



DrumBeat: January 31, 2008

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Topic: [Miscellaneous](#)

[Western majors feel the squeeze](#)

Daniel Yergin, the chairman of Cambridge Energy Research Associates and author of *The Prize*, a history of the oil industry, argues that this is one of the toughest times for oil companies since the wave of nationalisations in the 1970s.

“The irony is that the other challenging times were when the oil price was low,” he says. “Now it is because oil has gone to \$100 [a barrel].”

...Yet Jeroen van der Veer, Shell’s chief executive, mounted a vigorous defence of the oil majors’ business model on Thursday, arguing that in the future, conditions will favour the big western companies.

The industry’s production figures have been disappointing in part because of the high oil price in countries where companies operate under production-sharing contracts. As the price rises, the contracts generally give the country a greater share of any oil produced.

This has exacerbated the fundamental problem: that the oil and gas resources in the international companies’ traditional bases in the US and Europe are running out, while getting access to the still-abundant resources of the Middle East, Africa, and South America has become more difficult.

[The hedge fund manager who bought a farm](#)

The cost of farm property looks likely to soar as traditional British “lifestyle farmers” are joined by multimillion-pound investors hurriedly moving their wealth out of stocks and shares and into farmland. Across the world, hedge fund managers, property developers and other investors are turning their eyes to places such as Russia, Argentina and Uruguay, where farms are thought to be underdeveloped and provide an opportunity to profit from the rising prices of staples such as wheat, barley and oil-seed rape.

[Cheap cars in Asia, expensive gas everywhere](#)

NEW YORK (CNNMoney.com) -- The debut of the \$2,500 car may be billed as a

mobility breakthrough for billions of people in the developing world, but for U.S. motorists it could mean one thing: higher gas prices.

Rising demand from the developing world has long been cited as a main driver behind the runup in oil prices. That demand will only get more intense with staggering growth in car sales - and by extension, gasoline use - in places like India and China.

"We'll get into a situation where we'll have to compete with them for gasoline, \$4, \$5 a gallon, who knows how high we could go." said Peter Beutel, an oil analyst at the consultancy Cameron Hanover.

[The mouse that roared](#)

IN THEORY, the Bolivarian Alternative for the Americas, better known as ALBA, is a Venezuelan-led trade pact based on the principle of "solidarity". Set up three years ago by Cuba's leader, Fidel Castro, and his close ally, Hugo Chávez of Venezuela, it rejects the free-trade model of integration espoused by the United States. Many have dismissed it as a group of client states, sustained by Venezuelan oil money. Now Mr Chávez wants to turn it into a mutual defence pact that would protect its members from attack by the United States or its ally, Colombia.

[Dems, Republicans equally green](#)

Political party affiliation has little bearing on the number of "green" actions people take, a new study by Porter Novelli and George Mason University shows. According to the survey of more than 11,000 American adults and nearly 1,000 of their children, Democrats and Republicans differ only slightly when it comes to taking actions to protect the environment, despite great differences in their perceptions of danger related to global warming.

[OPEC says more oil won't help world economy](#)

VIENNA (Reuters) - OPEC on Thursday looked set to rebuff consumer calls for more crude, saying it was powerless to help stave off recessionary pressures in the West.

Enjoying a sixth year of crude price gains, the Organization of the Petroleum Exporting Countries argues it can do little to help avoid a slowdown in the United States, its leading customer, that could curtail demand for the cartel's oil.

"I don't see what increasing supply of oil will do to the economy, psychologically maybe it would help but I doubt it," said OPEC President Chakib Khelil ahead of Friday's 0900 GMT meeting.

[Can OPEC fend off a recession with its moves on oil?](#)

Mr. Stuart thinks OPEC supplies will have to rise by 1.3 million barrels per day this year, but that this won't begin for some time. The group's members – agreeing to cut output back in October 2006 – reduced production by 700,000 barrels in 2007.

“But with crude oil inventories near normal; margins poor and refinery runs in North America and Europe falling seasonally from January through April, key exporters are more likely to reduce crude oil supplies first,” the economist said.

[Americans Anticipating \\$4 Gas](#)

Approximately eight out of 10 of those surveyed feel the government isn't doing nearly enough to deal with the energy crisis, while a solid majority feel that oil companies are “gouging” consumers at the pump, said Hueber.

