



DrumBeat: July 18, 2007

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[Oil Industry Offers Sobering Outlook on Supply](#)

It started with a simple question by Samuel W. Bodman, the energy secretary: "What does the future hold for oil and natural gas supply?"

The query was made in October 2005 in a one-page letter sent to Lee Raymond, the former chairman of Exxon Mobil and head of the National Petroleum Council, a federal advisory group representing the oil industry.

After nearly two years, Mr. Raymond has finally delivered his answer.

[Oil to hit \\$100 in 2008, predicts bank](#)

A "steady ascent" of crude oil prices toward \$100 (U.S.) a barrel continues, but the predicted date when that level will be hit remains a moving target, according to a CIBC World Markets report Wednesday.

The investment banking division of the Canadian Imperial Bank of Commerce (TSX: CM) predicts "new record highs of \$80 a barrel this year and reaching as high as \$100 a barrel by the end of 2008 as soaring oil demand outpaces growth in global supply."

[Hybrid lovers: The honeymoon may be over](#)

As the reality of fuel efficiency sinks in, fewer new car buyers are considering a hybrid, according to J.D. Power.

[Designer bag hysteria at Whole Foods](#)

Entrances to Whole Foods locations in New York, New Jersey and Connecticut swarmed with shoppers Wednesday morning who had lined up to buy limited-edition canvas bags designed by Anya Hindmarch.

...The light brown bags - emblazoned with the words, "I'm not a plastic bag," in blue letters - are designed to raise awareness of the environmental impact of plastic bags.

[Tight Global Supply to Underpin Long-Term Oil Price](#)

Jeffrey Currie, an analyst at Goldman Sachs in London, said the only way to avoid a spike in crude prices above \$90 a barrel this autumn is a ramp up in production by Saudi Arabia, Kuwait and the United Arab Emirates.

"These three countries are the only members of OPEC that took significant supplies off the market a year ago, have not increased production with the recent rise in prices and still have significant spare capacity," he said.

Currie estimates that keeping OPEC production at current levels, and assuming normal weather this winter, would mean total petroleum inventories will fall by 6.5% by the end of 2007, a move which could push the crude price to \$95 a barrel.

[UK: Consumers in energy debt](#)

Recent Ofgem figures reveal that 2 million consumers are now officially in debt to energy providers.

At the same time there has been a 33% increase in energy debt since 2004- the average amount of money owed by consumers to energy companies. But this is just the tip of an energy debt iceberg says uSwitch.com, as the figures only take into account customers on official debt repayment plans.

[Africa's Energy Crisis Worsens: Viable Clean Energy Alternatives Are Imperative](#)

A comparative study of debt relief and spending on oil and human services in on-petroleum producing countries in Africa that receive assistance under the Heavily Indebted Poor Countries Initiative—the countries hit hardest by high world oil prices.

[Poor maize crop could dent South Africa biofuel hopes](#)

Two seasons ago, when a bumper harvest pushed South African maize prices to four-year lows, it seemed like a good idea to plough all that excess maize into biofuels -- energy tapped from crops like sugar and maize.

But for the second year in a row, South Africa faces a season of slim pickings after a drought slashed maize production, raising doubts about how a country with such a poor farming climate can produce crops to meet the government's ambitious green energy targets.

[Oil Companies Not Seen Impacted By UK-Russia Spat - Analysts](#)

British oil and gas companies are unlikely to be impacted by the diplomatic spat between Russia and the U.K., analysts said Tuesday.

They said that Russia's takeover of large projects has already taken place, while the Russian energy sector has come increasingly to depend on the U.K. financial sector and U.K. companies for its development abroad.

If the Russians wanted to take control of certain energy projects, "they already achieved that," said Aton Capital analyst Artyom Konchin.

[Russia to increase oil product export duty from Aug 1](#)

The export duty on oil in Russia is to increase on August 1 from \$200.6 to \$223.9 per tonne.

[Buying imported food may actually be more energy-efficient](#)

A conference of experts yesterday heard that importing food from the other side of the world can actually be more energy-efficient than buying British produce and helps developing countries tackle poverty.

[6,000 Kurdish fighters to guard Iraq oil installations](#)

The Iraqi government will soon dispatch about 6,000 former Kurdish guerrillas to protect electric and oil infrastructure from insurgents attacks, a security official said yesterday.

[House boosts energy efficiency programs - But Bush threatens veto](#)

The House voted Tuesday to award increases to programs aimed at making cars and buildings more energy efficient and boosting research and development of alternative energy sources.

