



DrumBeat: February 7, 2008

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[Oil Sector's Problem In Replacing Oil Reserves Could Worsen](#)

HOUSTON -(Dow Jones)- Chevron Corp.'s dramatically low 2007 reserve replacement announced last Friday may be the first in a series of disappointing results reported by major oil companies in the coming weeks.

Chevron announced Friday that it replaced just 10% to 15% of its reserves in 2007, a rate lower than the already pessimistic 50% to 60% analysts estimated. And although Chevron's report is expected to be the weakest among the oil giants, analysts also expect ConocoPhillips, Exxon Mobil Corp., and Royal Dutch Shell PLC (RDSA) to report reserves replacement shy of 100%. BP PLC, which reported 120% reserve replacement on Tuesday, has so far bucked the trend.

Although Wall Street has shown more tolerance towards weak reserve replacement in recent years, in part due to the industry's strong financial position, some analysts are losing patience with the under-performance. Reserves replacement remains a key benchmark that informs whether a company is replenishing its assets as it produces oil and gas.

"I try to look at the long term, but the biggest problem with Chevron is that it's the fourth year they are reporting disappointing rates," said Phil Weiss, equity analyst at Argus Research in New York. "It's time for them to offer something more tangible. I'm not throwing in the towel yet, but I have some concerns."

[Kazakh state could seize oil fields from investors: PM](#)

ASTANA (AFP) - The Kazakh state could seize oil fields and mineral deposits from private investors, Prime Minister Karim Masimov said Thursday, following a series of high-profile business disputes involving top foreign energy majors.

"If contractual obligations for the development mineral resource deposits are not respected, the contracts will be cancelled and (the deposits) will be returned to the state," Masimov told a government meeting in the capital Astana.

[Nuclear ships could make a comeback](#)

The experiment with nuclear cruisers ended a decade ago, killed by cheap oil, the crushing expense of atomic technology and the difficulty of recruiting, training and keeping specially trained crews in the slimmed-down, post-Cold War Navy.

Today, the Navy's nuclear fleet consists of only aircraft carriers and submarines.

But the equation could change soon. Prompted by higher fuel prices, the Pentagon may greenlight a comeback for nuclear cruisers and perhaps other surface ships.

[Emission Permits Rise After Gazprom Threatens to Cut Gas Supply](#)

(Bloomberg) -- European Union emission permits rose near their highest in eight days as natural gas advanced because OAO Gazprom said it may cut supplies to Ukraine on Feb. 11.

December-delivery carbon dioxide permits rose 47 cents, or 2.4 percent, to 20.44 euros (\$29.63) a metric ton on the European Climate Exchange in London. They were earlier as high as 20.50 euros, having dropped 9 percent so far this year.

[Jail politicians who ignore climate science: Suzuki](#)

David Suzuki has called for political leaders to be thrown in jail for ignoring the science behind climate change.

[Energy Dept. to monitor refinery outages](#)

BISMARCK, N.D. - The federal Energy Department has agreed to monitor oil refinery outages, a move Sen. Byron Dorgan believes could help prevent simultaneous plant shutdowns leading to high fuel prices and tight supplies.

Dorgan, D-N.D., and energy officials said that last year as many as eight nationwide refinery outages -- most of which were planned for repairs or maintenance -- contributed to fuel shortages in North Dakota and elsewhere.

"We don't want to be in a situation where this happens again," Dorgan said.

[Gazprom threatens to halt gas supplies to Ukraine](#)

MOSCOW (Reuters) - Russia's gas export monopoly Gazprom (GAZP.MM: Quote, Profile, Research) threatened on Thursday to halt gas supplies to Ukraine over debts of

\$1.5 billion for previous deliveries.

Gazprom, the world's largest gas producer, supplies Europe with a quarter of its gas via Ukraine and Belarus. Previous pricing disputes have led to cuts in deliveries to Europe.

