



DrumBeat: December 7, 2007

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[China May Cut Fuel Oil Imports by 11% in 2007, PetroChina Says](#)

China, the world's second-biggest oil user, may cut imports of fuel oil by as much as 11 percent this year because of rising purchasing costs and falling demand from non-state-owned refineries, PetroChina Co. said.

Imports may fall to between 25 million and 26 million metric tons this year, compared with 28 million tons in 2006, Sun Yufa, vice president of PetroChina Fuel Oil Co., the fuel oil unit of the nation's biggest oil company, said in an interview in Beijing today.

[Food Summit studies the question: What'll we do when the oil runs out?](#)

The warnings delivered to the gathering by high school teacher Rick Munroe were dire. After years of research he has come to believe in the work of geophysicist Marion King Hubbert who suggests that the world is close to reaching peak oil production. Henceforth oil production will decline as it becomes more difficult to extract from the earth.

Munroe presented his findings, noting that oil is a finite, non-renewable resource which will eventually run out. The belief fuels the NFU's strategy of achieving a local, sustainable food system involving the reduction of food transportation.

[Kazakhstan seeks settlement on oil field delay](#)

Kazakhstan wants either to raise its stake or receive compensation for cost overruns and delays in the Kashagan offshore field, the world's largest oil find in more than three decades, the Kazakh president, Nursultan Nazarbayev, said Friday.

[Chevron has second thoughts on biodiesel](#)

Chevron Corp. has signaled it may stop investing in a biodiesel fuel plant in Galveston, clouding the future of an operation that had been counting on the oil company's backing to expand, according to people familiar with the situation.

[Russia unaffected by Nabucco trans-Caspian gas pipe project](#)

A trans-Caspian gas pipeline project bypassing Russia would not hurt its interests or the interests of the country's energy giant Gazprom, a deputy industry and energy minister said on Friday.

"That point of view only exists in the minds of the media," Ivan Materov said.

[New security pact signed in oil-rich Basra](#)

Basra is where nearly all of Iraq's oil exports head to market and where 80 percent of the oil reserves are either in or around. The power struggle is directly linked to control over the government apparatus that controls the oil city, as well as the booming oil and fuel smuggling trade.

[Ethanol bill fuels food costs](#)

Expect the price of beef, pork, chicken and a host of other goods to go up if the House energy bill becomes law. But the trade-off may be worth it.

[Why are Canadians the World's Energy Pigs?](#)

Canada is rich, big and cold, and we share two borders with the United States. Those four factors explain why we are the world's energy pigs in the consumption of non-renewable energy, but they do not justify it.

[China: US should take lead on climate](#)

China said Friday it will not consider mandatory cuts on greenhouse gases, saying the United States and other industrialized countries should take the lead in fighting climate change by embracing a less-extravagant lifestyle.

[Eco-friendly kangaroo farts could help global warming: scientists](#)

Australian scientists are trying to give kangaroo-style stomachs to cattle and sheep in a bid to cut the emission of greenhouse gases blamed for global warming, researchers say.

Thanks to special bacteria in their stomachs, kangaroo flatulence contains no methane and scientists want to transfer that bacteria to cattle and sheep who emit large quantities of the harmful gas.

[Oslo shares down heavily, led by Statoil on production disappointment](#)

The Oslo energy index fell 5.8 pct, or 38 points, to 622.08 after StatoilHydro delivered its thunderbolt at the start of trade, the group shocking analysts by warning it will miss its 2007 production forecasts and following 2008 guidance that missed expectations.

..."This is a huge surprise. Consensus was for production to increase by 10 pct next year, mainly coming from five new fields," Carnegie analyst John Olaisen said.

[China to charge producers oil tax](#)

China will charge its top oil producers more than \$8 billion in taxes this year.

The nation's oil producers, including Sinopec, PetroChina Co. and CNOOC Ltd. will all pay additional taxes on their windfall from high oil prices.

That is 33 percent more than the Chinese oil producers paid last year, the National Development and Reform Commission said.

[ISU receives \\$2 million DOE grant](#)

The U.S. Department of Energy has awarded \$2 million to the Iowa State University.

ISU, in partnership with ConocoPhillips Co, will use the grant as part of a \$5.2 million project to test an integrated biomass to liquids system that uses gas cooling through oil scrubbing rather than water scrubbing in order to minimize waste water treatment.

