



DrumBeat: January 14, 2008

Posted by [Leanan](#) on January 14, 2008 - 9:54am

Topic: [Miscellaneous](#)

[Greenland opens to oil firms; melting ice unlocks reserves](#)

Rising temperatures are giving Greenland the opportunity to tap into billions of barrels of oil and gas trapped under ice.

Greenland, a self-governed province of Denmark that's roughly the size of Saudi Arabia, plans to auction off rights to crude-oil and natural-gas reserves officials believe will become feasible to exploit once the ice recedes. The island is setting a delicate balance for itself as both a bellwether to environmentalists looking for evidence of global warming, and as the latest frontier for oil and gas companies.

[The Spillover Effect of \\$100 Oil](#)

U.S. consumers are hurting. Amid the housing crisis, a weakening job market, and spiraling inflation, consumers are facing the toughest economic climate in more than 15 years. With crude oil prices hitting the once-unthinkable \$100 milestone on Jan. 2 and now hovering in the mid-\$90s, overall conditions aren't likely to be helped by a modest easing in crude prices.

That's because high oil prices have an inflationary effect throughout the economy. "When the price of oil goes up, it impacts virtually every commodity, good, and service we purchase," says Terry Clower, associate director for the University of North Texas' Center for Economic Development & Research. "Everything from milk to gasoline to a bucket of fried chicken will cost more. It's a potentially scary scenario."

[Suspected Nigerian Militants Attack Oil Platform Supply Vessel](#)

Suspected militants today attacked a vessel taking supplies to an oil production platform in the Niger Delta, Felix Ogbaudu, the police commissioner in the area said.

Police are still trying to get details of the attack, including the identity of the vessel and any casualties, Ogbaudu said by telephone from Port Harcourt, capital of Rivers state and hub of the Nigerian oil industry.

[Squandered oil bonanza may bring down Iranian President](#)

Oil at nearly \$100 a barrel cannot keep Mahmoud Ahmadinejad safe in the presidency of Iran for ever. Finally, it seems as if his breathtaking economic mismanagement, squandering an unprecedented bonanza, may prise him from office.

[Bush discussed oil prices with Gulf Arab leaders](#)

US President George W. Bush discussed concerns about the high price of oil in talks with Gulf Arab leaders during his Middle East tour this week, a White House official said on Monday.

[Eni loses grip of Kazakh oilfield](#)

Eni, the Italian oil company, is to lose operating control of the giant Kashagan oilfield, the crown jewel of its upstream portfolio, as Kazakhstan asserts greater control over the troubled oil development.

[‘Euro open credit lines used to buy oil’](#)

Iran is using open credit lines settled in euros to finance fuel imports after some international banks stopped guaranteeing its deals due to US pressure, an oil industry source said yesterday.

French banks BNP Paribas and Calyon stopped offering letters of credit (LCs) last year for oil sales to Iran because of political pressure from the United States over Tehran’s nuclear programme, industry sources have said. Without the LCs, Indian refiner Reliance halted sales of gasoline and diesel to Iran. But other sellers continued to deliver fuel to Iran using the open credit lines, the industry source said yesterday.

[Shell says oil sands upgrader back to normal](#)

Royal Dutch Shell Plc's oil sands upgrading plant near Edmonton, Alberta, is back at normal operating rates following repairs to one of two production trains damaged in a Nov. 19 fire, a company spokesman said on Monday.

[Iraq oil workers: New labor law needed](#)

Iraq's top oil workers' union has asked for action on a draft labor law, as called for in the constitution, in a letter to Iraq's labor minister.

This marks the year's first movement by workers in Iraq's most important sector to demand better working conditions; demands led to upheaval throughout 2007.

[Gaz de France signs partnership deal with Qatar](#)

Gaz de France on Monday said it has signed a long-term partnership agreement with Qatar Petroleum International and the country's authorities.

"This memorandum of understanding plans the development of cooperation between the two groups at an international level, in particular in the areas of exploration-production, liquefied natural gas (LNG), gas storage and downstream activities," Gaz de France said in a statement.