[Slick Connections: U.S. Influence on Iraqi Oil](#)

Violating the very notions of freedom and democracy Bush invokes in nearly every speech on Iraq, the U.S. government has actively intervened in the restructuring of Iraq's oil industry since at least 2002. At different times, the Iraqi government has been

threatened that passing the oil law was a pre-condition for partial reduction of Saddam Hussein's debts, for the provision of reconstruction funds, and even for the continued survival (through U.S. military support) of the al-Maliki government itself.

[Solar Power Sector Will Need to Cut Costs](#)

At present a shortage of high grade silicon, a key component in solar panels, has created a bottleneck, boosting producer profits as demand for the clean energy source outstrips supply.

But a ramping up in silicon investment means the production of solar panels could surge in the next two to three years, risking a shakeout across the supply chain to mirror a glut now in the biofuels sector, another renewable energy source.

[BP Expands Solar Energy Manufacturing Capability](#)

BP Solar is expanding what is already the largest fully integrated solar plant in North America. On July 17 the company broke ground on a \$97 million expansion project that will nearly double the current casting and sizing capacity to 150 MW and will create 70 new jobs. Construction is slated for completion by the end of 2009.

[World first: Flying high on pond scum](#)

Air New Zealand and airliner manufacturer Boeing are secretly working with Blenheim-based biofuel developer Aquaflow Bionomic Corporation to create the world's first environmentally friendly aviation fuel, made of wild algae.

[Glory days are over for North Sea as the big companies look abroad](#)

High oil prices have triggered a drilling boom off Britain but the big oil companies around which the North Sea energy industry was built are pulling investment out of this country and shifting their focus to what they see as more promising areas such as West Africa, the US Gulf and Russia.

[How High Can Crude Oil Fly?](#)

In London, the price of North Sea Brent, the benchmark for two-thirds of the world's oil, touched an all-time high of \$78.40 per barrel this week, with no sense of alarm at the world's top central banks. Regarded as a key indicator of global inflation, central bankers are sitting in stone faced silence about the surge in crude oil, and that's good news for bullish speculators in gold and energy shares.

[Tighter Oil Markets: Get Ready for Another Spike in Oil Prices](#)

The tightening oil market has made some analysts change their price forecasts, but one of the latest oil reports is calling for some serious spikes. The question is whether or not we'll be able to avert them.

[Analysis: Venezuela, Iran team up on oil](#)

Venezuela and Iran are forging closer oil ties in hopes of reducing their dependence on the United States, inking a \$4 billion deal to develop a block of the lucrative Orinoco Reserve in Venezuela.

[Turkmenistan: Engineer Shortage Threatens Energy Expansion](#)

Turkmenistan has overstretched its resources by pledging to extract more oil and gas when it does not have enough trained professionals to meet the task, say NBCentralAsia observers.

[Hummer owner gets angry message](#)

On a narrow, leafy street in Northwest Washington, where Prius hybrid cars and Volvos are the norm, one man bought a flashy gray Hummer that was too massive to fit in his garage.

So he parked the seven-foot-tall behemoth on the street in front of his house and smiled politely when his eco-friendly neighbors looked on in disapproval at his "dream car."

It lasted five days on the street before two masked men took a bat to every window, a knife to each 38-inch tire and scratched into the body: "FOR THE ENVIRON."

[Save the Earth, buy less](#)

China's growth, however, is powered by America's demand for consumer products -- and this growth is fueled by coal. These two factors lie at the heart of the political impasse. China and the United States each worry that if they agree to binding greenhouse-gas reduction targets, their respective house of economic cards will collapse. This unhealthy symbiotic relationship needs to be unraveled if any global post-Kyoto global warming agreement is to be reached.

[Ministers speak out on Chile's energy crisis](#)

Chile's impending energy crisis, sharpened by diplomatic tensions with Argentina and one of the coldest winters on record, was the theme of a seminar held last week in Valparaíso's Congress building. New Energy Minister Marcelo Tokman Ramos, Environment Minister Ana Lyn Uriarte and various members of Congress spoke at the event, which was titled "Energy Policy in Chile: A Challenge."

[Nigeria: Oko-Afo Ilogbo community protests power outage](#)

The Oko-Afo Ilogbo community Badagry has cried out over power outage that has lasted over a year, following the packing up of the 2.5 KVA transformer that serve the community.

[Biofuels: "We are nowhere near an economic solution"](#)

We believe that first-generation biofuels should merely be seen as a stepping stone towards the development of second-generation, because first-generation biofuels will never be available on the necessary scale, without causing huge problems in terms of food supply. I mean, first-generation biofuels will have a very small impact on fuel compared to the impact they will have on food supply. Also first-generation will not be sustainable in terms of water and land use and will lead to a loss of biodiversity and deforestation, which in the long run, will cause an increase in CO₂.