Another 80 percent would support a new windfall tax on energy industry profits – as long as the proceeds are funneled into research that would result in improved energy efficiency and reduced oil imports.

[Shrinking margins, delays and exploration costs hurt Marathon Oil](#)

HOUSTON — Oil and gas company Marathon Oil Corp. said Thursday that fourth-quarter earnings dropped 38 percent on margin pressure driven by rising crude-oil prices, project delays and higher exploration costs.

[Russia FinMin says lower oil taxes not in sight](#)

MOSCOW, Jan 31 (Reuters) - Russia may raise taxes on the gas industry but has no plans to cut them for the oil sector despite complaints from oil firms that they need more cash for investments, a government official said on Thursday.

[Venezuela to pay \\$1 bln in Sincor takeover- source](#)

CARACAS, Jan 31 (Reuters) - Venezuela will pay \$1.1 billion in compensation to France's Total and Norway's Statoil for the takeover of the Sincor oil project, an industry source familiar with the agreement told Reuters on Thursday.

Venezuelan President Hugo Chavez last year took over four multibillion-dollar heavy crude upgrading projects as part of a drive to create a socialist state, pushing Exxon Mobil Corp and ConocoPhillips out of the OPEC nation in the process.

[Shell refineries to shut for maintenance in Q1](#)

LONDON (Reuters) - Royal Dutch Shell Plc (RDSa.L: [Quote](#), [Profile](#), [Research](#)) said on Thursday it expected a drop in throughput at its refineries in the first quarter as planned maintenance is undertaken.

"Q1 is our heaviest turnaround period of the year, and we have planned outages at Deer Park, Convent and Pernis plus downtime at Clyde," Chief Financial Officer Peter Voser said on a call with analysts.

[Mexico Hikes Gasoline Taxes](#)

Despite strong opposition, this month Mexico's government hiked taxes on gasoline in an effort to boost revenue following reforms of its state oil company Pemex.

The gasolinazo, as the tax is called, will increase rates by a little over 5 percent. It is designed to offset the government's loss in revenue from Pemex, which will be allowed to retain up to \$3 billion more per year thanks to recent reforms.

[Indian Oil unable to secure Algerian gas](#)

Indian Oil Corp. Ltd (IOC), which planned to import liquefied natural gas (LNG) to meet growing demand for gas in India, has been unable to sign a deal for long-term supplies with Algeria, a setback that means the company cannot start work on its proposed regasification plant in Ennore near Chennai.

[RACV: new player won't cut oil price](#)

LEAD motoring group the RACV remains sceptical about the benefits of a "fifth force" in Australia's oil industry and says the only realistic way of cutting petrol prices is to cut tax.

"It's all about tax, the only way to bring about cheaper petrol is through tax reduction," spokesman David Cumming said yesterday.

[Ford expands in S Africa despite blackouts](#)

Ford Motor on Wednesday announced plans to expand its South African operations in spite of concerns over a worsening power crisis that may soon see it begin making vehicles by night.

[S Africa set for month of blackouts](#)

South Africa's parliament is set to hold an emergency session as people prepare for a month of blackouts due to severe power shortages.

The energy crisis, which analysts fear could severely damage the economy, has prompted opposition parties to threaten to bring a motion of no confidence against Thabo Mbeki, the country's president.

"Prepare yourself for four weeks of hell" the headline in one South African newspaper read on Wednesday.

[Uganda: Fuel Shortage Creeping Back](#)

FUEL shortages that were earlier sparked by Kenya's sudden slide into chaos after the disputed December 27 poll are creeping back, with major dealers reporting fast dwindling stocks.

Although the situation has not yet reached the early January crisis levels when a litre of petrol sold as high as Shs10,000, industry insiders yesterday expressed concerns that if supplies fail to improve, acute scarcities would soon set in.

[Senate Bill Would Delay Alaska Lease Sale](#)

Massachusetts Democrat John Kerry introduced Senate legislation yesterday that would scuttle petroleum lease sales in federal waters off Alaska's northern coast until the Interior Department determines whether polar bears should be listed under the Endangered Species Act.