[Virgin Atlantic to fly a 747 plane on biofuel](#)

Virgin Atlantic said Monday it would fly one of its Boeing 747 planes on biofuel during a demonstration flight from London to Amsterdam next month.

Virgin Atlantic Chairman Richard Branson said the test flight, which he called the first of its kind, would yield crucial information on how to reduce aviation's carbon footprint.

[Venezuela energy clients subject to Chavez whims](#)

Venezuela's decision to halt asphalt exports and unilaterally change oil payment terms are new signs that the OPEC nation's energy deals can at any moment be upended by the whims of leftist President Hugo Chavez.

The former soldier on Sunday said Venezuela would cut all asphalt exports to improve domestic infrastructure, just days after Venezuela announced it was cutting the payment time for oil cargoes to eight days from the industry-standard 30 days.

[Shell: Force majeure on Nigeria Forcados exports](#)

Royal Dutch Shell has declared a force majeure on crude shipments from its Forcados export terminal in Nigeria after last week's pipeline attack, a spokesman said on Monday. Exports have been halted since Friday due to sabotage at two of its pipelines connected to the Forcados export terminal. Production has not been affected, the spokesman said.

[Bush Delivers Arms Sale to Saudi Arabia](#)

President Bush, on his first visit to this oil-rich kingdom, delivered a major arms sale Monday to a key ally in a region where the U.S. casts neighboring Iran as a menace to stability.

...Coinciding with Bush's trip, the Bush administration in Washington notified Congress on Monday that it will offer Saudi Arabia the chance to buy sophisticated Joint Direct Attack Munitions - or "smart bomb" - technology and related equipment, the State Department said. The administration envisions the transfer of 900 of the precision-guided bomb kits, worth \$123 million, that would give the kingdom's armed forces highly accurate targeting abilities.

[How to handle carbon dioxide? Lock it in rock](#)

About two months from now, three narrow wells will plunge thousands of feet through the industrial scrubland of southeastern Washington state, reaching for a solution to the expected crisis through a natural volcanic formation created in the distant past. Within that thick layer-cake of basalt rock, liquefied carbon dioxide — which would otherwise accumulate as a major greenhouse gas in the atmosphere — will begin taking the place of brackish water. And if all goes well, that pressurized carbon will gradually mineralize into limestone, trapping itself forever within the vast underground prison and assuming a major role in the fight to ward off a future environmental catastrophe.

[In the Farm Bill, a Creature From the Black Lagoon?](#)

IT may not surprise you to learn that much of the pork and chicken and beef and milk that you buy at the grocery store comes from huge, industrial-size operations that bear little resemblance to the quaint family farms that adorn many food packages.

But you may be surprised to learn that your tax dollars have helped pave the way for the growth of these livestock megafarms by paying farmers to deal with the mountains of excrement that their farms generate. All of this is carried out under the rubric of "conservation." Congress is about to renew the program — and possibly even expand it — as part of a new farm bill wending its way through the Capitol.

[70-dollar mark for oil is 'realistic' : Sarkozy](#)

Before rounding off his visit to Saudi Arabia and arriving in Qatar, French President Nicolas Sarkozy told reporters in Riyadh that a 100-dollars-a-barrel is too high a price for oil, suggesting that a 'realistic' price is 70 dollars.

'When the price of oil increases three-fold in four years to reach 100 dollars per barrel, I feel perturbed about the nature of such increases,' said the president, who questioned

the effects of the rocketing cost on purchasing power and on poorer nations with a shortage in alternative energy resources.

'We believe that the realistic price for oil should be 70 dollars,' he added.

[Kunstler: Disarray](#)

A reader sent me a passle of recent clippings last week from the *Atlanta Journal-Constitution*. It contained one story after another about the perceived need to build more highways in order to maintain "economic growth" (and incidentally about the "foolishness" of public transit). I understood that to mean the need to keep the suburban development system going, since that has been the real main source of the Sunbelt's prosperity the past 60-odd years. They cannot imagine an economy that is based on anything besides new subdivisions, freeway extensions, new car sales, and Nascar spectacles. The Sunbelt, therefore, will be ground-zero for all the disappointment emanating from this cultural disaster, and probably also ground-zero for the political mischief that will ensue from lost fortunes and crushed hopes.

