



DrumBeat: February 5, 2008

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Topic: [Miscellaneous](#)

[Minnesota State Legislators Meet To Discuss Oil Reserves Drying Up](#)

Today, state legislators listened to the dire warnings of an energy leader at the Minnesota State Capitol.

The world's oil reserves are drying up according to Matthew Simmons, an energy investment banker from Houston who has recently written a book on the subject.

Simmons says oil production has already peaked and soon supply won't be able to keep up with demand.

"The demand models show that oil growth is just going to continue on straight up and the problem is: if we're peaking now, it's the gap between we needed 115 million barrels a day to -whoops - it looks like we only have 60 to use and it will create social chaos," says Simmons.

[OPEC oil production increased in January - OPEC Secretary General El-Badri](#)

LONDON (Thomson Financial) - OPEC production has risen in the first month of the year according to the Secretary General of the group, Abdalla El-Badri.

OPEC member production, including Iraq which is not included in official production quotas, has risen to 32.1 mln barrels a day from 32 mln barrels.

El-Badri said if the market remains as it currently is the cartel will roll over production quotas in March, despite calls from consumer nations for more oil in the market to cool prices from historical highs. A potential cut, which OPEC price hawks Iran and Venezuela alluded to at last week's production meeting, has also not been ruled out.

[U.S. on sidelines of Iraq oil law debate-envoy](#)

LONDON (Reuters) - The United States is watching from the sidelines as negotiations stall between the federal Iraqi government and the regional leadership in Kurdistan over two laws to govern oil production and revenue sharing.

"This is essentially and at its core a negotiation between Iraqis about Iraq's own future," Ambassador Charles Ries told Reuters on Tuesday.

[Nigeria plans 20 bln usd spending on oil sector - oil minister](#)

ABUJA (Thomson Financial) - Nigeria plans to spend about 15 to 20 bln usd annually on oil exploration and production, junior oil minister Odein Ajumogobia said.

The minister said this "aggressive production capacity expansion plan" will put Nigeria in the forefront of investments in the Gulf of Guinea. This region also comprises Angola, Cameroon, Gabon, Congo, Equatorial Guinea and Sao Tome and Principe. In all, it has estimated oil reserves of about 60 bln barrels.

[New oil complex opened in Kuwait](#)

(MENAFN - Kuwait News Agency (KUNA)) A new oil complex housing the Kuwait Petroleum Corporation (KPC) and the Ministry of Oil has been officially inaugurated here Tuesday.

The inaugural ceremony was attended by Deputy Prime Minister, Minister of State for Cabinet Affairs and Acting Minister of Oil Faisal Al-Hajji on behalf of His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah. Addressing the ceremony, the minister hailed the new facility as an "architectural masterpiece" that absorbed the largest number of oil workers in the country.

[U.S. sees Russia, China, OPEC financial threat](#)

WASHINGTON (Reuters) - Russia, China and OPEC oil-producing countries have a worrisome potential to use their growing financial clout to exert political pressure, the top U.S. spy chief told Congress on Tuesday.

...In listing top threats, McConnell cited "concerns about the financial capabilities of Russia, China and OPEC countries and the potential use of their market access to exert financial leverage to political ends."

Russia was positioning itself to control an energy supply and transportation network spanning from Europe to East Asia, and China's global engagement was driven by a need to access markets and resources, McConnell said.

He voiced concerns about the impact of a weaker U.S. dollar on global oil suppliers, some of whom have asked to be paid in currencies other than dollars, or delinked their currency pegs to the dollar.

"Continued concerns about dollar depreciation could tempt other producers to follow

suit," McConnell said.

[Driving Dip: Trend or Blip?](#)

What are Americans going to do if the price of gas stays above \$3 a gallon — or spirals even higher?

- A. Move closer to the office
- B. Buy a more fuel-efficient car
- C. Switch to a car pool or mass transit
- D. None of the above

Transportation analysts, eyeballing the first shreds of evidence that Americans have begun to drive less, are pushing the envelope to divine the potential implications.