[Four provinces unite in emissions fight](#)

VANCOUVER — The premiers of four provinces that account for more than half of Canada's greenhouse-gas emissions are pushing for an accord on an alternative national climate-change plan that would trump the Harper government's blueprint.

British Columbia, Manitoba, Ontario and Quebec are forging ahead with talks aimed at establishing a market-based trading system to cut greenhouse- gas emissions. The premiers of Canada's two largest provinces said they have grown impatient waiting for other provinces, notably Alberta, to overcome their sharp differences, and for the federal government to take a leadership role in developing a cap-and-trade emissions system.

[Climate Plans by New York, Florida Prod U.S. on Global Accord](#)

(Bloomberg) -- President George W. Bush is pressing allies in Europe for a global warming agreement based on voluntary targets for pollution reduction. State officials in the U.S. have already left him behind.

Twenty-two U.S. states with about 145 million people are exploring mandatory carbon-dioxide caps and emission-credit markets similar to one in the European Union. The proposals are pressuring Congress to pass legislation that would supersede the state and regional programs with a single national plan.

[Jeremy Rifkin: A 'Third Industrial Revolution' is nigh](#)

We are "at the last stage of an energy era", Jeremy Rifkin told EurActiv. The current energy system based on fossil energies will not last through the 21st century as oil prices surge and "peak oil" – the point of maximum oil production – will, according to him, be attained in 2030 at the latest.

"I don't know who's right, the optimists or the pessimists. But anyway, it will happen between 2010 and 2030, and it leaves a very small window," he said.

[Cold Snap Wreaks Havoc on Central Asian Power](#)

The worst winter in decades has hit Central Asia with one of the worst energy crises in memory, forcing factories to close and leaving people shivering in the darkness.

Abnormally low seasonal temperatures, plunging to 30 or 40 degrees below zero, have pushed electric consumption to a record high.

In Kyrgyzstan, a state rich in hydroelectric power, daily consumption is ten per cent higher than it normally would be at this time of year. The jump in use caused water levels in the main reservoir at Toktogul to fall alarmingly as the turbines were kept running in an effort to keep up with demand.

In Tajikistan, which suffers from annual winter energy crises despite its substantial hydroelectric generating capacity, savage power cuts have inflicted severe damage on industrial output and raised questions about the competence of the political leadership.

Even energy-rich Kazakstan, Uzbekistan and Turkmenistan have experienced power cuts as sharply-rising domestic consumption overwhelms capacity.

[Shell Cracking Under Cost Pressure](#)

LONDON - Oil prices may be booming, but the strain of higher costs is beginning to show for Royal Dutch Shell.

The Anglo-Dutch oil and gas stalwart posted a 60.4% increase in fourth-quarter profits Thursday, to \$8.5 billion, from \$5.3 billion, but most of the gain came from the jump in crude prices this year. Excluding price fluctuations and a \$963 million gain from asset sales, net profit for the quarter came in at a more modest \$5.7 billion.

[Power crisis dents Gold Fields](#)

Johannesburg - A 10% cut in electricity supply has a disproportionate effect on gold output because actual mining operations account for only 10% of total consumption, Terence Goodlace, head of Gold Fields' SA operations, told Thursday morning's briefing on the December quarterly.

Mining groups have different profiles, as conditions vary from mine to mine depending on factors like depth, water pumping and ventilation/refrigeration requirements. But Gold Fields consumes just over 600MW at full operation.

A full third of this would still be needed if all the mines were mothballed, and about 350MW is what Gold Fields calls the base load that covers minimal pumping, ventilation and refrigeration.

[Coal working group confident that Eskom emergency supplies will be found](#)

There was no doubt that the 5,4-million tons of coal that was needed by Eskom within the next three months to ease the present energy crisis would be found, SA Eskom Coal Working Group chairperson Ben Magara told *Mining Weekly Online* on Thursday.

In an interview, Magara explained that this 5,4-million tons would be supplied collectively by South African coal producers, who had committed themselves to meeting Eskom's immediate needs and improving stockpiles at the affected stations to healthier levels.

[South Africa: Go to sleep early to save power - minister](#)

"Go to sleep earlier so that you can grow and be cleverer. Boil less water, use the microwave rather than stove, take a shower and not a shallow bath," was Minerals and Energy Minister Buyelwa Sonjica's advice to the country at a special joint parliamentary sitting to discuss the power crisis.

