



DrumBeat: January 22, 2008

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Topic: [Miscellaneous](#)

[A Bush visits a Saud, but much has changed](#)

RIYADH: The Saudi monarchy once depended on the United States to protect its reign and its oil from foes like Saddam Hussein. These days, President George W. Bush needs the world's biggest exporter of crude more than it needs him.

With oil at about \$90 a barrel, the U.S. economy at risk of sliding into recession and American banks trying to raise cash to ride out the subprime-mortgage crisis, Bush has become a supplicant for Saudi financial help. He also needs the kingdom to get behind his Palestinian peace push, to keep Iran at bay and to support political stability in Iraq.

[Is peak oil good news or bad for hydro and seismic operators?](#)

Senior oil executives have traditionally avoided any talk of geological constraints, but now even they admit the industry is in fundamental difficulty. A growing number believe output will never exceed 100 million barrels per day, including Christophe de Margerie, chief executive of Total, Shokri Ghanem, head of Libya's National Oil Company, and James Mulva, boss of ConocoPhillips. Sadad al-Huseini, who until 2004 ran exploration and production for Saudi Aramco, recently claimed global oil production has already reached its ultimate plateau and that output will start to fall within 15 years.

This new openness only reflects the obvious reality; for all their power and profits, the world's biggest oil companies are in trouble. For many, production is already falling. And most are struggling to replace the oil they do produce with fresh discoveries – although not for lack of trying. A recent study by analysts John S Herold showed that the world's 230 biggest oil companies raised their upstream spending by 45 per cent to over \$400 billion in 2006, but that oil and gas reserves inched up by just 2 per cent. The report concluded that peak oil would force oil companies to choose from four options: “try to become a dominant participant, find a niche operational talent, harvest assets, or liquidate quickly.”

[Total faces 'huge cost issues' in Iranian gas project](#)

ABU DHABI: The French oil company Total said Tuesday that it was facing budget

problems on a major liquefied natural gas project in Iran and that it was reviewing plans with the Iranian government.

"We are reviewing the project with the Iranian government, and it could take some time," said Philippe Boisseau, president of gas and power at Total, said during a renewable energy conference in Abu Dhabi, adding that Total is facing "huge cost issues."

[Suncor says fixing odor problem at oil sands](#)

CALGARY, Alberta, Jan 22 (Reuters) - Suncor Energy Inc said on Tuesday that clearing up odor problems at its Firebag thermal oil sands operations in northern Alberta will cost about C\$200 million, but it hopes to complete the work later this year, allowing it to boost output at the site.

[Ecuador: Gov To Invest \\$2.39 Billion In Hydroelectric Projects](#)

QUITO -(Dow Jones)- The Ecuadorean government will invest \$2.39 billion through 2011 to develop four hydroelectric projects using revenue from the Feiseh oil fund, Electricity and Renewable Energies Minister Alecksey Mosquera said Tuesday.

[Whole Foods sacks plastic bags](#)

There's a familiar question that Whole Foods will stop asking shoppers: Paper or plastic?

Tuesday, Whole Foods will announce plans to stop offering disposable, plastic grocery bags in all 270 stores in the USA, Canada and United Kingdom by Earth Day — April 22. That means roughly 100 million plastic bags will be kept out of the environment between that date and the end of 2008, the company says.

[High gas prices: Recession-proof](#)

Contrary to popular belief, Americans facing a looming recession should expect little relief in the form of lower gas prices, experts say.

Despite recently falling oil and gasoline prices, strong worldwide demand, refinery shortages, and OPEC production cuts should keep gasoline well above \$2 a gallon in 2008.

Slower consumer spending and rising unemployment - traditional harbingers of an economic downturn - are unlikely to drastically reduce energy prices. Oil isn't expected to fall below \$60 a barrel from its current level of \$90 and gasoline should bottom out around \$2.30-2.50 a gallon from around \$3 currently, experts say.

[Halliburton Wins \\$683 Million Pemex Drilling Contract](#)

(Bloomberg) -- Halliburton Co. won a \$683 million, three-year contract from Petroleos Mexicanos to manage drilling and completion of 58 wells in southern Mexico.