[Nissan exec: Car culture is fading](#)

Worldwide, people are losing interest in automobiles, one executive says.

[Maersk suspends shipping to Nigerian oil service port](#)

Danish shipping and oil group A.P. Moller-Maersk said on Monday it had suspended all shipping to the Onne port in Nigeria due to security concerns.

Onne is not an oil export terminal but is used to supply oil industry contractors and ships that service the offshore sector. It is near the oil hub of Port Harcourt where a tanker was attacked in Friday

[Repsol Confirms Natural-Gas Find in Peruvian Jungle](#)

Repsol YPF SA , Spain's largest oil producer, confirmed an ``important" natural-gas discovery in Peru's southeastern jungle, Peru's President Alan Garcia said.

Repsol, based in Madrid, and partner Petroleo Brasileiro SA, which announced the find last month, discovered more than 2 trillion cubic feet of gas in Block 57 bordering the Camisea gas fields where Repsol is a partner, Garcia said.

``This important gas find will represent millions of dollars in income for Peru," Garcia told reporters in Lima today. ``It will enable us to be self-sufficient in fuel."

[Fate of oil unites feuding Iraqi factions](#)

Several Shia and Sunni political factions united yesterday to pressure Kurds over control of oil and the future of the city of Kirkuk, which Kurdistan wants to annex to its self-rule region in the north.

The budding front, which includes one-time enemies such as Shia cleric Muqtada al-Sadr and former Prime Minister Ayad Allawi's secular faction, believe the country should have a strong central government.

In contrast, the Kurds and the Supreme Islamic Iraqi Council, a major Shia party, have championed a federal system that would give a limited role to the national government and greater powers to the regions.

[Energy Sector Stunning Demand and Production Trends & Developments](#)

While we did not see triple digit crude oil prices in the futures market last year we remain optimistic the energy sector will perform well in 2008. Growing global energy demands will continue to present challenges to the market.

Several graphics we ran across last month illustrate the major issues in the energy sector. The chart at right from an article in the Financial Times illustrates that the use of fossil fuels has correlated very closely with economic growth over the last 185 years.

[Canada: Fuel shortage drying out Inuvik gas pumps](#)

Gas station owners in Inuvik, N.W.T., are rationing their fuel this week, as petroleum supplier Imperial Oil does not have enough to keep everyone in the Arctic town running until the next annual shipment arrives by barge.

Blaming shipping delays last fall, officials with Imperial Oil have told local businesses to ration fuel so that supplies are available for essential services, such as home heating, aviation and transportation.

[Zimbabwe: Power Cuts Fatal Blow to Ailing Health Sector](#)

SHEILA Moyo (not her real name) remembers with fondness the elderly woman who assisted her during childbirth each time she looks at her bouncing baby.

Moyo (27), gave birth at night near Glenview Polyclinic on 31 December, with the assistance of the stranger who appeared from "nowhere" to rescue her.

The young woman, who was in labour, had been turned away from the clinic after nurses decided that without electricity, it would be impossible to help her deliver.

...They said they would have swung into action if she had brought the three candles required to light up the clinic during a blackout.

[Russia: Demonstrations Continue Amid Energy Crisis In Dagestan. Investigation Launched](#)

Thousands have taken to the streets of the Dagestani capital, as widespread power outages continued across the region. As the Kavkazsky Uzel (Caucasian Knot) Information Agency reported, demonstrators blocked traffic in the city center, and built barricades, even as temperatures reached negative 15 degrees Celsius.

[Idiotic U.S. policy muddies answers to energy crisis](#)

There are no magical answers and there is no cheap solution for our energy problems. But there are considerations that haven't received a fair chance or enough press coverage.

John Hofmeister, president and CEO of Shell Oil Co., has said repeatedly that there are plenty of oil and gas reserves sitting in the Outer Continental Shelf off the American coast. Yet the oil and gas business doesn't have access to that oil nor do we.