She said that perpetual blackouts could be avoided if South Africans used power more responsibly.

[President Musharraf wants early completion of energy projects](#)

ISLAMABAD: President Pervez Musharraf on Wednesday directed all relevant ministers to complete small and midterm energy projects to overcome the energy crisis in the country. He also urged them to remove the hurdles concerning the construction of big dams.

[Bury the Gold, Plant Yams](#)

Regarding "In a World Short of Oil, Provisions Must Be Made" (page one, Jan. 26), the fearful Aaron Wissner should be commended for his efforts to plan for the future, but I would also like to point out the shortsightedness of his plan. If he really believes in peak oil and a looming oil shock he should realize that selling his house and moving to the woods is not going to secure his future. If oil-dependent economies "crumble" and resource wars "explode," how does he propose to protect this little plot of land in the woods?

[Friends of Coal Push New Message, Outreach](#)

Steve Walker, president of Walker Machinery, said he was preaching to the choir at the Belle headquarters Jan. 30, but drove home the message of evolving clean coal by telling his employees, "This is not your grandfather's coal industry."

Walker hosted a membership drive for Friends of Coal, a volunteer organization with the goal of informing and educating citizens about the coal industry and its role in the future of the state and the nation. The organization began a series of membership drives in Belle with plans to host membership drives at all seven of its operations during the coming weeks.

[League can't really go green without axing jet fuel](#)

When the world runs out of oil -- many believe it will be much sooner than later if you're a Peak Oil buff -- substitutes will abound in other areas, but flying will be pretty much a military endeavor unless things change pretty radically, pretty quickly.

[France to review biofuel use on environment worries](#)

PARIS (Reuters) - France is envisaging changing its policy on the use of biofuels after doubts were expressed on the environmental impact of so-called "green fuels," the Secretary of State for Environment said on Tuesday.

[Saudi Data Show Rise In Dec Crude Oil Output, Lower Exports](#)

NEW YORK -(Dow Jones)- Saudi Arabia, the world's largest crude oil exporter, boosted its output in December by nearly 2% from November, to 9.206 million barrels a day, but reduced its exports by 2.2%, or 161,000 barrels a day, official data show.

The crude oil output figure is the highest reported by the kingdom since August 2006, figures submitted by the Saudis to the Joint Oil Data Initiative database.

[The Peak Oil Crisis: The Future Of Our Cars – Part 2](#)

Within the next ten years the size, shape, efficiency, fuel and numbers of private automobiles is going to undergo a radical change. The nine million gallons of gasoline we currently use in the U.S. each day simply will not be available in the quantities desired at any price. If a transition to a more abundant fuel source than gasoline and diesel does not take place on a widespread basis before the shortages begin, there will be troubles. It is virtually certain that at some point the government will have to impose rationing that will keep functions vital to our society such as food, water, utilities and public safety functioning. The rest of us are going to have to find alternative means of transportation.

[OPEC favours holding output amid US pressure for hike](#)

VIENNA (AFP) - OPEC ministers might debate whether pumping more oil would help revive the world economy when they meet here even though ministers favoured no change, the cartel's chief said on Thursday.

[Gas prices seen spiking again in spring](#)

NEW YORK - Get ready for another surge in gasoline prices.

Experts are predicting pump prices, which jumped by almost a dollar a gallon in each of the last two springs in many parts of the United States, will spike again this year as refiners and gas stations switch from winter- to summer-blended fuels.

The increases, starting as early as February in southern California, could push the average national price to a record \$3.50 a gallon or more by June.

[Oil may hit \\$70 as weaker economy lowers demand](#)

SAN FRANCISCO (MarketWatch) - An economic slowdown in the United States that could turn into an outright recession later this year is likely to weaken demand for oil in the months ahead, which could push the price of a barrel of crude as low as \$70 by June,

analysts said.

But a host of factors ranging from the onset of driving season, uncertainty about the depth of the economic slowdown, and resistance to output increases from producing nations could all conspire to make any decline in prices short-lived and limit its impact on the consumer, they said.