The land wells range in depth from 3,500 meters to 6,500 meters (11,500 feet to 21,300 feet) in depth, Halliburton said today in a statement on its Web site.

[Truckloads of gas en route to Inuvik](#)

Fuel trucks are on their way to Inuvik, N.W.T., to ease a fuel shortage in the Arctic town, Mayor Derek Lindsay said.

Petroleum supplier Imperial Oil has contracted five trucks to drive from Alberta to Inuvik to deliver fuel.

Lindsay said it has been difficult to find enough trucks for the job, as most vehicles have been tied up with work in Alberta's oilpatch.

[Fuel shortage forces hard choices](#)

GAZA CITY, Gaza Strip — Doctors at Shifa Hospital, the primary health care center in Gaza, say they will soon be forced to make hard choices as to which life-saving equipment — incubators or dialysis machines — must be shut down as the hospital's generators run out of fuel.

[Israel Allows Some Supplies Into Gaza](#)

The Israeli defense minister, Ehud Barak, announced Monday night that he was lifting some of the restrictions imposed on Gaza and that on Tuesday morning he would allow delivery of a week's supply of industrial diesel fuel for the local power station, as well as 50 trucks of food and medical supplies.

[Iraq makes good on Kurd oil blacklist](#)

Iraq's Oil Ministry has reportedly cut current and will block future deals as part of a blacklist of firms that have signed oil contracts with the Kurd region.

Companies will not be able to purchase Iraqi oil or bid on upcoming projects in Iraq's oil and gas sector if they have signed any deals with the Kurdistan Regional Government

since February 2007. That's when a deal was reached -- and a few months later rejected -- by the KRG and Baghdad on the oil law.

[News blackout for giant new Nigerian oil ship](#)

A giant new oil production vessel has arrived at the Agbami field off the coast of Nigeria, but U.S. company Chevron has imposed a news blackout due to security fears, industry sources said on Tuesday.

The California-based company is afraid that armed groups in the Niger Delta might try to attack the billion dollar ship as it is being hooked up to oilwells on the seabed, causing delays to its mid-year startup.

[Pemex 2007 Oil Output Falls 5.3% on Storms, Cantarell](#)

Petroleos Mexicanos, the state- owned oil monopoly that accounts for 40 percent of the government's budget, said daily crude oil production fell 5.3 percent in 2007 and fell short of the company's goal.

Output fell to an average 3.08 million barrels a day because of storms and a decline at the company's biggest field, Mexico City-based Pemex said today in an e-mailed statement. Hurricane Dean in August and high winds in October shut down production in the Gulf of Mexico.

[Nepal: Massive hike in prices of diesel, kerosene, LPG](#)

KATHMANDU - The government Monday considerably hiked the prices of diesel, kerosene and the cooking gas as part of its ongoing efforts to aid repayment of dues to the Indian oil supplier in order to end the festering fuel shortage in the country.

[Nepal students burn tyres to protest fuel hike](#)



KATHMANDU (Reuters) - Hundreds of students burned tyres and brought traffic to a halt on the roads of Nepal's capital on Tuesday in protest against a steep hike in the price of cooking gas and diesel.

The Nepal Oil Corporation, the state-owned monopoly, raised prices of diesel, kerosene and cooking gas on Monday by up to 20 percent to cut losses. It was the second rise in three months.

[Any color...as long as it's pink](#)

Saudi Arabia may be about to allow women to drive. The car industry gets ready for a windfall.

[Do we know what we're doing?](#)

Take for example, the proposed Department of Energy salt dome project near Richton slated for storing 160 million barrels of oil. Sounds simple doesn't it? Just dig a hole in the ground, create jobs, and bring money into the state. No big deal, right?

The DOE plans to place roughly 250 miles of pipe lines, which will be used to pump fresh water from the Pascagoula River to Richton for solution mining, and then pump the resulting salt slurry south to the Gulf of Mexico near Pascagoula.

...Solution mining involves injecting water into the salt dome, dissolving the salt into a slurry brine and piping the waste to the Gulf. This particular project will require 50 million gallons of fresh water every day, for five years.