[Arizona calls for major solar project](#)

Arizona utilities are teaming up to build the state's largest solar-thermal power plant.

The project could power thousands of homes and help utilities meet the state's renewable-energy requirements, the Tucson Citizen said.

[Senate Blocks Debate on Energy Plan Approved by House](#)

U.S. Senate Republicans blocked energy legislation that would increase taxes on oil and gas companies and require utilities to get a portion of their power from renewable sources.

The vote on a bid by Senate Majority Leader Harry Reid today to begin considering the measure was 53-42, seven votes short of the 60 needed to overcome Republican objections.

[Syncrude coker unit to be shut for 2-4 weeks](#)

Canadian Oil Sands Trust (COS_u.TO: Quote) said on Friday that Syncrude Canada Ltd will shut down a damaged processing unit for two to four weeks to make repairs after a fire on Dec 5.

The trust, which owns the biggest Syncrude joint venture stake, said it expects 2007 production will still be within the range of 110 to 111 million barrels despite the outage of Coker 8-3.

[Fresh oil and gas find in Brazil](#)

Further oil and gas supplies have been discovered off the south-eastern coast of Brazil, boosting the shares of state energy firm Petrobras.

The emergence of a new reserve in the Espirito Santo field comes a month after a reserve of up to eight billion barrels was found nearby.

[In 2008, Investors Should Expect to be Buffeted by Oil Price Uncertainty – But One Fact Can't be Denied](#)

As energy investors look ahead to 2008, they should expect a lot of price uncertainty, as peak-oil believers and deniers take turns holding forth in the media and the oil trading pits. One day it could be Matt Simmons vs. Daniel Yergin, the next T. Boone Pickens vs. the CEO of ExxonMobil. Happily holding coats will be TV anchors and an army of global traders, private equity firms and mutual funds – all of which love market volatility because it can boost their profits if they are ahead of the wave.

[Agrium begins shutdown of fertilizer plant](#)

The Agrium USA fertilizer plant in Kenai is closing for good.

Plant managers say they can't find sufficient supplies of natural gas, which is necessary for the production of the fertilizer.

The plant's last cargo ship is destined for Korea with 27,000 tons of fertilizer made from Cook Inlet natural gas, a dwindling commodity in southcentral Alaska.

[U.S. forecasters see seven hurricanes in 2008](#)

The noted Colorado State University hurricane research team predicted on Friday that 13 tropical storms will develop in the 2008 Atlantic hurricane season, of which seven would strengthen into hurricanes.

The team formed by forecasting pioneer William Gray, whose long-range forecasts have been wrong for the past three years, said three of the hurricanes would be the most dangerous Category 3 or above hurricanes, with winds of at least 111 miles per hour (178 km per hour).

[Central Asian Gas Hike May Hit European Consumers](#)

All three Central Asian gas-rich states – Turkmenistan, Uzbekistan and Kazakstan – have announced gas price hikes for their main customer, the Russian gas monopoly Gazprom, in a move which may have severe knock-on effects for Europe.

Energy experts say that as Central Asian gas coming via Russia becomes more expensive, European countries could start pushing harder for long-discussed projects to create alternative routes, such as pipelines under the Caspian Sea.

[The Game-Playing Behind China's Fuel Crisis](#)

In the past several months, fuel scarcity has once again swept over much of China: drivers queuing for hours outside filling stations only to get a few liters of rationed fuel, or simply being turned away by dry nozzles. Such scenes have become increasingly common in recent years as the country suffers from periodic fuel shortages during peak demand seasons. A real headache to drivers, this phenomenon has generated a special term—"You Huang," or "fuel panic"—except that it now has lost any element of surprise.

Contrary to the hasty conclusion that China is running out of fuel, hard figures reveal that this phenomenon is more likely rigged by the country's oil monopolies in an effort to push up the price cap in the domestic market. According to Chinese customs authorities, for the first nine months of 2007, China's exports of refined oil reached 12 million tons, a 31 percent increase over the same period last year. This October, when some cities experienced the worst fuel crisis, China imported 30,000 tons of gasoline, while exporting six times that much to the international market.

