ODAC Newsletter, Monday 08 October

Posted by Doug Low on October 9, 2007 - 8:00pm in The Oil Drum: Europe
Topic: Miscellaneous
Tags: corn to ethanol, electricity research, lng, russia, saudi arabia, turkmenistan, uk economy, ukraine, world energy council [list all tags]

This is the first posting of the ODAC (Oil Depletion Analysis Centre) bi-weekly newsletter. If TOD readers find it useful, it will be posted regularly. Keep in mind that the 'Comments' are aimed at regular subscribers for whom the newsletter may be their only source of information. The newsletter regularly covers oil and gas depletion, and related issues.

Electricity Research in the UK
1/ Low utility bills blamed for cuts in energy research (Telegraph, Sat 06 Oct)

Economy – UK and the US Dollar
2a/ Cost of loans rises as credit crunch bites (The Independent, Thu 04 Oct)
2b/ Jump off the deranged bull now (The Telegraph, Tue 02 Oct)
2c/ Dollar's double blow from Vietnam and Qatar (The Telegraph, Thu 04 Oct)
2d/ Sub-prime borrowers face repossession (BBC News, Sat 06 Oct)

Shortage of Oil and Gas Workers
3a/ Shortage of skilled staff hits oil projects (Financial Times, Thu 04 Oct)
3b/ Shortage of engineers likely to hit projects by 2010, says study (Financial Times, Thu 04 Oct)

Q4 2007 Oil Supplies
4 / Demand Growth Picks Up, Non-Opec Supply Set To Fly (Energy Intelligence [Energy Intelligence Briefing], Wed 03 Oct)

LNG Supplies
5 / Delays Hit Qatar's New Gas Projects (Energy Intelligence [International Oil Daily], Thu 04 Oct)

Gas Supplies: Turkmenistan - Russia - Ukraine
6a / The Turkmenistan - Russia - Ukraine Natural Gas Saga Comes Back To Life (Energy Intelligence, Thu 04 Oct)
6b/ Gazprom says it has deal on gas with Kiev ((Financial Times, Thu 04 Oct)

Saudi Arabia – Aluminium Smelter Development / Natural Gas Supplies
7/ Plans for Saudi's $3bn smelter underway (Arabian Business, Thu 04 Oct)

US – Corn to Ethanol
8/ US energy policy (Financial Times, Thu 04 Oct)

Octobers issue of 'Energy' from Press And Journal, Scotland
9 a / Stellar Performance With Astrophysicist At The Helm (Press and Journal 'Energy' supplement, Mon 01 Oct)
9b / Peak Oil 10-20 Years Away, Claims World Energy Council (Press and Journal 'Energy' supplement, Mon 01 Oct)

****

1/ Low utility bills blamed for cuts in energy research (Telegraph, Sat 06 Oct)

http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/10/06/cnener...

Comment: The article is reporting on the findings of a “year-long review of the [UK] Government’s science and innovation policies”. The statement made by Lord Sainsbury is pretty obvious, “low utility bills were not necessarily in the public’s long-term interest”, but getting this idea across to the govt and the UK general public i.e. the idea of voluntarily increasing energy (and water) prices now because it is better in the long-term, will not be easy . The article title uses the word ‘energy’, it means ‘electricity’.

> Politically popular energy and water price cuts have forced energy and water companies to slash their investment in new technologies to such an extent that it could impede Britain’s ability to harness renewable energy sources, former science minister Lord Sainsbury has warned.
>
> Launching the findings from his year-long review of the Government’s science and innovation policies, the Labour peer said low utility bills were not necessarily in the public’s long-term interest. He said Ofwat, the water regulator, and Ofgem, the energy regulator, had focused on price cuts rather than encouraging investment in technologies that could deliver power and water more efficiently and cleanly.
>
> The decision led to a complete collapse in research and development in the power sector by 2002. Last year, the industry spent just £6.5m, which Lord Sainsbury said was “too low”. Investment by water companies had also declined “sharply and continuously” since 2000...