[BP to 'put lights out' on North Sea](#)

BP chief executive Tony Hayward stressed the company's commitment to the North Sea during its results press conference yesterday, saying it would continue to produce there "until we put the lights out".

Asked by [lastoilshock.com](#) when that would be, Mr Hayward said production would continue for at least 15-20 years, but that this would depend on the tax regime. The province faces declining production and rising costs, he said, so "the fiscal structure needs to continue to develop to ensure that all of the marginal barrels are developed".

[More Chicago show news: Muscle cars in miserly times](#)

CHICAGO — When General Motors and Chrysler initially showed off concept versions of the Chevy Camaro and Dodge Challenger, respectively, gas prices were around \$2.35 a gallon.

While shockingly high at the time, that's 62 cents lower than the current average price.

That may be why executives from both companies now hesitate to call the cars, which carved out a niche in automotive history in the 1960s and 1970s as tire-burning, gas-guzzling speed racers, by their well-earned nickname: muscle cars.

They would rather you called the coming production versions "high-performance vehicles," thank you very much.

[Britain catches the foodie bug](#)

LONDON (Fortune) -- Walk into a London supermarket, read the label on a bag of Walker's crisps - that's what the British call potato chips - and you will learn that 75 grams of carbon dioxide were emitted when making the 34.5-gram package. What does that mean? I have no idea. Nor do most Brits.

But carbon labels on potato chips are just one sign of how food shopping is changing in the U.K. Increasingly, shoppers want to know where their food comes from, and whether it was produced in ways that are good for the planet, for farmers and workers, and even for animals.

[The trouble with hybrids](#)

Hybrid electric vehicles that run on both conventional gasoline and stored electricity can be no more than a stop gap until more sustainable technology is developed, according to researchers in France. Writing in the Inderscience publication International Journal of Automotive Technology and Management, they suggest that the adoption of HEVs might even slow development of more sustainable fuel-cell powered electric vehicles.

[Hooked on Growth on the Reality Report](#)(podcast)

The Reality Report hosts David Gardner, President of Citizen-Powered Media and producer of the documentary *Hooked on Growth: Our Misguided Quest for Prosperity*. We discuss what is it like to challenge a core belief of our society, and why is it more important than ever to do so.

[Homogeneous horror](#)

A handful of companies now dominate world farming, with profound implications for genetic diversity.

[John Michael Greer: Back up the rabbit hole](#)

The explosive spread of the internet, finally, was also a product of the era of ultracheap energy. The hardware of the internet, with its worldwide connections, its vast server farms, and its billions of interlinked home and business computers, probably counts as the largest infrastructure project ever created and deployed in a two-decade period in human history. The sheer amount of energy that has had to be invested to create and sustain today's internet, along with its economic and cultural support systems, beggars the imagination.

Could it have been done at all if energy stayed as expensive as it was in the 1970s? It's hard to see how such a question could be answered, but the growth of the internet certainly would have been a much slower process; it might have moved in directions involving much less energy use; and some of the more energy-intensive aspects of the internet might never have emerged at all. It remains to be seen whether a system adapted to a hothouse climate of nearly free energy can cope with the harsher weather of rising energy costs in a postpeak world.

[South Africa: Crisis spreads to fuel and gas supplies](#)

As of Wednesday Chevron Refinery will not be able to supply consumers with liquefied petroleum gas and the sales of ship fuel will be suspended as the refinery says it cannot

run because of the "unavailability of stable power supply".

[Higher coal prices add to Eskom's woes](#)

The embattled State utility, Eskom, has to pay about 20% more for coal. Analyst say soaring international prices are putting pressure on local prices which, according to Eskom, already grew by 30% last year alone.

Two months ago, a ton of coal cost \$100 on world markets. Now the price has shot up to around \$140 because of strong demand, mainly from India.

[Mozambique says will not compensate for riot damages](#)

MAPUTO (Reuters) - Mozambique will not pay compensation for property damaged during violent protests over increased transport fares that left three people dead and 104 others injured, a senior government official said on Thursday.