[Albania to Build Major Wind Farm](#)

Albania is to host what is expected to become Europe's biggest onshore wind farm when

it is completed, according to plans announced by the Italian Moncada construction company.

The project, which has already been approved by the Albanian government, will have a total generating capacity of 500 megawatts, Moncada said on Monday.

[More cities get on board with hybrid buses](#)

Mass-transit systems across the USA are accelerating orders for diesel-electric hybrid buses, despite an extra cost of more than \$100,000 per bus.

Four U.S. cities recently ordered more than 1,700 hybrid buses, General Motors, one of two major manufacturers of hybrid bus systems, plans to announce today. The orders include 950 for Washington, D.C., 480 for Philadelphia and 300 for Minneapolis and St. Paul.

Last month, New York City's Metropolitan Transportation Authority — which began experimenting with the buses in 1998 — ordered 850 with systems from GM competitor BAE Systems, MTA spokesman Charles Seaton said.

[Florida's growth machine runs out of gas in suburbia](#)

Can it be mere coincidence that Florida's housing depression coincides with spiking oil prices?

When you think "subprime," think "suburbia" — as in miles of streets and stucco boxes where there is no "there" there. Fueled by easy credit and once-low gasoline prices, Florida's housing boom has gone bust. Nowhere is that more evident than in this state's suburbs.

[Europe, Cutting Biofuel Subsidies, Redirects Aid to Stress Greenest Options](#)

Governments in Europe and elsewhere have begun rolling back generous, across-the-board subsidies for biofuels, acknowledging that the environmental benefits of these fuels have often been overstated.

But as they aim to be more selective, these governments are discovering how difficult it can be to figure out whether a particular fuel — much less a particular batch of corn ethanol or rapeseed biodiesel — has been produced in an environmentally friendly manner. Biofuels vary greatly in their environmental impact.

[Why is the Fed so worried about inflation?](#) *Also: How come profits for oil refiners are falling?*

Why is the Fed worried about inflation when typically it is caused by too few goods being chased by too many dollars. Isn't the problem now is that inflation is tied to the rise in energy costs — something over which we have little control?

[Prince saves his energy in dramatic appearance at climate conference](#)

In the many years in which the Prince of Wales has attended official functions he has never appeared quite like this. At the alternative energy conference in Abu Dhabi he was not exactly there in the flesh. There was no video link either.

Instead, delegates were treated to a full-size, walking, talking, fiddling hologram of his royal highness, who made a brief speech then vanished back into thin air.

[Environment damage of rich countries on poor](#)

A study has revealed the extent to which poorer countries are trampled by the huge environmental footprints of the rich.

The environmental damage caused by rich nations disproportionately impacts poor nations and costs them almost £920 billion, on par with or exceeding their combined foreign debt, according to a first-ever global accounting of the dollar costs of countries' ecological footprints.

[Israel: Eilat Region pins energy hopes on solar collectors](#)

The Eilat region, at the southeastern edge of Israel, is likely to become the first part of the country, along with the city of Eilat, that is not dependent on polluting energy resources. Instead of oil- or coal-fired power plants, the region's electricity will be produced from clean, renewable sources - first and foremost, the sun.

[An Oil Giant's Green Dream](#)

If the idea of an Arab oil power like Abu Dhabi supporting fossil fuel alternatives sounds a bit like a heroin dealer trying to sell methadone, think again. Virtually alone among its Persian Gulf neighbors, Abu Dhabi has embarked on a serious program in alternative energy research, backed with oil money. In 2006 it launched the Masdar Initiative (the name means "source" in Arabic), a multi-pronged scheme that includes a collaborative research institute with the Massachusetts Institute of Technology, support for solar and other kinds of green power within the city itself and a clean energy investment fund worth \$250 million. The idea behind Masdar — which organized the Future Energy Summit — is a radical one: prepare Abu Dhabi and the UAE to move beyond fossil fuels. "The UAE wants to be more than just an oil-producing country," says Marc Stuart, the

co-founder of the carbon-trading firm EcoSecurities.

[Eco-risks loom as arctic oil activity grows](#)

OSLO (Reuters) - Exploitation of the Arctic's huge oil and gas wealth poses a growing danger to an icy wilderness that can recover only slowly from heavy oil spills, a report by the eight-nation Arctic Council said on Monday.