[Will Alaska rise again?](#)

Alaska's oil production peaked in 1988 at 2.02 mb/d. By 2007, production had declined to ~0.75 mb/d. There was a slight increase in production from 2000 through 2002 due to the introduction of the Alpine and Northstar fields, as well as satellites of the Prudhoe Bay and Kuparuk fields. Those fields started declining a few years after their introduction and have contributed to Alaska's overall production decline since 2002.

The future fate of Alaskan oil production lies in the National Petroleum Reserve-Alaska (NPR-A) and the Arctic National Wildlife Refuge (ANWR).

[Nigeria scraps Shell's oil bonus scheme](#)

The Nigerian Government has scrapped an oil bonus scheme that rewarded Royal Dutch Shell in a further escalation of the confrontation over the financing of Shell's operations in the Niger Delta.

Shell confirmed today that it had received a letter from the Nigerian Government notifying the oil company that it intended to cancel a memorandum of understanding between them. The MOU, which was signed in 2000, created an incentive regime awarding Shell a premium of \$2.50 per barrel of oil discovered. In its place, the Nigerian Government said that Shell would be subject to the "regular Petroleum Profits Tax Act regime".

[Unlike the '70s, energy lessons expected to last](#)

The oil shocks of the 1970s produced a flurry of attention to alternative sources of energy, but it faded once prices dropped in the mid-1980s. Now, with oil prices again high and climate change moving up the list of public concerns, interest in alternative energy is once again at fever pitch.

Is history about to repeat itself?

[Texas: Warming hits home](#)

By 2100:

- South Texas gets drier, hotter, and more unpredictable where violent weather is concerned.
- Loss of barrier islands and saltwater creep further reduce freshwater resources in the state.
- Stronger storms and longer droughts abound.
- And (the darling of simplicity) “South Texas’ character as a ‘problem climate’ will be exaggerated.”

[The Militarization of Energy Security](#)

Oil, which sits in the foreground of the global energy picture, is a finite resource. Much remains to be discovered about the ultimate extent of global petroleum reserves, and about the economics of their exploitation. In the final analysis, however, there is no disputing that the world’s supply of oil must be depleted sooner or later. This fact casts its shadow over strategic calculations in the energy sphere.

Experts disagree about when what has come to be called “peak oil” will arrive. Some hold that it is already behind us — that we have already used up half of mankind’s natural endowment of oil, and are on the downward slope of a curve whose theoretical bottom represents the absolute disappearance of oil as a natural resource. Most experts reject this idea, however, and in recent years estimates of available reserves have pushed the hypothetical peak of oil farther into the future, generally beyond the twenty-to fifty-year horizon that constitutes the practical limit of even the most ambitious strategic planning.

[Wind farms: Blowing money on a fantasy](#)

My electricity company has just sent me a handwringing letter, explaining why, despite

its best efforts to keep costs down, my bill is set to soar again this year.

The reason - apart from the usual rapacious profits enjoyed by our power suppliers - is a hidden subsidy paid towards the development of wind farms.

[Tajikistan: Cold Wave OCHA Situation Report No. 2](#)

1. Abnormally cold weather conditions in Tajikistan, causing heavy snow fall and frozen rivers, have led to damage of water and electrical supply systems and isolation of mountainous villages.
2. Roads between several districts have been blocked by heavy snowfall, negatively impacting local supplies of food and other basic commodities.
3. Complicating the situation is a sharp decline in the water levels in the Nurek reservoir, which powers the hydro-electric Nurek Power Plant.
4. Government has prioritized major urban areas for electricity supply and continues a strict rationing of electricity with limits for industries, non-essential businesses and street lights. In rural areas electricity supply has already been rationed to one or two hours a day.
5. Despite increased inflow rate into the Nurek reservoir, the water level has further lowered to 5.7 meters above the dead-zone. If all factors remain equal, Norak Power Plant's electricity production may fall to its minimum by mid February, resulting in a loss of about 39% of current supply of electricity in the country.

