



DrumBeat: July 14, 2007

Posted by [Leanan](#) on July 14, 2007 - 9:10am

Topic: [Miscellaneous](#)

[Exxon's \\$1 Trillion Hurdle: As Oil Reserves Dwindle, Giants Find That Size Can Often Be a Liability](#)

Size has traditionally been an advantage for Big Oil. As the world shrinks, the number of choice oil fields has diminished and new finds have become more expensive and complicated to tap. The trouble for Exxon chief Rex Tillerson is that to move the needle on a company bigger than most governments, he needs to broker ever larger deals.

Yet last year Exxon didn't replace its reserves through the drill-bit for the first time, according to Oppenheimer research. That's because more of the world's oil reserves have become off limits to Exxon and other private drillers. Many are controlled by national oil companies, such as Saudi Arabia's Aramco or Mexico's Pemex. Expropriation by governments like Russia and Venezuela took other reserves off the market.

[The IEA'S Come-to-Jesus Moment](#)

Q: What's the difference between an oil analyst and a used car salesman?

A: The used car salesman knows when he's lying.

[IEA: 08 Oil Demand Seen at Fastest Clip in Years](#)

Global energy consumption is seen rising at its fastest clip in recent years in 2008 but high oil prices persisting above \$70 a barrel may steadily eat away at demand, the International Energy Agency said Friday.

The Paris-based agency, in its monthly oil market report, also conceded that it had been too upbeat in its forecasts for oil production by rival producers to OPEC, such as the U.S., Norway and the U.K.

[Economics 101: Oil Rises On Supply Questions](#)

The law of supply and demand caught up with the oil market on Friday.

The price of crude jumped on a multinational report that predicted world oil demand will rise 2.5% in 2008. In the short run, that reflected the temporary closure of a North Sea pipeline. Longer-term, however, questions about supply from Nigeria and Iran mean that the amount of crude available may not keep up with the rising demand.

[Mexican Crude Falling. Will Drop More](#)

International Consultant company analysts associate the reduction in hydrocarbon production to the exhaustion of Cantarell, the largest oilfield in Mexico, the output of which has decreased over 26 percent in the two most recent years.

They warned that at the current pace of exploitation, if another vein like Cantarell does not appear, this country will only have oil to maintain between nine and 13 years at present usage levels.

[The Trouble with Refining Crude Oil](#)

The weekly status report continues to reveal a highly unusual and persistent problem developing in the US market for crude and refined products. Specifically, the US is absolutely awash in crude oil, yet it's experiencing a growing shortage of motor gasoline just as we enter the peak of the summer driving season.

And, more recently, the gasoline supply shortage is starting to have knock-on effects for supplies of another key class of refined products known as distillates. Key distillate fuels include diesel and heating oil. This will become a bigger issue as we head into the winter heating season; heating oil is still a key source of heat in certain regions of the nation, and the winter marks a season of heavy demand for distillate fuel.

[Total and Gazprom sign \\$15bn deal](#)

Total and Gazprom today signed a \$15bn (£7.4bn) deal that will give the French energy group access to huge gas reserves under the Barents Sea and the ability to supply Europe for decades to come.

[A glimmer of hope: The struggle for energy independence from Russia](#)

WESTERN failures in recent energy tussles with Russia have been persistent and spectacular. Key allies have drifted off into private deals. The big picture has been ignored. The gloomy drift accelerated this year with the signing of a three-cornered deal between Russia, Kazakhstan and Turkmenistan to pump the Caspian's huge gas reserves north through Russia. Now Uzbekistan, according to Russia's Vladimir Putin, is

going to join too.

[More for turnpike tolls? Maybe much more?](#)

About two and a half years ago a group known as Better Roads and Bridges sponsored the circulation of a petition for a statewide vote to raise the fuel fees on gasoline and diesel.

The group largely was made up of road and bridge contractors as well as concrete and asphalt companies. In light of rapidly rising fuel prices as well as state legislation just passed to better fund our roads and bridges, the measure went down in flames to a lopsided defeat.

Since that defeat, many of those same supporters have come together to form the organization Transportation Revenues Used Strictly for Transportation. Four of the key principles they stand for are: Protecting and growing dedicated funds for Oklahoma's transportation system; supporting leaders who are committed to transportation as a priority of state government; use of high-quality materials in building and maintaining roads and bridges; and efficiency and accountability within the Oklahoma Legislature and Department of Transportation.