2a/ Cost of loans rises as credit crunch bites (The Independent, Thu 04 Oct)

http://news.independent.co.uk/business/news/article3024772.ece

> The cost of taking out a personal loan is set to rise significantly, with nine lenders this week raising interest rates by up to 4 percentage points.
>
> Personal finance analysts warned yesterday that a price war in the loans market was over, with the global credit crunch reducing the extent to which lenders can compete on price.
>
> Moneyfacts said that while rates below 6 per cent a year were available as recently as four months ago, it is now increasingly difficult to find a loan costing less than 7 per cent. Deals that would previously have looked expensive, such as Direct Line's rate of 8.4 per cent for a three-year loan of £5,000, are now making it into best buy tables.
>
> Lisa Taylor, a spokeswoman for Moneyfacts, warned: "With increasing uncertainty in the financial markets, rising levels of bad debt and a year of interest rate rises putting pressure on our disposable incomes, lenders are increasing their margins in what has become a far more risky environment to do business."
>
> Rate rises for new borrowers introduced this week include Bradford & Bingley's decision to raise the cost of its unsecured lending from 13.9 per cent to 17.9 per cent. The

> Cheshire and Derbyshire building societies have increased their rates by up to 3 percentage points.
>
> In recent weeks, Eskimo Loans, Goldfish, Norwich Union and RAC Financial Services have all edged their rates up by up to 1 percentage point, while Norwich & Peterborough Building Society and Northern Rock have raised rates up by 0.7 points and 0.5 points respectively...

2b/ Jump off the deranged bull now (The Telegraph, Tue 02 Oct)

http://blogs.telegraph.co.uk/business/ambroseevanspritchard/september07/d...

Comment: Business blog from Ambrose Evans-Pritchard. A bleak economic outlook.

> ... As Alan Greenspan said this week about the Shanghai market, "If you ever wanted to get a definition of a bubble in the works, that's it." He also said that US house prices were going to fall "a lot further than people think". Bet against him if you dare. The relief rally since the Federal Reserve slashed rates half a point to 4.75pc is a moral hazard bet, based entirely on assumptions that Ben Bernanke will debauch the monetary system to boost asset prices.
>
> ...Today feels more like January 2001, when the S&P 500 rallied for two weeks on the Fed's emergency cut, only to tank by 19pc over the next two months as it became clear why the Fed had taken drastic action – and what this meant for profits. Wall Street fell a lot further thereafter, taking two years to stabilize. The S&P 500 halved in the end.
>
> Or if you like parallels, try October 1987, when the US dollar was falling in the same disorderly fashion we have seen since August this year.
>
> It is fundamentally worse this time: the global dollar index has hit record lows; and the US is no longer a net creditor. It now has external liabilities reaching 35pc of GDP, putting it within a few percentage points of a compound debt crisis.
>
> We will find out from the TICs data in November whether China's central bank was responsible for the $48bn fall in official foreign holdings of US Treasuries in July. But if China wasn't, somebody was. Who? Why?
>
> The pattern leaves the US reliant on short-term funding to cover its trade deficit. This is a well-trodden path to crisis, as Latin America can attest.
>
> The Fed is boxed in by the dollar, and by lingering inflation. Oil has jumped back up to $82. Copper is over $8,000 a tonne again. Wheat has risen 70pc in a year. Gold has kissed $750, the ultimate reproach.
>
> ... By the way, while I did not expect the Fed to cut a half point in September, I don't not share the view that this was a reckless bail-out. It was entirely necessary, given the heart attack in the commercial paper markets – which have contracted $368bn in seven weeks, and are still contracting; and above all, given the speed with which the US housing market is collapsing.
>
> Robert Schiller is now warning that prices call fall 50pc in some areas. It is already well under way. (Interestingly, auctions of foreclosed buy-to-let properties in the UK are selling at 40pc discounts already – buy-to-let is Britain's subprime)

... Will it take a 25pc correction in New York, Frankfurt, and London to flush out the excesses? Or more? Japan's Nikkei fell 81pc over fourteen years from a peak of 39,000 in December 1989 to a nadir of 7,600 in May 2003. Land prices in Tokyo fell by four fifths. House prices fell by over half.

True, Tokyo delayed recovery with a bad mix of policies in the 1990s. But are the bubbles in America, Britain, Australia, Canada, Ireland, Spain, Greece, Latvia, Romania, Kazakhstan, the Gulf, Argentina, and above all China, really that different from Japan's errors in the late 1980s?

2c/ Dollar's double blow from Vietnam and Qatar (The Telegraph, Thu 04 Oct)

http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/10/03/bcnvie...