Thousands of people took to the streets early this week, protesting against a 50 percent rise in the cost of mass transport. Protesters looted shops, damaged vehicles and burnt some electricity poles.

Police using live ammunition, shot and killed three people while trying to disperse the crowd.

[Tajikistan 'facing catastrophe'](#)

Tajikistan is in the grip of emergency food shortages, the UN's World Food Programme is warning.

The deteriorating food situation is part of the energy crisis which hit the mountainous nation in the middle of its coldest winter for five decades.

[Frozen Tajikistan pleads for energy aid](#)

TAJIKISTAN, paralysed by the coldest winter in decades, asked for emergency international aid today to help it survive an energy crisis which has left millions of people without power and heating.

The bitter cold - with temperatures plunging to -20 degrees celsius across the impoverished nation - caught authorities off guard this year, forcing the government to ration electricity, water and gas.

[Pakistan: Industry warns of economic turmoil](#)

LAHORE-The country's leading industrialists and businessmen on Wednesday said that the industry is on the verge of collapse due to worst-ever energy crisis which may lead to economic turmoil in Pakistan as the present govt has badly failed to stabilise the economy.

[Botswana: : Power shortage, serious obstruction in economic growth](#)

In 2007 Botswana transformed itself for one of the poorest countries in the world to a middle-income country according to one of the surveys conducted. The country has one of the fastest growth rates, but the recurrent power cuts is creating blockage in the economic growth for the next fiscal year.

Due to increase in the demand of power which is not being fulfilled many industries are now shifting to other options like fuel-operated generators. The Government has also raised the prices of petrol and diesel recently which will boost the cost of production. this in turn will hamper the export earnings of the country.

[Turkey Opposes GDF in Nabucco Due to French Genocide Bill](#)

Turkey opposes Gaz de France's (1020848.FR) participation in the Nabucco gas project because of France's position on the Armenian genocide, according to an unnamed senior energy official, the Ihlas News Agency, or IHA, reported Wednesday.

"How can we get Gaz de France in the project (because of) France's unacceptable position on the Armenian genocide claims," the official said.

[Mexican president foresees friendlier U.S.](#)

With reserves in its aging offshore Cantarell field diminishing, the state-owned oil company Pemex needs funds to pay for exploration in the deeper waters of the Gulf of Mexico.

The money, Calderon said, could come only from two sources: reducing government spending for public services or looking to the example of China, Norway and Brazil, where the state-owned oil companies benefit from private investment.

[Hard to explain the opposition to study of a new oil refinery](#)

We find it somewhat disconcerting to read some of the comments made by people opposed to a study of refining more oil in North Dakota. Evidently, they have not noticed that we have near, if not the highest-priced gasoline and diesel in the continental United States. Perhaps they did not notice the lines for fuel during harvest. Perhaps they did not notice the shortage of No. 1 diesel in an earlier cold snap. We know the governor did. He did allow truckers leeway in rules transporting gas and fuel. Wouldn't it have been nice if the shortages hadn't occurred?

[Bush Threatens Domestic Oil and Gas Program](#)

The Bush administration has proposed eliminating an oil and gas program championed by Texas lawmakers, saying it amounts to an unnecessary subsidy for oil companies earning record profits.

[Gas hydrates reserves discovered off India's east coast, says government](#)

MUMBAI (Thomson Financial) - The government of India said it has found a gas hydrates reservoir amounting to an estimated 2,000 trln cubic metres of reserves in the KG Area, off India's east coast.

Gas hydrates are crystalline compounds that are being looked on as a future source of energy.

[UK: Veggie power may replace diesel on tourist buses](#)

TOURIST buses in a national park could soon be powered by 100% Welsh oil... vegetable oil, that is.

Pembrokeshire's coastal buses currently burn diesel produced thousands of miles away, helping to sustain oil companies' generous profits.

But if the services switch to vegetable oil, as planned, their fuel could be produced entirely within Pembrokeshire.