[Hot Fuel Web Site Launched to Educate Consumers](#)

Did you know you may not be getting your money's worth at the fuel pump? At warmer temperatures, liquids -- including diesel and gasoline -- expand, decreasing the amount of energy (Btu) per gallon purchased. The "Turn Down Hot Fuel" campaign will educate consumers on how "hot fuel" may have them paying higher prices than necessary for fuel. The campaign is spear-headed by a professional truckers' organization, the Owner-Operator Independent Drivers Association (OOIDA), and includes a Web site, <http://www.turndownhotfuel.com/>.

[Biofuel producer faces supplier friction](#)

A dispute between a recently floated biodiesel company and its supplier has shown how pricing conditions in the biofuels market are burning some of the companies involved.

Shares in Renewable Power and Light, an Aim-listed company whose assets are in the US, fell nearly 70 per cent on Friday after it announced expected losses because of increased commodity prices.

RPL said it was suing its supplier, Safari Group, which it claimed had breached an agreement to supply palm oil at an agreed fixed price.

[In a Rare Pairing, Blue Chips and Oil Climb Together](#)

Rising prices for crude oil usually send the stock market lower. Now, these markets are moving in tandem, and some Wall Street pros are wondering how much longer the unusual trend can last.

[Unusual 2006 has oil customers guessing in 2007](#)

In most years, a customer who bought oil during the summer instead of waiting for the first frost saved money, sometimes several hundred dollars. That's because prices were low during the summer months but rose as winter drew closer.

Then came 2006, a year when prices paradoxically soared during the summer and dropped when winter hit. It was the first time since 2001 that prices in New York dropped when winter arrived, according to figures from the U.S. Energy Information Administration.

[Number of gas stations in Canada continues to decline](#)

This trend reflects an average decline of about two percent per year, over a period of time when Canada's population, and its economy, have been steadily growing. "This is a consequence of a lack of profitability in the retailing of gasoline", states Michael Ervin, the president of MJ Ervin & Associates. Despite significant profits in the oil industry in general, the retail sector has been a poor performer: in 2006, the wholesale "rack" to retail markup on a litre of regular gasoline was only five cents per litre at a typical urban gas station, according to pump price statistics gathered by MJ Ervin & Associates.

[Chinese regime suppresses green protests](#)

Hundreds of farmers near Mount Emei in Sichuan province blocked a highway last week, starting their action on Tuesday 10 July, to protest against an aluminum company responsible for a gas leak that contaminated grapes and other crops, the Hong Kong-based Information Center for Human Rights and Democracy reported. Five protesters were arrested and ten injured when police drove the protesters away.

[Law and policy concerning crucial issues](#)

Last month, I had the rare privilege of spending five days in Canada with a group of legal and policy scholars from around the world. Our formal duty was to complete work on a book on the topic of "Moving Beyond the Carbon Economy" — what roles should law and policy play in addressing such front page issues as climate change, the increase in fossil fuel demands, international poverty, and the political and military challenges posed by the dominance of the carbon fuels.

[Iowa: Rising gas prices smack region](#)

Gasoline prices soared to an average of \$3.27 per gallon in Sioux Falls on Friday - up about 25 cents since the start of the month - pinching pocketbooks and pushing consumers to scale back or change spending habits.

Analysts blame the July 1 shutdown of an oil refinery in Coffeyville, Kan. - caused by flooding - and the closing this week of a key piece of oil processing equipment at a BP PLC refinery in Whiting, Ind.

[Groceries gobble up budgets](#)

Ann Gilpin, a food-industry analyst for research firm Morningstar, said the jump in corn prices has had "a domino effect on the whole industry."

Other pressures driving up the price of food include high fuel and labor costs.

[Idea of veggie oil burns bright](#)

Even in the fringe world of alternative fuels, vegetable oil has mostly remained on the margins, the domain of a few do-it-yourselfers who have rigged their diesels to run on old fryer fat, making the rounds of local burger joints to fill their tanks.

But the veggie power movement is about to stick one greasy toe into the mainstream, as a company in this western Wisconsin town prepares to open what its owners believe is the first recycling and filling station for waste vegetable oil in the Midwest, and one of just a couple in the nation.

[Yemen increases crude oil prices](#)

Last week, Yemeni crude oil reached the highest price since Yemen started exporting crude oil in 1981. Crude oil price in Masila, Hadhramout rose to \$77.49 per barrel and Marib's oil price per barrel rose to \$79.24, said Khalid Bahah, Minister of Oil and Minerals. This increase is due to the stopping of oil production in Nigeria and the low supply of OPEC which causes fears of an international oil supply shortage, Bahah said. Marib's crude oil price is higher than Masila's price because it is lighter than Masila crude oil.