Vietnam is planning to cut its purchases of US Treasuries and other dollar bonds, raising fears that Asian central banks with control over two thirds of the world's foreign reserves may soon join the flight from US assets.

The Saigon Times said this morning that the State Bank of Vietnam was abandoning the attempt to hold down the Vietnamese currency through heavy purchases of dollars. The policy is causing the economy to overheat, driving up inflation to 8.8pc.

Vietnam, which has mid-sized reserves of $40bn, is seen as weather vane for the bigger Asian powers.

Together they hold $3,575bn of foreign reserves, over 65pc of the world's total. China leads with $1,340bn, but South Korea, Taiwan, Singapore, and even Thailand all built up massive holdings.

The concern is that once one or two members of the region jump ship, it could set off a broader scramble. None of them want to be the last one left holding a devalued asset. Vietnam's central bank said this week that it would move "gradually" to a floating currency.

Separately, the gas-rich Gulf state of Qatar announced that it had cut the dollar holdings of its $50bn sovereign wealth fund from 99pc to 40pc, switching into investments in China, Japan, and emerging Asia.

The move is intended to increase long-term returns for future generations, but it can easily be seen as a vote of no confidence in US economic management.

The drastic shift by the Qatar Investment Authority is a warning that petro-dollar powers with some $3,500bn under management may pull the plug on the heavily endebted US economy -- which needs to suck in the majority of the world's savings just to stay afloat...

2d/ Sub-prime borrowers face repossession (BBC News, Sat 06 Oct)

http://news.bbc.co.uk/1/hi/business/7030723.stm

Comment: Panorama: Sub Prime Suspect: BBC 1, 2030 UK time, Monday 8 October

Sub-prime mortgage lenders who give loans to people with bad credit records account for more than 70% of all repossessions, a BBC investigation has found.

The market for high interest sub-prime mortgages has been booming and it now accounts for about 8% of the total UK mortgage market.

But a survey of more than 7,000 court hearings over the past three months - carried out jointly by BBC programmes Panorama and Five Live Report - has found that lenders who specialise in these mortgages or offer them as part of their business disproportionately make up over 70% of all repossession cases.

... The investigation into Britain's sub-prime market found cases of council tenants on benefits being encouraged to significantly exaggerate their incomes in order to buy their houses under the right-to-buy scheme - some of whom now face having their homes repossessed.

In other cases families were given mortgages which became unaffordable within months.

Despite being in their late 50s, on benefits and in poor health, David and Maureen Bradbury were given a 25-year mortgage worth £55,000 by London and Scottish Bank.

With their interest rate currently more than 11%, the couple have struggled to make repayments.

... The bank says it follows industry rules regarding responsible lending and took into account the income of the daughter of the Bradburys when granting the mortgage - although she too is on benefits.

3a/ Shortage of skilled staff hits oil projects (Financial Times, Thu 04 Oct)

http://www.ft.com/cms/s/0/23554182-7214-11dc-8960-0000779fd2ac.html

Comment: A shortage of workers in the oil and gas industry will not be news to those familiar with Peak Oil, but it may be news to the FT readership. CERA (Cambridge Energy Research Associates) are one of the flag bearers of the anti-Peak Oil brigade, and yet here again they are being quoted giving reasons why new oil production is being set back. See also: Labour and Skills Crisis Could Stall Oil and Gas Investment Boom (http://www.boozallen.com/capabilities/Industries/industries_article/1083..., Booz Allen Hamilton, 24 Aug 2006)

Rising drilling and riggings costs, combined with shortages of skilled personnel and equipment, are affecting hydrocarbon projects throughout the Middle East, with some being delayed and other contracts being renegotiated.

Producers in the region, from Libya to Saudi Arabia, have embarked on ambitious plans to increase production and capacity to meet growing global demand and take advantage of record oil prices. But many will struggle to meet their schedules, experts say, and can expect to pay exorbitant prices if they are to ensure they have the material and personnel in a market suffering severe constraints.

"It's having an impact and that impact is going to increase over the next few years. We are seeing projects being delayed simply because they can't get the equipment delivered on the timescale they used to," says Candida Scott, an analyst at Cambridge Energy Research Associates (Cera).