[Home heating balancing act](#)

As oil prices soar, people are chopping wood and using other alternative fuels to keep their homes warm. They are wearing sweaters, blocking drafts, closing off rooms, turning down thermostats and seeking fuel assistance.

[Energy Matters: We need a plan for success](#)

America and the rest of the industrial world are moving toward an unprecedented energy crisis leading to a possible economic disaster. This has been known and forecast for more than half a century. We have known that world petroleum and gas consumption was increasing at about 4 percent per year from prior to 1950 when world population stood at just over 2 billion. A bit of simple math (similar to figuring compound interest) tells us that over a 60-year period, consumption would grow tenfold. In fact, the true number has peaked at about 9 times the post World War II rate of consumption.

[Gasoline could drop 50 cents/gallon by spring](#)

NEW YORK (Reuters) - U.S. drivers could enjoy a drop of up to 50 cents per gallon in gasoline prices by this spring as high fuel prices and the threat of a recession force them to conserve, experts said on Wednesday.

U.S. gasoline supplies hit a near-14-year high of 227.5 million barrels last week, helped by falling demand for the fuel, the U.S. Energy Information Administration said on Wednesday.

"Gasoline stocks are continuing to increase and it implies that people are probably cutting down on gasoline consumption -- a result of the weakening economy," said Phil Flynn, an analyst at Alaron Trading in Chicago.

[Peak-Oilers Put Money Where Mouths Are](#)

The peak-oil debate no longer is a matter just of the planet's future. Now it's the subject of a one-sided \$100,000 bet.

Reveling in the role of the fly tweaking the elephant, a group of peak-oil proponents has challenged prominent oil-industry consultancy Cambridge Energy Research Associates to a not-so-friendly wager.

[World Oil Supply: Peak or Not Peak?](#)

The opacity of global oil supply data and just how much oil can be counted as Proven (90-95% probability of recovery), Probable (50%) or Possible Reserves (5-10%) has heightened uncertainty and added impetus to the arguments of Peak Oil theorists and proponents.

Taken together with the sharp and sustained oil price rise, rapid industrial growth in places like China, India and other large developing countries, the rapid rise to political prominence of climate change mitigation and greenhouse gas emissions reduction efforts and associated incentives and incentives to promote alternative, renewable energy sources this has raised the uncertainty of demand for oil - and hence investment

conditions – and put oil, and fossil fuel producers more generally, on the defensive. Looking at it cynically, you might say that they can cry all the way to the bank, at least for some time to come.

[Green laws and regulation risk energy crisis, say Europe's power companies](#)

Europe is facing an energy crisis because of green-influenced legislation and regulation, and difficulty in obtaining planning approval for key projects, energy companies warned yesterday.

Europe needs to spend €2tn (£1.5tn) on upgrading power networks in the next 25 years but leading energy companies have cancelled investments in new power plants worth billions of euros because of increased regulatory uncertainty, a senior executive claimed yesterday.

[The Energized Citizen: The next Declaration of Independence](#)

CORNISH: The next Declaration of Independence – a declaration to free this country of oil dependency. This is not only necessary but imperative. The reasons are many; pick your favorite or the entire list.

1. Relief from foreign entanglements (meaning military engagements to protect oil supplies).
2. Global warming.
3. Balance of payments, the hemorrhaging of US dollars for foreign oil.
4. Environmental cleanup.
5. Air quality.
6. Relief from respiratory ailments.
7. Reduced risk of environmental accidents (oil spills).
8. Diversifying energy sources promoting competition and breaking energy monopolies.
9. Saving oil for higher uses than burning and dealing with “Peak Oil.”

[Frost: Desperately seeking energy](#)

Lawrence warned us that peak oil is highly controversial, and information is hard to get. OPEC won't say what is really happening, and some of the Environmental Impact Assessment (EIA) forecasts coming from our own Department of Energy lack credibility – either because they don't know, or for political reasons. For example, they forecast that the price of oil wouldn't reach \$100 a barrel until 2030. In some cases, the data is a state secret, and whistle blowers can be punished.