[Shell Profit Misses Estimates on Falling Production](#)

Royal Dutch Shell Plc, Europe's biggest oil company, posted fourth-quarter earnings that missed analysts' estimates for the first time in two years because of a decline in production and lower refining margins.

[Shell flags lower oil reserve additions in 2007](#)

LONDON (Reuters) - Royal Dutch Shell added "at least 1 billion barrels" of new oil and gas resources in 2007, Chief Executive Jeroen van der Veer said on Thursday, around half the level the oil giant flagged last year.

[British Renewable Target Very Hard to Hit - E.ON UK](#)

LONDON - Britain will find it very hard to hit the renewable energy target set for it by the European Commission last week, the head of giant power utility E.ON UK said on Wednesday.

[China's crops badly damaged by icy storms: AgMin](#)

BEIJING (Reuters) - China's Agriculture Ministry said on Wednesday that the unusually harsh winter had dealt a serious blow to the country's wheat and vegetable crops and warned that damage could rise because of persistent cold.

...The crops affected included rapeseed, vegetables, wheat, tangerines and tea leaves, although the ministry did not specify how much of each had been damaged.

[Is the UK ready for an oil shortage?](#)

The cost of oil could pass the \$300/barrel mark if there is a 15% shortfall in the supply of crude in the future - and most research suggests a much greater shortfall than that within 20 years. At a meeting this week of the All Party Parliamentary Group on Peak Oil, Toronto-based transport consultant Richard Gilbert revealed that while oil consumption is expected to increase by about a third by 2025 to more than 40 billion

barrels a year, production will have fallen to less than 25 billion barrels a year.

[Worried about oil shortage?](#)

2025 is as far into the future as 1991 is in the past. In that context, 17 years isn't a long time. So, when presented with a shortfall in the supply of crude oil by 2025, will we be ready? Transport and energy consultant Richard Gilbert's presentation to the All Party Parliamentary Group on Peak Oil this week was both frightening and stimulating - in that order. The context is horrific: oil production will peak in 2010 at more than 30 billion barrels a year and then drop rapidly as resources dwindle, resulting in production falling by one-third by 2025. However, oil consumption, if left unchecked, will grow by more than one-third by 2025 to more than 40 billion barrels a year. The worst-case scenario is a 39% shortfall in crude supply the best case scenario is a 26% shortfall.

[Is the desire to relocalize merely aesthetic?](#)

Last week, peak oil analyst Stuart Staniford wrote an essay on the Oil Drum critiquing the relocalization movement which has arisen in response to the threat of peak oil. In a nutshell, Staniford argues that relocalizers—who Staniford rather derisively calls “reversalists”—are incorrect in their belief that imminent declines in oil availability will cause modern industrial agriculture to become untenable, requiring large numbers of people to relocalize and return to rural communities.

[Asking better questions](#)

This is not an attempt to further or refute either post, I present no data and try to prove nothing, but Staniford and Astyk address two topics that I'm sure lots of folks spend considerable time thinking about: food and Peak Oil. Beyond that, the discussion takes a more personal nature with me; much of my own history involves looking back toward a simpler time in agriculture. Perhaps there are folks that can relate to that as well. Both sides of the discussion make valid, relevant points and after reading them I felt strangely torn, maybe like a child asked to choose between two parents.

[Bush's much maligned climate talks may yet help global warming treaty](#)

Bush's efforts has met with some skepticism, especially after the first meeting last September which one senior environmental hand described as "Climate 101 when the rest of the world was in graduate school." One test of how serious the White House is about the process will come in discussions of future actions, some analysts say. Until now, the administration has emphasized actions it has already taken – setting an interim greenhouse gas "intensity" target for the US economy, or the amount of emissions permitted per unit of GDP, pumping money into climate change research, and the recent adoption of mandatory fuel economy standards.

[UN: climate change may cost \\$20 trillion](#)

UNITED NATIONS - Global warming could cost the world up to \$20 trillion over two decades for cleaner energy sources and do the most harm to people who can least afford to adapt, U.N. Secretary-General Ban Ki-moon warns in a new report.

[Warmer Atlantic worsens hurricanes](#)

WASHINGTON - When the water in the hurricane breeding grounds of the Atlantic warms one degree in the dead of summer, overall hurricane activity jumps by half, according to a new study.



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