> Experts say a critical bottleneck is the shortage of skilled staff, with an industry workforce dominated by people close to retirement and inexperienced graduates.
>
> The issues affect producers worldwide, with the Middle East and Libya accounting for 20 per cent of world projects adding productive capacity between 2007 and 2011, according to Cera. Significantly, it is also the region requiring the most manpower for design and project management over the same period, with 35 per cent of the world's projected total, the institute says...

3b/ Shortage of engineers likely to hit projects by 2010, says study (Financial Times, Thu 04 Oct)

http://search.ft.com/nonFtArticle?id=071004000012&ct=0

Comment: CERA warn of shortages of engineers. Will this warning appear in their next anti-Peak Oil report?

> Big oil and gas production projects are likely to suffer delays with the industry expected to face up to a 15 per cent shortage of qualified engineers by 2010.
>
> The shortfall in the industry is already taking hold with insufficient engineers to meet 2007 exploration and production project demand, according to Pritesh Patel of consultants Cambridge Energy Research Associates and co-author of a report into the skills shortage.
>
> By 2010 the industry is likely to face a shortfall of 5,500 to 6,000, leaving between 10 and 15 per cent of posts unfilled.
>
> Cera declined to give examples of the impact on current projects but the FT reported last month that BP had indefinitely postponed several deepwater developments in the Gulf of Mexico, including Tubular Bells, Dorado, and Puma.
>
> BP said at the time that "like other operators, we are adjusting our future project plans in the face of resource constraints and significant inflation in the oil field service sector."
>
> Current forecasts anticipate that output globally from such deepwater projects is set to rise from 4m to 11m barrels of oil per day by 2017.
>
> But Mr Patel warns that these projections are based on "the assumption the industry will be able to avoid major delays, which is becoming more unlikely - not to say impossible - every day."
>
> ... Yet such people are leaving the industry in unprecedented fashion, as experienced engineers reach retirement age.
>
> "That pool is just shrinking by the day," Mr Patel said.
>
> Oil companies are responding to this labour crisis by recruiting talent in Asia through design houses, though the required mentors are retiring, and it will take time to train the new engineers
>
> With an average age of 51 years, Cera anticipates that more than 50 per cent of today's workforce will have retired by 2015, an attrition rate of 6 per cent per year.

4 / Demand Growth Picks Up, Non-Opec Supply Set To Fly (Energy Intelligence [Energy Intelligence Briefing], Wed 03 Oct)

No link, from Newsletter.

> World oil demand got its first psychological check at $80 per barrel oil in September, and it more than passed the test with year-on-year growth of 1.7%. Establishing a new trend, non-OECD countries seem to be getting pretty comfortable with higher oil prices. With maintenance out of the way in most of the non-Opec countries, a fourth-quarter supply spurt is expected that could add as much as 2 million b/d to the third-quarter totals.

5 / Delays Hit Qatar's New Gas Projects (Energy Intelligence [International Oil Daily], Thu 04 Oct)

No link, from Newsletter.

> Delays are creeping into Qatar's gas export mega-projects, threatening the timely start-up of the Qatargas-2 LNG scheme and putting back full production from the cross-border Dolphin project until the summer of 2008. According to a Qatari government source, the problem stems in part from soaring costs and shortages of labor and equipment. "The overheating of the market, in terms of contractors and material, has created some issues with what is going on in Qatar," the source said.

6a / The Turkmenistan - Russia - Ukraine Natural Gas Saga Comes Back To Life (Energy Intelligence, Thu 04 Oct)

No link, from Newsletter.

Comment: From the commentary section, ‘World Watch -- Comment & Interpretation on Today's News’, of the daily newsletter, so the above title is ODAC’s. Just when the Moscow-Kiev-Ashgabat natural gas saga seemed to be resolved, it raises its head again. Why? Last year / earlier this year, Ukraine, the main transit country for natural gas from Russia to western Europe, was upset when Russia insisted it, Ukraine, started paying the same prices as western Europe for its gas imports from Russia. This meant a quadrupling-or-so of gas prices for Ukraine. A compromise was reached whereby Turkmenistan would supply Ukraine with natural gas, via Russia. Two of the main components that allowed this setup to work were that Russian-friendly parliamentarians took control of the Ukrainian parliament, and Turkmenistan was prepared to sell its gas at a knock down price to Ukraine/Russia. Ukraine held elections last weekend (30 Sept.) in which it looks like the West-leaning bloc of Yulia Tymoshenko and President Viktor Yushchenko will regain control of parliament (see Orange bloc edges to poll victory, http://news.bbc.co.uk/1/hi/world/europe/7025382.stm), which will in all likelihood upset Moscow. Plus Turkmenistan wants to raise its gas prices from $100/ 1000 cu m to $150/1000 cu m, and Russia will pass on the costs to Ukraine. It does not help that the company that brokered the gas supply deal for Ukraine is half-owned by a Ukrainian oligarch who has done very well out of the deal, and who Yulia Tymoshenko is not keen on, to put it mildly. Yulia would like to see the original deal torn up. For an eye-opening account of the gas deals between Turkmenistan and Ukraine, see Global Witenss’s It's a Gas. Funny Business in the Turkmen-Ukraine Gas Trade (http://www.globalwitness.org/media_library_detail.php/479/en/its_a_gas._...).