[Risks Rise for Western Oil Firms in Africa](#)

Big foreign oil companies are finding it harder to make money in Africa because of the region's often unstable politics, output restrictions and moves by some governments to rewrite contracts.

Africa remains one of the last big regions open to foreign oil exploration, and companies of all stripes are benefiting from record energy prices. But fresh obstacles threaten to crimp future production in a region that is crucial to global energy supplies.

[New York: March set to highlight power outage](#)

Marchers will pass out an open letter to the state Public Service Commission and Con Ed for people in the community to sign. The letter will tell Con Ed: Accept fault for last year's outage. Pay us what you still owe us (for non-food losses and damages). And NO 17 percent rate hike — use your \$12 billion in profits to pay for upgrades.

[Argentina 'Total Energy Program' Breeds Total Skepticism](#)

When the Argentine government announced a plan late Thursday to subsidize liquid fuels to make them as affordable to industries as natural gas, it gave it the grandiose title of the "Total Energy Plan."

But this latest bid to fix a relentless energy crisis has met with immediate skepticism from industry analysts, who see it facing huge logistical challenges, generating punitive fiscal costs and creating a black market in fuels.

[Natural gas found in western Uganda, officials say](#)

The London-based oil company Tullow Oil Plc has discovered natural gas in western Uganda, which the government says will be used for solving the country's power shortages, officials said on Friday.

[Chile, U.S. to cooperate in biofuel research, development](#)

Chile and the United States signed an agreement on Friday to jointly carry out biofuel research and development.

[Summer Sale](#)

In order to have a lasting bull-market in any sector, supply and demand must be out of

whack. In the case of natural resources today, demand is rising ferociously in China and India whilst supply is struggling. Consider the energy market as an example: At the beginning of this decade, China and India combined used to consume roughly 8% of the world's oil and today they consume over 11%. Now, to illustrate my point that supply and demand are important factors, I would add that this rising demand (regardless of monetary inflation) would not have translated into a higher oil price IF there was an endless supply of oil. In the current scenario however, the oil price is rising because supplies are extremely tight when compared to demand. In fact, I would argue that humanity is staring "Peak Oil" in its face.

[GM exec cool on diesels](#)

In a video posted to his official General Motors blog Thursday, GM vice chairman Bob Lutz took pains to point out that fuel-efficient diesel engines, popular in Europe, will not provide an easy an easy answer to America's petroleum dependence.

[U.S. man convicted of pipeline, energy attack plan](#)

A Pennsylvania man was convicted on Friday of plotting to blow up U.S. oil pipelines and energy installations and of attempting to enlist al Qaeda militants on the Internet to help carry out his plan.

[China complains of cold shoulder from Canada on oil deals](#)

Chinese companies coveting Canada's oil patch are unhappy about the chilly reception they are getting from Ottawa, a top Chinese oil executive told media Friday, after withdrawing from a Canadian pipeline project amid delays.

[Fuel, IAEA enter North Korea on nuclear arms deal](#)

A tanker carrying fuel oil docked at a North Korean port on Saturday as a team from the U.N. nuclear watchdog agency headed for the country ahead of a planned shutdown of its atomic reactor under a disarmament deal.

[India plans national strategy to tackle global warming](#)

Indian Prime Minister Manmohan Singh has asked policymakers to come up with a detailed national plan by November to tackle the effects of global warming, his office said Saturday.

[Schwarzenegger: GOP can lead on climate](#)

Charges that protecting the environment hurts the economy are "bogus," and climate change shouldn't be a political issue, California Gov. Arnold Schwarzenegger said Friday.

Speaking at a summit organized by Florida Gov. Charlie Crist, Schwarzenegger said that environmental issues are a cause Republicans can embrace.

[Governor signs Florida greenhouse gas targets](#)

The Republican governors of California and Florida gave the Bush administration the cold shoulder on Friday as Florida set new limits on greenhouse gas emissions and signed cooperation pacts on climate change with Germany and Britain.

[Rooftops key to Florida green energy goal](#)

Despite its nickname, the Sunshine State, Florida's heavy rains and pricey real estate mean it has never been considered a good place to set up big solar energy plants.

So a new initiative by the fourth most-populous U.S. state to get its utilities to generate 20 percent of their power from sun, wind and other renewable resources will mean wiring rooftops rather than building huge solar or wind farms.



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