[China's installed capacity soars](#)

Hu Zhaoguang, an Expert said "700 gigawatts means China is the second largest power producer in the world. The installed electricity generating capacity in the United States was more than 900 gigawatts. The newly added capacity last year alone was equivalent to more than all of Britain's power stations."

Currently, the majority of the capacity is fueled by coal, which supplies more than three quarters of the country's electricity. Water-generated power accounted for 20 percent of the whole. Other clean energy including wind power and nuclear power generating capacity has seen great development but still accounts for less than 2 percent of the total.

[China still building "energy-guzzling" buildings](#)

China's developers are still building "energy-guzzling" buildings, flying in the face of sustainability pledges made during their design, state media reported on Monday.

China, facing an uphill battle to secure energy and resources to feed its booming

economy, has set targets to make new buildings 50 percent more energy efficient by 2010.

But only 53 percent of China's new buildings had met national energy conservation standards, the China Daily said, citing a construction ministry survey which blamed cost-cutting developers.

[Russian assets in France frozen over dispute with Swiss firm dating to early 1990s](#)

Bank accounts of Russian government-linked bodies in France have been frozen over a legal dispute with a Swiss firm dating back to oil-for-food deals at the end of the Soviet era, a Russian official said Monday.

Russia's Foreign Ministry issued a formal complaint to France over the seizure, Russia's state-run news agency RIA Novosti reported.

[South Africa: Eskom invites bids for nuclear power](#)

Eskom has asked two international nuclear giants to submit bids to build SA's next nuclear power station, the Cape Times reports on its website today.

The new plant, twice as powerful as Koeberg, would be the first of five or six more nuclear plants that Eskom is planning to help solve the country's energy shortage.

[Turning Waste Heat into Power](#)

Silicon, in the form of photovoltaic cells, is good at generating electricity from sunlight. New research shows that it could also make a good thermoelectric: a material that converts heat into electricity and vice versa. Since silicon is more abundant than the leading thermoelectric materials and has a vast manufacturing infrastructure behind it, it could eventually yield cheap devices for generating power from engines' waste heat or from solar heat.

[Malaysia's palm oil inventory to fall further as output drops, demand increases](#)

Malaysia's palm oil inventory will drop further over the next few months after a slight fall in December as severe flooding hits key producing states, analysts said Monday.

[Indian taxes a roadblock in biofuel drive](#)

India's policy of blending ethanol with petrol to cut its dependence on costly imported crude oil and support ailing sugar mills is being hobbled by a web of taxes, a leading biofuel producer said on Monday.

[Should cars eat our food?](#)

It is not sinful to fuel autos with the help of renewable crops, as Cuban dictator Fidel Castro claims. But it is unacceptable to make food scarcer and more expensive because of a headlong race by businessmen to make higher profits with such a programme.

[Thailand: PTT says biodiesel supplies are secure](#)

PTT Plc and Bangchak Petroleum Plc have insisted their B2 and B5 biodiesel blends will not be affected by the looming palm oil shortage and price hikes due to their secured supply of raw materials.

[Malawi to increase fuel storage](#)

Malawi plans to increase fuel storage facilities to keep in reserve fuel for up to 21 days, Minister of Energy and Mining Henry Chimunthu Banda has confirmed.

...This follows the current persistent shortage of fuel in Malawi. Other reports indicate that Malawi fuel were destined to Zimbabwe to abate the country's fuel crisis and the rationing between the two countries was a major contributing factor to the shortage.

[Rethink biofuel, says Nobel laureate](#)

Dr. Hartmut Michel, the 1998 Nobel Prize winner for chemistry, who was in Manila last week for a talk, said investing in biofuel development was "counterproductive."

"When you calculate how much of the sun's energy is stored in the plants, it's below one percent," he said at a forum at the Philippine International Convention Center in Pasay City on Wednesday.

[EU admits biofuel target problems](#)

The European Commission is re-thinking draft rules on reaching the EU's target to boost biofuels amid strong criticism by green campaign groups and development NGOs that the goal could lead to environmental damage and social dislocation.