[Protecting America's Far-Flung Oil Supply](#)

Every day for more than 40 years, the U.S. military has been safeguarding foreign oil

sources and the sea-lanes through which that oil is carried. This policy, formulated during World War II and made explicit in 1980 to confront the Soviet Union, has served not only American security but has provided a crucial service for America's friends and allies that do not have the resources to do it themselves. Since 9/11, transnational terrorist organizations rapidly expanded their targeting of the global petroleum extraction, refining and transport infrastructure disappointing to American policymakers expecting that in the wake of the Soviet Union's demise, the energy mission could be scaled back.

[Food banks go green for winter](#)

Thousands of low-income families will spend less on heating bills and reduce their ecological footprint this winter thanks to a "green" energy program offered through Ontario food banks.

[US, poor nations won't pledge binding cuts in Bali: UN](#)

A UN conference trying to lay the groundwork for a new climate change pact is unlikely to win any binding pledge by the United States to cut greenhouse gas emissions, its head said Friday.

Developing nations are also likely to refuse to commit to mandatory targets on cutting emissions blamed for global warming, said Yvo de Boer, executive secretary of the UN Convention on Climate Change.

[Indigenous people lash out at Bali climate change talks](#)

Indigenous people from around the globe said Friday they were being excluded from key international climate change talks, when it was their homes, livelihoods and culture at risk from global warming.

[Gore in Norway to get Nobel Peace Prize](#)

Former Vice President Al Gore arrived in Oslo on Friday to accept the Nobel Peace Prize he shared for the campaign against global warming, and shunned the traditional airport motorcade in favor of climate-friendly public transport.

[Australian defection leaves Bush isolated](#)

American negotiators at the Bali climate conference came under mounting pressure yesterday to back mandatory caps on greenhouse gases, after Australia threw its support behind deep emission cuts and anti-global warming legislation passed a crucial

test in the United States Senate.

[Up to 60% of Amazon at risk from climate change: WWF](#)

Deforestation and climate change could wipe out or damage up to 60 percent of the vital Amazon forest by 2030, causing knock on effects across the globe, green group WWF warned Thursday.

One the world's key absorbers of carbon dioxide (CO₂), the Amazon is under threat from droughts as the world heats up, they said, while deforestation could cause severe damage to the area known as the "lungs of the planet".

[Why the Hot Money's on Cheaper Oil](#)

Flynn, an analyst and vice-president at brokerage firm Alaron Futures & Options in Chicago and a 24-year veteran of the industry, has long been an outspoken oil bull. He was among the first to predict that crude oil prices would top \$30 a barrel in 2000 and close in on \$40 in 2004. Just a month ago, when oil closed at \$96.46 on Nov. 7, Flynn was ecstatic: "This should be a day of celebration!" he said. "High oil prices are a sign of a strong global and U.S. economy. I'm very bullish—scary bullish."

But a lot of scary things have happened in the past month, most notably worries about a spreading credit crunch. Now even Flynn doesn't expect the latest price lift to last. "I'm bearish for the first time in years," says Flynn. "Make no mistake: The trend will be down unless we get a major event to change the outlook. If we get back to the mid-90s, get ready to bail. The sell-off is far from over."

[Oil tanker leaks 66,000 barrels near S. Korea](#)

South Korea's Coast Guard said Friday it stopped oil leaking from a supertanker in seas near South Korea's west coast and was cleaning up what appeared to be the country's largest offshore spill.

About 66,000 barrels (2.7 million gallons) of crude oil gushed from the 146,000-ton Hong Kong-registered ship after a crane-carrying vessel slammed into it at around 7:10 a.m. local time, the Coast Guard said.

[Natural gas supply depleting](#)

Natural gas is taken for granted, and British Columbians benefit from it greatly through the creation of heat for homes and hot water, and food too. It's the raw material for most fertilizer used in North America. One recent study estimates that without oil and gas,

the agricultural-carrying capacity of the earth's population would be two billion people. Liquefied natural gas (LNG), on the other hand, is probably new to most people. But its advent and proposed import signals a turning point in history I feel should not be ignored.

[Did an oil-company CEO just endorse peak-oil theory?](#)

On Tuesday, CNBC's popular stock-picker Jim Cramer discussed oil supply constraints at length, explaining why he likes ConocoPhillips because it's one of the few firms that really thinks oil prices are staying high and is investing accordingly. Most companies tend to evaluate projects for viability at around \$40 per barrel of crude. That's mainly because the rise in oil prices has been moving higher than the supply-demand fundamentals suggest they should, which we have discussed recently (here and here). Cramer thinks ConocoPhillips is "ahead of the curve" and is well-positioned to take advantage of the current market.