[Ottawa advises against all travel to Tajikistan during energy crisis](#)

OTTAWA - The federal government is advising Canadians to avoid all travel to Tajikistan during that country's current energy crisis, which is expected to worsen in the coming weeks.

[Pakistan: Electricity problems dull people's lives, gears WAPDA into action](#)

Recently, Lahori nightlife has had a dreary, dark look as frequent power outages have brought it to a near standstill. Lives – domestic and social – have both been affected considerably since the onset of load shedding.

Where usually streetlights would guide speed racers along main boulevards, cars have to now find their way through dim thoroughfares. Where customers would swarm shopping malls and open markets, the shopping centres, like the rest of the city's public places, are dark and empty.

[Energy crisis could lead to five-day working week](#)

ISLAMABAD: Pakistan may once again resort to a five-day working week because of an increasing energy shortage, an official at the prime minister's secretariat said Monday.

"Discussions have begun to cut one working day and start a five-day week mainly because of the energy crisis," the official told IANS.

[Tanzania seals petroleum deal with Rwanda](#)

Tanzania and neighbouring Rwanda have signed an agreement that will allow the former to route its petroleum imports through the Dar es Salaam seaport. The move would enable landlocked Rwanda to counter the escalating fuel shortage caused by the events in Kenya.

[South Africa: Fuel shortage for Cape airport?](#)

The Airports Company of SA (Acsa) says it is monitoring supplies of aircraft fuel available in Cape Town after a power outage last week caused a local refinery's aviation fuel plant to close down.

[Gas may help us save electricity, say experts](#)

Liquid Petroleum Gas (LPG) could provide a ready solution to the energy crisis but bureaucracy is hindering progress.

Experts and gas providers say that if South Africa began to import LPG from overseas for household use, the energy crisis could be eased in as little as six months, much less time than is needed to build another power station.

[The Future of Transportation - Part I](#)

In 2005, the world entered the "post peak-oil" era, as predicted by many oil experts years before reaching this situation. The price of oil is dominated by two factors, new discoveries of oil fields and global demand for oil, falsely called production. As the R/P ratio (Reserves to Production) slides we begin to witness sharp price hikes in the futures market for oil immediately affecting the price of fuel at the pump. During the last 10 years, the price of oil shot up from US\$ 10 a barrel to well above US\$ 80 a barrel, with current predictions more certain of the price crossing US\$ 100 a barrel than ever coming back to US\$ 50. The oil market is tightly intertwined with the car market, as both products complement one another to produce the "complete product" consumers

desire - the freedom of personal commute. With this document we try to project the most probable set of changes in the energy markets and the transformational technologies that exist today and how they will come together to address this emerging oil shortage. The paper will also try to illustrate the potential business, national and regional effects of such transformation to the energy and related industries.

[If You Think Gas Prices Are High Now...](#)

The problem isn't that the world doesn't have enough oil, the problem is whether new reserves can be discovered and brought online fast enough to both replace depleted oil fields and keep up with growing demand. Some analysts argue that the world is rapidly approaching the point where the pace of oil depletion overtakes the growth in new supplies. Some analysts argue that we are there already.

[Australia: The dangers of short-termism](#)

The price of oil could head north of US\$100 per barrel, yet peak oil is barely on the agenda in this country, despite the first, grudging, official admissions internationally that it may soon become a reality.

[Global Climate Change Response Can Spur \\$7 Trillion in Clean Energy Investment by 2030: CERA Analysis](#)

CAMBRIDGE, Mass. (BUSINESS WIRE) - Increasing public concerns about climate change -- and its potential economic and political security consequences -- are driving public policy and private investment to bring clean energy technologies from the fringes of the global energy industry to the center of activities as quickly as possible, a new analysis by Cambridge Energy Research Associates (CERA) has concluded.

[This Time Around, Bush Recommends 40 Percent Cutback In Amtrak Budget](#)

U.S. Rep. Joe Courtney, D-2nd District, issued a statement pledging to help provide funding for Amtrak.