So second-generation, I would say, are the future, but we first will need many more technological breakthroughs.

[Queens Residents Mark First Anniversary Of Blackout](#)

Since the outages, Con Ed has spent nearly \$1.5 billion to upgrade their system. The utility says it will spend another \$7 billion over the next five years on improvements, but many Queens residents are still skeptical.

...They say the company should not be rewarded for mishandling the blackout – including vastly underestimating the number of customers who were affected.

[Nationalized oil staying in the ground](#)

World demand for oil now stands at 86.1 million barrels a day. The U.S. Energy Information Administration expects it to reach 97.3 million in seven years and 117.6 million barrels a day by 2030. That extra 31.5 million barrels of daily production is the equivalent of three Saudi Arabias.

Based on what's known about the world's petroleum reserves, nearly all of the increase will have to come from countries that have national oil company monopolies.

Conservation, alternative fuels and giant new oil and natural gas fields in areas where Exxon Mobil Corp. and other private companies can explore won't be enough to meet the rising demands of a growing global economy.

[Japex Suspends Production at Niigata Field After Quake](#)

Japan Petroleum Exploration Co Ltd (JAPEX) said it has suspended production at one of its oil and natural gas fields in Niigata Prefecture Tuesday after yesterday's powerful earthquake cut water supply to the site.

However, it said the total production level will be maintained by increasing output of other fields in the prefecture.

[India holds out helping hand to Mittal's oil foray](#)

The project is configured to process low cost sour and difficult crudes and convert them into high value products like petrol, diesel and LPG, he had said. Petrol and diesel quality would comply with Euro-IV emission norms.

[Taiwan, Venezuela Seek to Resolve Oil Exploration Dispute](#)

Officials of the Taiwan state-owned oil company CPC Corp. are poised to meet with their Venezuelan counterparts in Houston to discuss how to resolve disputes over oil exploration rights, CPC General Manager Chen Pao- lang said Tuesday.

Speaking at a meeting of the legislative caucus of the opposition People First Party (PFP), Chen said that the CPC has retained a lawyer to help deal with disputes over its right to explore oil resources in Venezuela and that should the bilateral negotiations in Houston fail, the CPC will not rule out the possibility of filing a lawsuit against the Venezuelan government to defend its oil exploration rights in the South American country.

[Indonesia: House enacts new energy law, hopes to encourage sustainability](#)

The policies set out in the bill include the maintaining of a strategic energy reserve to ensure the nation's energy security, consisting of not only conventional fossil fuels (oil, gas and coal), but also renewable energy resources, such as biofuels, hydropower, and geothermal energy.

[Energy Policy Could Help Make or Break European Unity](#)

Back in the good old days, European unity was all about energy. The European Union's original ancestor was the European Carbon and Steel Community, established in 1951. Six years later, on March 25, 1957, leaders signed Euratom, an agreement on atomic energy, along with the other, better-known Rome Treaty.

Fifty years of peace and wealth are a testament to a convergence of fundamental interests, which would be better represented by a common European energy policy than by tomato quotas. Yet today, while the agricultural trade restrictions remain in place, energy policy has taken a back seat in the European truck, even as the Union's energy problems -- natural gas ones in particular -- become more evident by the day.

[Japan's nuke spill bigger than first reported](#)

The earthquake Monday off the Japanese coast killed nine people, started a small fire at the sprawling Kashiwazaki Kariwa nuclear complex and caused 312 gallons of radioactive water from the plant to spill into the Sea of Japan. Tokyo Electric Power Co., which owns the plant, didn't announce the leak until nearly 12 hours after the quake struck.

Tokyo Electric spokesman Akitsuka Kobayashi said today that the water was actually 50% more radioactive than they had initially calculated. The company apologized on its website for the error. Spokesman Jun Oshima said the amount was still "one-billionth of Japan's legal limit."

"They were hiding the truth," said Masako Sawai, researcher at Tokyo's Citizens' Nuclear Information Center.

[Japan's Nuclear Plant Shutdown May Boost Oil Demand](#)

Nippon Oil Corp. expects Japan's oil and heavy fuel demand to rise by about 700,000 kiloliters in August after the shutdown of a Tokyo Electric Power Co. nuclear station, Chairman Fumiaki Watari said.

The Kashiwazaki-Kariwa nuclear station, the world's biggest, was shut after a magnitude 6.8 earthquake struck Niigata prefecture in central Japan on July 16. The trade ministry and Kashiwazaki city authorities have ordered the utility to keep the plant shut until they approve its restart.