[Nigerians demand taxes at gunpoint](#)

LAGOS, Nigeria, Jan. 21 (UPI) -- Norway's largest oil company paid its Nigerian tax bill at gunpoint, a company spokesman said on Monday.

StatoilHydro's Nigerian taxes had been in dispute over real estate estimates and payroll concerns in Lagos, where the company's Nigerian headquarters are located. Armed police and tax officials, however, appeared at the office in force last week and StatoilHydro personnel responded by writing \$800,000 worth of checks.

[Brazil's state oil company announces discovery of giant gas reserve](#)

SAO PAULO, Brazil: Brazil's state oil company said Monday it has discovered a huge natural gas reserve off the coast of Rio de Janeiro that could be as big as the recently discovered Tupi oil field.

[Venezuela boosts oil investment](#)

State oil company Petroleos de Venezuela SA will spend \$15.6 billion on oil-related investments this year, a 56 percent increase over last year, the country's oil minister said Monday.

Oil Minister Rafael Ramirez said the higher investment is aimed at helping PDVSA meet its goal of increasing crude output to 5.8 million barrels a day by 2012.

[CERA's depletion study: the "good news" about running up the down escalator](#)

Depletion never sleeps. Consider the enormous implications of a 4.5% decline rate. If you start with 85 million barrels a day in 2007, but lose 4.5% each year, by 2017 you've lost 31 mbd. That's the equivalent of losing the world's four largest oil producers: Saudi Arabia, Russia, the USA and Iran. By 2030, you've lost 55 mbd, or as much as all the non-Opec nations now provide. Remarkably, CERA finds this to be "good news."

[Saudi Arabia remains China's top crude supplier](#)

BEIJING (MarketWatch) -- Saudi Arabia consolidated its place as China's top crude oil supplier in 2007 after its exports growth outpaced that of nearest rival Angola, data from the General Administration of Customs showed Tuesday.

The Middle Eastern kingdom is now likely to pull further ahead, as it chases a target of exporting 1 million barrels of crude a day to China by the end of the decade. That would equal more than half of Angola's current total exports to international customers.

[ConocoPhillips buying 50% interest in Canada pipeline](#)

ConocoPhillips said Tuesday it would pay an undisclosed sum to TransCanada Corp. to exercise an option to buy a 50% interest in the Keystone Oil Pipeline.

[Gas rig workers ripped off: union](#)

SKILLED Filipino workers on a \$1.6 billion gas project on the North-West Shelf are being paid less than \$8 an hour, undercutting both local wage rates and the amounts promised in their contracts, the Australian Workers Union says.

[Chevron Refinery's Flares Still Polluting, Report Says](#)

Chevron's Richmond refinery has increased its flaring by 80 percent since 2005 when the Bay Area Air Quality Management District passed a new rule limiting harmful refinery flaring to emergencies, according to a report released Monday by an environmental justice organization.

The organization, Communities for a Better Environment, studied data from the five Bay Area refineries and found that Chevron's Richmond refinery and the ConocoPhillips refinery in Rodeo were each emitting 30 to 50 times more pollution than the Shell Refinery in Martinez, according to CBE Senior Scientist Greg Karras.

[China, Japan and World Food Insecurity](#)

Resource-poor Japan - and much of the rest of the world - may be at a crossroads before too long. Much depends on whether China can keep its ever-surging demand for grain in check.

[MPs' warning on biofuels angers Brussels](#)

The EU yesterday denounced a House of Commons report calling for a moratorium on the increased use of biofuels and made plain it would stick to mandatory targets for the use of biofuels in transport when it unveils a climate change package today.

[Oil sinks to 6-week low on U.S. recession fears](#)

LONDON (Reuters) - Oil fell to a six-week low on Tuesday, dragged lower by a stock market plunge and fears a slowdown in the United States could have a much wider impact than previously thought.

Speculative funds have begun to sell positions in oil markets and other commodities as they readjust portfolios, analysts said.

U.S. crude fell to a low of \$86.11 a barrel, its weakest since December 6 and by 7:43 a.m. EST was trading at \$87.40.

