buries it

in exhausted oil or gas fields. It suggests that the ALP, like the current Howard Government, is in thrall to the fossil fuel lobby.

### [China Embraces Nuclear Future](#)

As governments worldwide look at nuclear power as a possible answer to global warming, China has embarked on a nuclear-plant construction binge that eventually could exceed the one the United States undertook during the technology's heyday in the 1960s.

Under plans already announced, China intends to spend \$50 billion to build 32 nuclear plants by 2020. Some analysts say the country will build 300 more by the middle of the century. That's not much less than the generating power of all the nuclear plants in the world today.

### [Canada sued over greenhouse gases](#)

Environmental group Friends of the Earth Canada launched a lawsuit against the Canadian government on Tuesday for not meeting its commitments under the Kyoto Protocol on reducing greenhouse gas emissions.

The lawsuit, filed in the Federal Court in Ottawa, says the government is failing to meet Canada's commitment under the Kyoto treaty to cut its emissions of greenhouse gases to 6 percent below 1990 levels.

### [Chevron Forms Biofuels Research Alliance](#)

Chevron Corp. said Tuesday it formed a biofuels-research partnership with Texas A&M University.

Financial terms of the partnership with Texas A&M's Agriculture and Engineering BioEnergy Alliance were not disclosed.

Over four years, Chevron Technology Ventures will support research on developing biofuels from cellulose, such as plants' stems, stalks and leaves. Unlike current ethanol that's produced from corn, cellulosic biofuel could be made from nonfood crops.

### [China Crash - domino effect on US markets, and collateral effect on resource stocks...](#)

A few days ago Alan Greenspan had a go at bursting the Chinese equity bubble by describing it as just that, but it had little effect as the forces of greed remain in control, although as we shall see, greed could turn to fear at the flick of a switch in this market.



We should keep in mind, however, that calling a top even towards the end of a massive bull run is notoriously difficult, but that doesn't mean that when ridiculously overbought conditions prevail, as now, we shouldn't attempt it, because of the serious collateral damage that will ensue in other markets and sectors once the bubble bursts. Note that the bursting of the bubble does not in itself imply that there is anything "wrong" with the Chinese economy per se, rather it is the inevitable consequence of wild speculative excess.

### [Going Ballistic: The Hard Facts About Parabolic Spikes](#)

In his new book, *The Black Swan*, Nassim Nicholas Taleb expands on a concept he addressed in his first book, *Foiled by Randomness*. In the opening, Taleb addresses three attributes of the Black Swan:

“First, it is an outlier, as it lies outside the realm of regular expectations, because nothing in the past can convincingly point to its possibility. Second, it carries an extreme impact. Third, in spite of its outlier status, human nature makes us concoct explanations for its occurrence after the fact, making it explainable and predictable.”

And when we understand this concept, we realize why anticipating the rare event is critical, and that any model that does not address this risk is dangerously incomplete. Parabolic rises contain within themselves the warning of a price breakdown. As such, I strongly encourage you to help your clients and friends to stop extrapolating our current conditions into the indefinite future, and to stop repeating the phrase, “Well you have been saying that the markets were going to decline for a long time, and nothing has happened yet.” The real science of price movement and the pragmatic restrictions of debt overhang reveal the fallacy of such a mindset. But, emotions can cloud our judgment and make us rationalize the most reckless of actions.



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