"At a time of an alarming infrastructure deficit, an energy crisis, and a transportation emergency in our nation, President Bush's proposed \$525 million cut for Amtrak is unacceptable," the statement said. "As we did last year, I will work with my colleagues in Congress to provide proper funding for Amtrak and the vital role intercity rail provides for our region."

[Bush Budget Guts Proven Energy Savers, Gives More Handouts to Coal, Oil and Nukes](#)

WASHINGTON (February 4, 2008) -- The Bush administration's just-released \$3.1-trillion budget flies in the face of common sense in solving America's energy crisis, according to energy and policy experts at the Natural Resources Defense Council (NRDC).

The same pen that slashed investments in energy efficiency and renewables by 28 percent ups the giveaways to outdated dirty energy like nuclear power, conventional coal, and oil.

[The Big Picture: Climate Chaos](#)

Thermal Inertia. Get used to that term, as it drives the relationship between climate disruption and human civilization, now and over the next twenty years. Its meaning is simple: even if we were to stop all greenhouse gas emissions immediately, right this very second, we'd still see continued warming and disruption for the next two or three decades.

[Worldwide Peak Oil May Already Be Here - Now What?](#)

We have had plenty of warnings about the consequences of an early peak in global oil production, but no one in Washington is listening. A premature topping plateau in global oil production would wipe out most, if not all, economic and policy plans on offer by politicians and "think tanks" in our nation's capital. Such plans assume continued growth in supplies of generally affordable oil, but a surprised world could instead soon be facing rapidly dwindling supplies of increasingly unaffordable oil.

The U.S. is the world's largest consumer of oil (25% of total world consumption) and could also find its sources of petroleum imports drying up. In the face of supply shortages, it is likely that the oil-exporting countries would begin to restrict the volumes previously available for export, to ensure that their own economies and people will be spared immediate shortages. Shrinking exports will adversely impact the global economy. The aftermath of peak oil will have major ripple effects for everyone on the planet, and these will only grow in intensity.

[Iraq accuses Iran of stealing oil](#)

The Iraqi Oil Ministry has accused Iran of stealing oil from a shared field under their common border.

Iraq also accuses Tehran of illegally seizing and capping off wells in a second field that Iraq claims lies entirely within its territory.

[KPC to modernize strategy to increase oil levels to four million barrels by](#)

(KUNA) -- In response to changes that the future bears, the Kuwait Petroleum Corporation (KPC) intends to modernize its strategy to bring up production levels to four million barrels per day by 2020, KPC CEO Saad al-Shuwaib said on Tuesday.

[Iraqi Oil Exports Hit Record 2 Million B/D In Jan - Oil Min](#)

LONDON -(Dow Jones)- Iraq oil production surged to more than 2 million barrels a day in January Iraq's Oil Minister said Tuesday speaking on the sidelines of a Middle East energy event at London's Chatham House.

"(Output) was about 2.4 million barrels a day for January and our exports were just under 2 million barrels a day," said Iraq's Oil Minister Hussein al- Shahrastani. "That's a record since the fall of the regime."

[Richard Heinberg's Museletter: The Great Coal Rush \(and Why It Will Fail\)](#)

The world appears poised for a headlong sprint toward greater dependence on coal. This book's purpose is to examine one crucial question that will shape this next great coal rush: *How much is left?*

[Jeremy Leggett: The great fuel folly](#)

Oil firms' output is down, yet profits skyrocket. It all points to the crisis predicted by the peakists.

[Time to Get Back into Oil](#)

The difference between the current oil price and the price twenty-four months out has gone from nearly \$10 a couple of weeks ago to only \$2 now. And the price in 2015 is now almost \$3 higher than the price in 2010. That suggests to me that people are starting to believe peak oil will become the sort of problem I've been describing. If they really believed it, the price of long dated futures would be much higher. But they are starting to believe it.

[Fragile Dollar Hegemony: Iran's Oil Bourse could Topple the Dollar](#)

So, how important is it that oil continue to be denominated in dollars? Would the United States wage war to defend the dollar's status as the world's "reserve currency"?