[National Petroleum Council report comes up a dry hole](#)

On Wednesday, the National Petroleum Council (NPC) plans to release its report on oil and natural gas trends out to 2030. However, "Facing the Hard Truths about Energy" does not meet the promise of its title, according to the Association for the Study of Peak

Oil & Gas (ASPO-USA).

“The NPC artfully camouflages the enormous near-term challenges in producing sufficient oil and gas to fuel the global economy,” says Randy Udall, a board member of ASPO-USA. “Hard truths are hinted at, but are never clearly identified. Troubling trends are referenced, but their ramifications are dodged.”

[Petrol hits £1 a litre with no end in sight to turmoil in the world's oil market](#)

More pain to come as supplies are disrupted by strife and Opec turns screw.

[World Economy Resists Oil Price](#)

The world economy is bounding ahead, largely unaffected by record high crude oil prices, which have quadrupled over the past six years, economists say.

[Real Crude Prices Higher Than Nymex Suggests](#)

A quick look shows U.S. crude oil futures prices are lagging record year-ago levels by 5% while crude oil inventories are brimming at their highest early-July level in 14 years.

That snapshot might suggest that prices, which have held above \$70 a barrel for the past two weeks, may be in for a steep slide.

But the regional issues surrounding the price of U.S. benchmark West Texas Intermediate crude oil for delivery at Cushing, Okla., mask a broader, far more bullish reality: Many refiners are paying record-high prices for increasingly tight supplies of sweet crude oil and even higher prices may lie ahead.

"Refiners are paying more for crude than last year due to more serious worries on supply and a fundamental tightening in the market," said Antoine Halff, an analyst at Fimat USA in New York.

[New low-sulphur crude to be introduced into Asia](#)

New Asian oilfields are about to produce some 120,000 barrels a day of high-quality, low-sulphur oil.

The low sulphur oils should appeal to simpler refiners, as more Asian countries switch to lower-sulphur petroleum products to reduce worsening pollution.

Even though the fresh barrels won't fully offset declining output elsewhere in the region, the spread between Tapis and Brent crude should be shortened.

[Industry's role in Cheney energy report emerges](#)

A confidential list prepared by the Bush administration shows that Cheney and his aides had already held at least 40 meetings with interest groups, most of them from energy-producing industries. By the time of the meeting with environmental groups, according to a former White House official who provided the list to The Washington Post, the initial draft of the task force was substantially complete and President Bush had been briefed on its progress.

[Alternative Energy: How to Invest in the Next Booming Industry](#)

Even if the whole global warming epidemic isn't enough to change human behavior, we really don't have much choice in the matter. Fossil fuels are becoming more difficult and expensive to find, and extract, from the earth. Couple lower supply levels with rapidly increasing demand from nations such as China, and India, and you have the perfect recipe for much higher oil prices. Many experts believe we have reached, or will soon reach, "Peak Oil."

[Biofuel demand makes fried food expensive in Indonesia](#)

Palm oil-derived cooking oil is a staple in the Indonesian pantry. It is used to fry many of the spicy dishes that are part of the local cuisine.

But the high price of oil has forced millions of poor Indonesians to eat their food boiled instead of fried.

[Chrysler to drop new sedan, cites fuel curb](#)

The Chrysler Group is abandoning a plan to build a new luxury sedan, citing fuel regulations currently on the table in Washington that could push U.S. automakers to increase vehicle fuel mileage, the New York Times reported on Wednesday.

[Swiss glacier retreats at a rapid clip](#)

In the past 30 years, studies show, the Aletsch has been losing 50 meters of length a year and is thinning. Some years show gains in length, others record losses. But the overall figure is one of shrinkage. Last year, it lost 115 meters – though in 2004 and 2005, the glacier gained about 50 meters per year.

"At this rate, by 2100 about 80 percent of the surface of the glacier will be gone," says Ralph Logon, a Swiss geomorphologist and expert on glaciers.

[Action needed on climate change: Business group](#)

A major U.S. industry body said on Tuesday that human activity is changing the Earth's climate and urged Washington to take action to reduce greenhouse gas emissions nationwide.

But the Business Roundtable, representing 160 of the largest U.S. companies with \$4.5 trillion in combined revenue, stopped short of advocating a specific policy to accomplish that, saying its members did not yet agree on methods.

[Climate change threatens Italy's Po River delta](#)

Rising sea levels, reduced rainfall and lack of snow in the Alps will combine over the next few decades to render the last 100 kilometers (60 miles) of the river useless because of saltwater intrusion, the experts predicted at a meeting in Parma on Monday.



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