> Tuesday Gazprom warned that it might cut off Ukraine's natural gas if Kiev didn't pay a mysterious $1.3 billion overdue gas bill by Nov. 1. Wednesday the threat to Europe's gas supply disappeared when Ukraine agreed to pay. Right? Wrong. Gazprom said that "the Ukraine Government of the day" had "regained control" and resolved to pay. But today's Ukraine government probably won't exist by Nov. 1, and its replacement will probably be less Moscow-friendly, since it's likely to be run by recent electoral victor Yulia Tymoshenko. She has railed against the compromise that ended Ukraine's run-in with Gazprom two years ago. Gas flows to Europe briefly fell during that feud, undermining confidence in Russia as a reliable supplier. Also, Turkmenistan appears poised to demand a 50% higher price for the gas its sells to Gazprom. Since Gazprom resells Turkmen gas to Ukraine, that price rise would inevitably be passed on to Kiev -- not a relaxing prospect. Carter Tellinghuisen, Moscow.

6b/ Gazprom says it has deal on gas with Kiev (Financial Times, Thu 04 Oct)

http://search.ft.com/nonFtArticle?id=071004000050&ct=0

Comment: The FT take on current events.

> Gazprom, the Russian state-controlled energy group, yesterday said it had secured an agreement from Ukraine's current government to pay $1.3bn (€921m, £639m) in natural gas arrears by November 1, thus avoiding potential cuts in supplies.
>
> Dmitry Medvedev, the Gazprom chairman and Russia's first deputy prime minister, said that following talks with Yury Boiko, Ukraine's energy minister, "we have reached agreement to avoid such problems in the future". He added: "Euro-pean consumers won't suffer. European consumers are in an absolutely comfortable situation."
>
> But despite his assurances, confusion remained about the exact nature of the agreement reached in Moscow, with analysts suggesting it might be only an initial step towards resolving a standoff that has rekindled fears over possible shortages in gas supplies to Europe.
>
> ... President Viktor Yushchenko of Ukraine went further: "The Ukrainian state and [the state gas distributor] Naftogaz Ukrainy have no debts to Gazprom." He also raised doubts about the timing of the dispute that erupted days after the elections. "I don't think that . . . this statement was formulated in such a way and at such a time so as to be constructive for our relations," he said.
>
> ... Mr Yushchenko earlier this week looked poised to resurrect his partnership with opposition leader Yulia Tymoshenko in forming a coalition that would have probably seen Ms Tymoshenko replace Mr Yanukovich as prime minister.
>
> Ms Tymoshenko has promised to clean up the involvement of intermediaries in the gas trade between Ukraine, Russia and Central Asia...

7/ Plans for Saudi's $3bn smelter underway (Arabian Business, Thu 04 Oct)

http://www.arabianbusiness.com/index.php?option=com_content&view=article...

Comment: The article explains one reason why Saudi Arabia needs substantial new electrical

power, a major new aluminium smelter, but no details on how the new 4,860MW power station will be fired – gas or coal. Saudi Arabia may have the world's fifth largest natural gas reserves, but as the IEA's Natural Gas Market Review 2007 points out (p154): "Both Saudi Arabia and Kuwait are also facing gas shortages, as a result of allocations for power generation projects and in the former, petrochemicals. There has always been considerable interest in Saudi Arabia as a potential net gas exporter from the region given the size of its reserve base. However, unconfirmed reports suggest that near and mid-term gas availability even for domestic uses is tight. This has had the impact of delaying supplies of feedstock for planned petrochemical projects and may cause future project plans to be revised. Saudi Arabia has also reverted to the use of oil products for some new power generation, rather than natural gas, in contrast to previous policies favouring natural gas as a means of displacing oil use."