The answer to this question could come as early as this week, since the long-awaited

Iranian Oil Bourse is scheduled to open between February 1-11. According to Iran's Finance Minister Davoud Danesh-Jafari, "All preparations have been made to launch the bourse; it will open during the 10-day Dawn (the ceremonies marking the victory of the 1979 Islamic Revolution in Iran) The bourse is considered a direct threat to the continued global dominance of the dollar because it will require that Iranian "oil, petrochemicals and gas" be traded in "non-dollar currencies".

[Ice Melt Accelerates Around the World](#)

With atmospheric carbon dioxide concentrations at new record highs and global average temperature now some 0.8 degrees Celsius above pre-industrial levels, the frozen regions of the earth are showing us just how rapidly climate change can take effect. Recent years have seen ice melt accelerate and spread to new, previously unaffected regions. In many areas, the pace of melting has surprised even the scientists studying it most closely, providing a strong early indication that the consequences of climate change could come faster and be more severe than previously believed.

[Society depends on more for less](#)

To address the climate challenge we need to reduce the carbon content of our energy by at least half.

But at the same time we must learn to generate a unit of GDP for about half the energy which we use at present.

Energy efficiency and carbon content of energy are equally important, but they require different approaches to achieve them.

[Shell's Van Der Veer Gets Refreshingly Honest](#)

So Who says Peak Oil is not about to become a reality? It must be true; Shell's biggest cheese, Jeroen van der Veer, effectively says so.

In an e-letter to staff that must surely be splattered right across the Big Oil community by now, and be doing the rounds of NOCs (national oil corporations), Shell's CEO basically says that conventional oil output will peak in seven years - oh, and gas shortages are on the way, too.

That's not really fresh news. But what is significant is that van der Veer has essentially joined the now growing cadre of upstream bosses who are gradually admitting that the clock is ticking and it's five minutes to midnight.

[As Oil Majors Chime In, the Reality of Peak Oil Lurches Closer](#)

One by one, the world's oil companies are coming out of the closet. For years operating under the assumption and public assertion that world oil supplies were plentiful and would be for years to come, now many of the world's most powerful and well known oil giants are talking about scarcity or, even, the dreaded peak in world oil supplies.

For the uninitiated, Peak Oil is not the point where oil runs out but where it becomes physically impossible to grow the amount coming out of the ground and onto the world oil market. For all intents and purposes, Peak Oil is the top of the curve beyond which world oil production goes into inexorable decline. With a world economy largely dependent on oil for transportation, chemicals, and a range of synthetic products, even a plateau in world oil supply spells trouble.

So let's see what some influential people in the industry have to say about oil supply.

[BP to cut jobs after profits fall](#)

The oil giant BP has said it will cut 5,000 jobs after reporting "very disappointing" profits as refining margins were squeezed and costs rose.

BP said the jobs were about 5% of its total global workforce, but declined to pinpoint where the cuts would be.

Replacement cost profits for the fourth quarter fell to \$2.9bn (£1.4bn) from \$3.8bn, sending annual profits to \$17.29bn - marking a 22% fall on 2006.

[South Africa: Power Crisis Fires Up Platinum, Coal Prices](#)

SA's electricity supply crisis is playing itself out on global markets, with the prices of platinum, palladium and coal hitting record levels yesterday on fears that Eskom's power cuts to mines would disrupt supplies.

Platinum roared to a record high yesterday, with an analyst saying it could breach \$2000/oz, while palladium hit a six-year peak. SA produces four-fifths of the world's platinum and is a big palladium supplier. The two metals are used in jewellery and in catalytic converters in vehicles.

[The soaring cost of artificial fertiliser and a shortage of supplies are the latest problems to hit the farming industry.](#)

Problems have been blamed on many factors – the closure of phosphate mines in Russia; growing demand from biofuel farmers and use of former set-aside land; the rising price of oil; even cynical stockpiling by fertiliser companies. Advice from suppliers is to order now because it will be distributed on a first come-first served basis. This

comes just as the price of lamb shows signs of recovery.

Industry experts say the shortage will last at least two years, which may make more farmers consider converting to organic production, with the added bonus of a premium – although on reduced quantity.