[General Motors finances ethanol maker Coskata](#)

General Motors (GM) says it is investing in a fledgling company that claims its secret process could be able to make ethanol from waste in large quantity as soon as 2010 for \$1 a gallon or less, half the cost of making gasoline.

Bill Roe, CEO of 18-month-old ethanol maker Coskata, says the company's process uses bacteria developed at the University of Oklahoma and existing gasification technology to generate 99.7% pure ethanol, plus water. He says the method should leapfrog cellulosic production, which has been seen as the next step from today's ethanol production using corn.

GM won't disclose its investment, but Roe says it's enough to make Coskata "a speed-to-market play. I don't think most people saw this coming," he says. "Most talk about cellulosic ethanol is futuristic."

[Saudi to Keep Asia, Europe Crude Sales Steady in Feb](#)

This is the fourth month in a row that the oil kingdom supplies full volumes to Asia.

In Europe too, the allocations for February were unchanged from January levels, officials at two European refiners said.

"It is the same amount as January. There were rumours they could allocate a little bit more, but there is no improvement," a source in one refiner told Reuters.

...Lifters around the region had largely expected Saudi crude allocations to hold steady despite the surge in oil prices to above \$100 earlier this month.

Refining sources said last week they had little need and ability to process additional heavy sour crude, which makes up much of Saudi Arabia's spare capacity.

[Oil prices may fall on speculation supplies will rebound, survey shows](#)

Crude oil may fall this week on speculation that US refineries will increase stockpiles after cutting supplies in December to lower tax payments.

Twenty-one of 39 analysts surveyed, or 54%, said oil prices will decline through January 18. Nine of the respondents, or 23%, said futures will increase, and nine predicted little change. Last week, 52% of respondents said oil would rise.

[Get ready for \\$400-a-barrel oil](#)

Last week, the price of oil reached \$100 a barrel. This came as a surprise to some

people, but it should not have done so. The world is running out of oil, and no amount of wishful thinking can change this fact.

A recent book by David Strahan predicts the price will quadruple to \$400 a barrel within the next five years.

[Analysis: Will new energy law deliver?](#)

Proponents of a major piece of energy legislation signed by President Bush last month say the new law will lead to huge energy savings and increased national security, but not everyone's convinced it will pan out as promised.

[Ford counts on spruced up F-150](#)

On Sunday, when Ford pulled the sheets off its new F-150, it did so in a market in which pickup sales are dropping, hit by high gas prices and a weakened housing sector that makes both homeowners and contractors wary of big purchases.

Still, the struggling automaker hopes the bolder look and enhanced features of its new truck will help convince reluctant customers that now is the time to buy.

It could be a tough sell, but it's something Ford needs to do to meet its goal of being profitable in 2009.

[Toyota Will Offer a Plug-In Hybrid by 2010](#)

The Toyota Motor Corporation, which leads the world's automakers in sales of hybrid-electric vehicles, announced Sunday night that it would build its first plug-in hybrid by 2010.

The move puts Toyota in direct competition with General Motors, which has announced plans to sell its own plug-in hybrid vehicle, the Chevrolet Volt, sometime around 2010.

[Norway faces challenges as oil production no longer grows](#)

Norway has to prepare for a shift from being a major oil producer as production is no longer growing, Petroleum and Energy Minister Aslaug Haga said Monday.

At a joint briefing about the 2007 oil and gas year, director Bente Nyland of the Norwegian Petroleum Directorate noted that oil production on the Norwegian continental shelf in 2007 was slightly lower than in 2006 while gas production increased.

[Eni Yields To Kazakhstan](#)

After months of protracted negotiations, a deal on the future of the Kashagan oil fields was finally hashed out in Kazakhstan on Sunday night, leaving a raft of oil majors with a smaller stake but still at least a place on the coveted project.

The consortium, led by Italian oil firm Eni, had agreed to give equity stakes in Kashagan to state-owned energy firm KazMunaiGaz after meeting with Kazakh Prime Minister Karim Masimov.