> Malaysian infrastructure and energy group MMC Corporation and its Saudi Binladin Group partner agreed to co-build an aluminium smelter costing $3 billion in the Middle East with Aluminium Corporation of China, MMC said on Thursday.
>
> The smelter forms part of a $30 billion, 30-year contract to build a 117-sq km "Jizan Economic City" 725 km south of Jeddah in Saudi Arabia that MMC and its 50-50 Saudi partner, Binladin Group won last year.
>
> The project will include ports, aluminium smelters, steel and copper processing plants, oil refineries, fisheries and agro-based industries, MMC said in the November announcement.
>
> ... "In conjunction with this project and the on-going development of the industrial zone, MMC has plans to build a power plant with an estimated capacity of 4,860MW that will cater to the needs of the industrial users," the firm told the stock exchange.
>
> MMC did not provide additional details on the power plant...

8/ US energy policy (Financial Times, Thu 04 Oct)

http://search.ft.com/nonFtArticle?id=071004000247&ct=0

Comment: Comment from the FT, 'LEX' section, suggesting the US love affair with corn-to-ethanol may have something to do with upcoming elections.

> If US energy policy were a dish, it would be an unwholesome mélange of cake, corn and pork. No wonder America's cars have bulked up. The Environmental Protection Agency says the weight of the average US car or light truck rose 29 per cent in the past 20 years to almost 1.9 tonnes. That helps explain why, despite advances in engine technology, average fuel economy has actually fallen from 22 miles a gallon to 20.2.
>
> Cheap oil meant that "bigger is better" became the mantra of vehicle design. High oil prices have had a small effect recently, with an increase of 0.9mpg in average fuel economy since 2004. But energy policy remains focused on allowing drivers to have their cake and eat it rather than curbing demand.
>
> Nothing demonstrates this better than Washington's love affair with corn-derived ethanol. Corn farmers benefit from subsidies for investments in ethanol production and higher produce prices resulting from the displacement of food crops. Ethanol corrodes pipelines - so it is often transported in trucks which, er, burn fuel - and several academic

> studies claim its production uses more energy than the resulting fuel actually provides. Continuing subsidies may have something to do with the fact that America's top 10 corn-growing states hold almost 40 per cent of electoral college votes.
>
> Inducements have fuelled oversupply, causing ethanol margins to collapse while also pushing up food prices. Meanwhile, Detroit struggles to reinvent itself, having spent two decades pushing more horsepower and metal at US drivers while foreign competitors have taken the lead in energy efficient vehicles. And a 14-year freeze on federal fuel tax encourages more driving of those heavier cars, battering America's roads and bridges while simultaneously undermining the revenue base used for renewing them. Throw in growing concern about environmental deterioration and it's enough to leave you feeling queasy.

9 a / Stellar Performance With Astrophysicist At The Helm (Press and Journal 'Energy' supplement, Mon 01 Oct)

http://www.thisisnorthscotland.co.uk/displayNode.jsp?nodeId=149212&comma...

Comment: The Press and Journal (P&J) is the main Aberdeen, Scotland daily newspaper and is very pro oil and gas industry. Thus it usually avoids any mention of Peak Oil / oil depletion although the P&J monthly supplement, 'Energy', occasionally covers Peak Oil. Both articles 9a and 9b are from the October 'Energy' supplement (http://emag.digitalpc.co.uk/nep/energy_october07.asp), item 9b near the back (p24). The first article (9a) is an interview with James Buckee, ex-CEO of Talisman, now firmly entrenched in the Peak Oil community – he was a panellist in the first panel discussion at ASPO-6 and stated clearly that PO would occur within the next few years/ was here already, or words to that effect. The article also covers the Forties field. The latest data suggest that Forties has had its second peak (http://www.og.dti.gov.uk/pprs/full_production/oil_production_sorted_by_f...), and is in decline again.