[Nigerian militants claim they killed 3](#)

LAGOS, Nigeria - The militant group behind a wave of attacks on Nigeria's oil industry claimed responsibility Monday for a weekend attack that officials said killed three soldiers.

The attack "dispels the false impression being given by the Nigerian government to investors that peace has been restored after a fraudulent peace deal," the Movement for the Emancipation of the Niger Delta said in a statement e-mailed to journalists.

[Natural Gas Project Planned in Australia](#)

The Queensland Gas Company, an Australian producer of natural gas from coal seams, and the BG Group of Britain plan to invest about 8 billion Australian dollars (\$7.2 billion) in an export project in northeastern Australia to tap rising demand for the fuel.

[Amazon forest still a global warming mystery](#)

A key question remains unanswered: Does the Amazon work as a net carbon "sink," absorbing carbon dioxide, or is it adding more CO₂ to the atmosphere than it is subtracting, because of burning and other deforestation that have claimed an average 8,000 square miles — an area the size of Israel or New Jersey — each year of the past decade?

[Mexico to issue permits for biofuel production](#)

MEXICO CITY (Reuters) - Mexico said on Monday it will issue permits to companies for the first time to produce biofuels in a bid to cut emissions from cars and boost incomes for impoverished farmers.

The energy ministry said in a statement that companies will be allowed to produce ethanol and biodiesel, which can be used as additives in gasoline and diesel.

[Record Financing For Biofuels, Not Food](#)

BROOKLIN, Canada (IPS) - Biofuels have quickly turned from environmental saviour to just another mega-scale get-rich quick scheme. Countries and regions without their own oil reserves to tap now see their farms, peatlands and forests as potential "oil fields" -- shallow but renewable lakes of green oil.

However, renewable does not mean sustainable, and in most cases the only green part of biofuel is the wealth they generate.

[Biofuels make little environmental difference](#)

New research from Australia and the OECD shows the benefits of biofuels in reducing greenhouse gas emissions are insignificant, at only one to four per cent.

A new Federal Parliamentary report shows there's also no economic case for mandating the level of ethanol in fuel.

[Lent fast to cut carbon emissions](#)

Two senior bishops are urging people to cut back on carbon for Lent instead of the conventional chocolate or alcohol.

[Bush wants to beef up Earth monitoring](#)

WASHINGTON - After years cutting of budgets for tracking global warming, President Bush on Monday proposed more than a \$1 billion increase over the next five years for launching more and better Earth-observing satellites.

[Activists want polar bear on endangered list before Alaska oil sale](#)

WASHINGTON (AFP) - Animal activists on Monday pressed the US government to add the polar bear to the list of endangered animal species before the sell-off of oil and gas drilling rights in Alaska begins in the coming days.

"An endangered listing can affect the sell-off of the oil drilling rights," Brandon Frazier, a spokesman for global animal welfare group International Fund for Animal Welfare (IFAW) said.

["Tipping point" on horizon for Greenland ice](#)

OSLO (Reuters) - Global warming this century could trigger a runaway thaw of

Greenland's ice sheet and other abrupt shifts such as a dieback of the Amazon rainforest, scientists said on Monday.

They urged governments to be more aware of "tipping points" in nature, tiny shifts that can bring big and almost always damaging changes such as a melt of Arctic summer sea ice or a collapse of the Indian monsoon.

[Climate set for 'sudden shifts'](#)

The nine tipping elements and the time it will take them to undergo a major transition are:

- Melting of Arctic sea-ice (about 10 years)
- Decay of the Greenland ice sheet (about 300 years)
- Collapse of the West Antarctic ice sheet (about 300 years)
- Collapse of the Atlantic thermohaline circulation (about 100 years)
- Increase in the El Nino Southern Oscillation (about 100 years)
- Collapse of the Indian summer monsoon (about 1 year)
- Greening of the Sahara/Sahel and disruption of the West African monsoon (about 10 years)
- Dieback of the Amazon rainforest (about 50 years)
- Dieback of the Boreal Forest (about 50 years)



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