[OPEC could reduce production to preserve revenues - CGES](#)

While US President George W Bush and other leaders of oil-consuming countries are asking OPEC oil ministers to produce more, there is a danger they might turn in the opposite direction and reduce production, the CGES said.

OPEC members have become dependent on the higher oil revenues of recent years and may attempt to keep them at the current level by reducing production to keep prices high, it added.

[OPEC: U.S. recession fears cloud oil demand outlook](#)

LONDON, Jan 22 (Reuters) - Mounting concerns over a U.S. recession have obscured the demand outlook for OPEC's oil this year, the producer group said on Tuesday, adding that high prices could inflict further pain on consumers.

[World Oil Demand to Reach 118 Mmbpd by 2030: UAE Minister](#)

A senior energy official of the United Arab Emirates (UAE) said on Monday that the world's oil demand will reach 118 million barrels per day (bpd) by 2030, the official Emirates News Agency reported.

The forecast was made by the UAE Energy Minister Mohammed bin Dhaen Al Hamli in his keynote speech at the World Future Energy Summit 2008, which was held from Monday to Wednesday.

Hamli assured the audience that the world's oil resources are sufficient to meet the

heavy forecast increases in demand for decades to come.

[Serbia agrees to Russian pipeline deal](#)

BELGRADE, Serbia - Serbia said Tuesday it had agreed to a multibillion dollar gas pipeline project as part of an energy deal with Russia that would boost Moscow's control over supplies to Europe.

A majority stake of the Serbian oil monopoly NIS will be sold to Russian energy company Gazprom. Russia would route part of the gas pipeline through Serbia, as part of the deal announced in a short statement by the Serbian government. Financial terms were not revealed.

[Nigeria warns on oil contracts](#)

Nigeria has warned energy companies it wants to complete its planned renegotiation of contracts covering offshore oilfields in the next three months, saying record prices mean western groups are having "a ball".

It is the first time Nigeria has come up with a timeframe for renegotiating the complex agreements, which the government signalled it would review late last year in an effort to secure a greater share of profits from offshore production. The urgency will put the oil majors under greater pressure.

[FAO sees record world food prices staying](#)

ROME, Jan 21 (Reuters) - Record food prices are unlikely to ease in the foreseeable future, as high grain demand and low stocks mean the world remains vulnerable to possible food shocks, a United Nations expert said on Monday.

[Transition - another buzzword or real change for Cornwall?](#)

Don't be put off by terms like peak oil, powerdown or energy descent. You don't have to be an environmental expert, but you do need to be interested in helping to make your local community more sustainable. Other transition groups in Cornwall have been encouraging local foods and allotments, or encouraging their town to abandon the use of plastic carrier bags, so everyone can contribute something to the success of a local Transition group. It only takes a handful of people to get things going. The key thing is that your group shares concerns about our seemingly hopeless and unsustainable dependence on fossil fuels, and when put together with the impact and risks associated with climate change, there is a collective desire to find local community solutions.

[EU climate change plans to cost 60 billion euros: Barroso](#)

BRUSSELS (AFP) - European Union plans to cut greenhouse gas emissions could cost at least 60 billion euros (86.6 billion dollars) a year, European Commission President Jose Manuel Barroso said Monday.

"Taking action is not cost free, although we think we can limit the cost of our proposals to around 0.5 percent of gross domestic product," he said, according to remarks prepared for delivery in London.

[Climate change threatens N. Ireland's Giant's Causeway](#)

BELFAST (AFP) - The Giant's Causeway, the spectacular rock formation on the Northern Irish coast, could soon become difficult to access due to climate change, a report warned Tuesday.

The iconic world heritage site, one of the province's biggest tourist attractions, will be under threat if sea levels rise and storms worsen, said the National Trust conservation organisation, which owns and manages the site.

[Red Cross refocuses aid budget on threat of climate change](#)

"For many people, climate change tends to be seen as more of an environmental, scientific or political issue," IFRC policy and communications head Encho Gospodinov told journalists.

"We believe it must also be seen as a humanitarian issue, first and foremost, an issue that is already impacting on the lives of millions of vulnerable people around the world," he added.



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