> ... Talisman has been in the North Sea for 11 years, and as far as Buckee is concerned, the strategic value of the province has not waned at all.
>
> "The world consumes 30-plus billion barrels of oil a year, but is finding less than 10billion. This is unsustainable. I do believe in the Peak Oil theory. It's obvious, which means oil prices will move higher. It also means that a premium is placed on existing fields.
>
> "In the North Sea, we have the infrastructure and we have lots of oil in place beneath. I believe we can keep on improving the recovery factor of such fields for quite a long time yet."
>
> ... But Buckee didn't get everything he wanted.
>
> Consider Forties. Not many years ago it was the next big thing for BP in the North Sea - redevelopment would yield another 400million barrels of oil at least. It was on the projects list, but then it was suddenly sold in February, 2003, to US independent Apache - around the time that North Sea general manager Steve Marshall was shunted off to Alaska.
>
> "We looked at Forties. BP had left a very clear roadmap of what to do. It had done 4D seismic, carried out very clever subsurface work - including applying subtle seismic interpretation techniques - set out a drilling schedule, and so forth.

"But Apache bought the field, said thanks very much and used that map. We would have, too. We bid Forties, but they bid more than us (two others bid, too)."

The winning bid? It was 1.3billion, according to headlines at the time, and almost certainly a steal for Apache.

Buckee said: "However, majors are coming around to the view that they've been giving away assets that are much more valuable than they seemed at the time. In the case of Forties, John Browne (ex group CEO) was trying to send the signal out that there were no sacred cows in the BP portfolio - even Forties, the backbone of BP.

9b/ Peak Oil 10-20 Years Away, Claims World Energy Council (Press and Journal 'Energy' supplement, Mon 01 Oct)

http://www.thisisnorthscotland.co.uk/displayNode.jsp?nodeId=149212&comma...

Comment: Gives a very rosy picture of global natural gas reserves, overlooking the trend that global gas demand is beginning to outstrip supply now, as detailed in the IEA's Natural Gas Market Review 2007.

Global proved recoverable oil reserves stood at 1.215trillion barrels (160billion tonnes) at the end of 2005, according to the World Energy Council. It says in a new report that this is 117billion barrels (11billion tonnes) higher than at the end of 2002.

However, it acknowledges that Peak Oil may be just a few years off.

The Middle East remains the principal location of oil reserves with 61% of the global total, followed by Africa with 11%, South America and Europe (including the whole of the Russian Federation) with 8% each and North America at just under 5%.

Pointing to work carried out by the Federal Institute for Geosciences and Natural Resources (BGR) in Germany, WEC notes that ultimate recoverable reserves of conventional oil are some 387billion tonnes, of which about 143billion tonnes had been produced up to the end of 2005.

After adjustments for technical reserves, according to the BGR, there are some 625billion barrels of additional recoverable conventional oil remaining in the world - equivalent to just over another 50% on top of the existing level of proved reserves.

WEC says oil supplies will not run out for a very long time to come. However, it acknowledges the Peak Oil debate and says that, with 37% of conventional oil resources already extracted, the depletion midpoint will be reached within the next 10-20 years.

Natural gas resources are in better shape. Since 1980, the world's proved reserves of natural gas have increased at an average annual rate of 3.4% (compared with 2.4% for oil) owing to a number of exploration successes and improved assessments of some existing fields. The volume of proved gas reserves has more than doubled during this period. In comparison with the level reported for end-2002 by the WEC, total reserves show an increase of 5.9trillion cu m, or 3.5%.

At the present level, global gas reserves are equivalent to more than 56 years' production (net of re-injection) at the 2005 rate.

Some 44% of total proved reserves is concentrated in about 20 mega and supergiant

fields, within which the world's largest non-associated gas field - North Field/South Pars, which straddles Qatari and Iranian waters - accounts for very nearly half.

WEC goes on to state that the amount of natural gas remaining to be discovered has been "consistently and significantly underestimated". Moreover, gas exploration is at a less mature stage than that for crude oil.

Many territories have been only partially explored, if at all. In addition, improvements in the economics of transportation are opening up access to hitherto "stranded" deposits (see SBM story on Page 17) while advances in technology will enable exploration and production activities to be undertaken in deeper and more complex horizons.

Conventional sources of natural gas are already augmented by substantial quantities of coal-bed methane (CBM), and other non-conventional sources such as tight gas sands, gas shales and possibly gas hydrates will come to play a part in gas supply.

Add together proven and technical resources and the belief is that there are more than 130 years' worth of natural gas supplies at present consumption rates.

This work is licensed under a Creative Commons Attribution-Share Alike 3.0 United States License.