[Bin Laden turns heat on Saudi Arabia](#)

The latter operations would be staged in the hope of forcing Washington to a Hobson's choice between standing back and allowing havoc to reign in the world's oil market - with the immense damage it would entail for the US economy - and ordering US military forces into action against Muslims in order to restore oil production on the sacred soil of the Prophet Mohammad's birthplace and what bin Laden refers to as "the land of the two holy mosques".

[EADS chief looks to US to avoid euro 'torture'](#)

Mr Gallois can be thankful that the first A380s are at last flying Asian skies. The assembly lines are running smoothly, if two years late. Yet Airbus still has only 177 firm orders. The break-even level is 420. Bad luck has played its part. Oil at \$100 a barrel has given an edge to Boeing's super-light, composite Dreamliner. Even so, the concept of a hub-to-hub giant may have been flawed in a world where travellers prefer point-to-point. Will the A380 prove an illustrious flop, like Concord?

[China eyes energy, environment ministries in March](#)

China will likely get an energy ministry in March and upgrade its environment watchdog to ministry status, sources said on Monday, as it aims to boost fuel security with oil at \$100 a barrel and cut back on pollution.

[Swedish Alliance Party Calls for Nuclear Rethink](#)

Sweden should rethink its commitment to phase out nuclear power and build four new atomic plants in the next few years, the leader of one of its ruling, centre-right alliance parties said on Friday.

[Peak Oil with Matt Simmons](#)

You may recall us speculating about a correction in oil. Our back-of-the-envelope calculation is that there may be as much as US\$30 of geopolitical and fear premium in the price. But the market price is what is. It reflects what investors know at any given moment. And we are certainly open to the possibility that on the supply side, news from the oil market is grim.

Matt Simmons, one of the leading proponents of Peak Oil (the idea that global oil production has peaked at about 85 million barrels per day), says don't count on off-shore exploration to make up for the exhaustion of the big elephant fields that make up the bulk of today's production.

[Survey: Average gas price rises to \\$3.07](#)

The national average price for gasoline rose nearly 10 cents over the last three weeks, according to a survey released Sunday.

The average price of regular gasoline on Friday was \$3.07 a gallon, mid-grade was \$3.19, and premium was \$3.30, oil industry analyst Trilby Lundberg said.

[China's 2nd largest oil field produces 27 mln tons crude oil](#)

Crude oil output at China Petrochemical Corporation (Sinopec)'s Shengli oil field in 2007 stood at 27.708 million tons, surpassing its annual target, said Sinopec on its website Monday.

Shengli, located in eastern Shandong Province, is the country's second largest oil field after the northeastern Daqing oil field.

[From The Martian Desk](#)

BIOFUEL DISASTER IN THE MAKING. Both Michael Doliner and Martin Murie address once again the tragedy of the commons that is upon us in the form of misguided, profit-driven energy policies. Congress, before going into recess last month, passed a bill signed into law by the president (The Energy Independence and Security Act of 2007), which mandates that the U.S. produce 36 billion gallons of biofuel annually by the year 2022. I've repeatedly broached that issue. (See, among many articles of mine, "Deceitful Solutions To America's Energy Dependence," March 2007.) I won't repeat the case I made last year and you can read Michael and Martin's pieces for their take on the matter, but I'd like to bring your attention to a statistical analysis made by Stuart Staniford in "Fermenting the Food Supply" (*The Oil Drum*, January 7, 2008). According to Michael, Staniford is "one of the best researchers on peak oil." His paper shows the correlation between the prices of oil and ethanol, the plateauing of oil production (the

world is consuming more oil than it can replace through new discoveries...aside from the consequences of burning fossil fuels on the global environment), and the direct relationship between these so-called "renewable energies" and starvation in the poor world.

Also: [Clinton And Obama On Iran And Biofuels](#)

[EU members braced for emissions targets](#)

EU members are bracing for proposed greenhouse gas emission targets due next week as they fret over how much of the burden they will have to bear in the fight against climate change.

The European Commission on January 23 is to unveil plans for individual targets for member states on how much they need to cut their carbon dioxide emissions in the coming years.



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