In making his case, Cramer read a quote from a recent presentation by ConocoPhillips CEO Jim Mulva that I think is significant coming from an industry leader, given that it sounds a lot like a measured endorsement of peak-oil theory...

[Peak Oil And Musical Chairs](#)

We are all playing a game of musical chairs with the world's oil supply. Every time the price of oil goes up five dollars or so, one chair gets moved away and someone, or some entire country, is politely escorted out of the oil game. Just kidding about the politely part.

[Tax plan to extend life of North Sea oil fields](#)

The Treasury is proposing tax changes that it hopes will encourage North Sea oil and gas companies to keep pumping for longer and boost revenues for the Government.

[Crude Oil 'Could Hit \\$110 Next Year'](#)

The Korea Energy Economic Institute said on Thursday in a worst case scenario Dubai crude could rise to US\$110 a barrel next year.

An official from the institute said it is more likely that Dubai crude for 2008 will steadily rise from the current \$68 a barrel to \$75 a barrel. Dubai crude makes up the bulk of Korea's oil imports.

[Ota Says Japan's Growth Report Shows Oil Is Hurting Companies](#)

Japan's Economic and Fiscal Policy Minister Hiroko Ota said rising oil prices are hurting companies' profits and discouraging them from spending on factories and equipment.

[No need to overstate oil price risks - ECB's Weber](#)

Rising oil prices are a danger for euro zone price stability but one should not exaggerate the risks they pose, European Central Bank Governing Council member Axel Weber was quoted as saying on Thursday.

[Iraq oil pipeline sabotaged](#)

A crude pipeline in oil-rich northern Iraq was set ablaze after being bombed by militants, oil ministry spokesman Assem Jihad said Friday.

Repairs at the site, near Al-Fatah, 120 kilometres (75 miles) west of the oil city of Kirkuk, were expected to be completed within a day and crude exports would not be affected, he said.

[Refinery company asking for special zoning](#)

A Texas company that's considering Union County as the site of a huge oil refinery has filed for a special type of zoning for the \$10 billion project.

If Hyperion Resources gets approval and finally decides to build the refinery, it would be the largest construction project in South Dakota history.

[Sinopec Plans To Import 500,000 Tons Diesel Oil In Jan - Xinhua](#)

China Petroleum & Chemical Corp. (SNP), or Sinopec, plans to import 500,000 metric tons of diesel oil in January, in a bid to ease tight domestic supply, the official Xinhua News Agency reported Friday.

The planned imports in January are higher than the 287,000 tons imported in November and 423,000 tons to be imported in December, the report said.

Meanwhile, the company also plans to process 14.5 million tons of crude oil in December, up 8.1% from a year earlier, the report said.

[The price of oil and the Chinese connection](#)

We live in an inter-connected world. There is a tendency to believe that this is a new development, at least for financial markets.

It is not.

[Plants, animals feel the heat of global warming, already](#)

More than 3,000 flying foxes dropped dead, falling from trees in Australia. Giant squid migrated north to commercial fishing grounds off California, gobbling anchovy and hake. Butterflies have gone extinct in the Alps. While humans debate at UN climate change talks in Bali, global warming is already wreaking havoc with nature. Most plants and animals are affected, and the change is occurring too quickly for them.

[Ireland Goes Green With Light Bulb Rules, Car Tax](#)

Ireland will ban traditional light bulbs in favour of energy-saving alternatives from 2009 and penalise high-emission vehicles from July 2008, Environment Minister John Gormley said on Thursday.

[Saudi Arabia, U.S. named the worst 'climate sinners'](#)

The United States and Saudi Arabia are the world's worst "climate sinners," environmental groups said Friday, citing their high and mounting greenhouse gas emissions and inadequate government policies to combat global warming.

Australia was ranked third, but with a caveat: If its decision to sign the Kyoto Protocol is followed up with action, it would quickly fall down the ladder.

[Farms face climate devastation](#)

AUSTRALIA could suffer a massive decline in farm production and agricultural export earnings in coming decades unless it can halt climate change or adapt to it, a report to the Federal Government has warned.



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