Lawrence pointed out some additional challenges. One is OEWS (Oil Exporter Withholding Scenarios), which look at what happens if oil exporting countries withhold oil from importers. Since Iraq, that's hardly a new concept.

[The state holds the key to driving up electric car use](#)

Cars are still the fastest rising cause of UK greenhouse gas emissions - producing 38m tonnes a year - and look set to increase their lead as road traffic continues to grow by 2% a year. Yet there is no policy in place to get cars off the road to contain or reverse the trend. But this does not mean that the government's goal to cut emissions by 60% by 2050 is doomed. An obvious way out of the car impasse is to encourage a switch away from petrol-driven internal combustion engines to electric cars.

[South Africa: Recycling Can Help Alleviate Energy Crisis](#)

Recycling can play a major role in alleviating the country's energy crisis, says a senior Cape Town official, with eye-opening statistics to back up this claim.

Councillor Clive Justus, Chairperson of the City of Cape Town's Utility Services Portfolio Committee, says the unreleased energy contained in the average dustbin each year could power a television set for up to 5 000 hours.

"An estimated 512 homes could be electrified by the amount of energy saved from a year of paper recycling. "It is within every resident's reach to recycle and thus help the city to achieve its goal of reducing electricity consumption by 10 percent," he said.

[AngloGold: South Africa's energy crisis will drive down output](#)

Johannesburg - AngloGold Ashanti on Thursday became the second South African gold producer to warn of a sizeable fall in output in 2008 if forced to slash its electricity consumption to help ease an energy crunch. AngloGold said it expected to produce between 4.8 and 5 million ounces of gold in 2008, down over 400,000 ounces or over 7 per cent on 2007, if state electricity supplier Eskom maintained its order to cut electricity consumption by 10 per cent.

[South Africa - Quotas: exceeding your limit 'unacceptable'](#)

Homes and businesses using more than their quota of electricity are soon to be penalised.

The government calls it a "differentiated tariff structure", which means that once you use more than a certain amount of power, the rate at which you are charged automatically increases.

[Saudi Aramco will sell crude cheaper to US](#)

Riyadh: Saudi Aramco, the world's largest state oil company, will cut official selling prices for crude shipments to the US in March as refiners lower operating rates. The producer raised prices to Europe.

[Why the price of 'peak oil' is famine](#)

Vulnerable regions of the world face the risk of famine over the next three years as rising energy costs spill over into a food crunch, according to US investment bank Goldman Sachs.

"We've never been at a point in commodities where we are today," said Jeff Currie, the bank's commodity chief and closely watched oil guru.

Global oil output has been stagnant for four years, failing to keep up with rampant demand from Asia and the Mid-East. China's imports rose 14pc last year. Biofuels from grain, oil seed and sugar are plugging the gap, but drawing away food supplies at a time when the world is adding more than 70m mouths to feed a year.

[Peak oil rapidly approaching warns oil analyst](#)

One of the hottest topics in the energy industry is the debate about peak oil, which refers to the point in time when global oil production goes into terminal decline. Estimates vary widely as to when peak oil will occur. The US and UK officially say peak oil will not happen before 2030. Others, like oil expert author David Strahan, believe it will happen much sooner.

Speaking at the recent World Energy Summit in Abu Dhabi, Strahan said the world is rapidly approaching peak oil, which he estimates will occur around 2017, but no later than 2020.

[Total Closes U.K. North Sea Elgin-Franklin Gas Fields](#)

(Bloomberg) -- Total SA, Europe's third-largest oil company, shut its Elgin-Franklin natural-gas and condensate fields in the U.K. North Sea on Feb. 4 after output failed to meet specifications.

``We're shutting Elgin-Franklin down," Jenny Costelloe, a spokeswoman for Total in Aberdeen, Scotland, said today by telephone. ``We are trying to maintain condensate production at a limited rate," she said, without specifying current output.

[Shell Nigeria force majeure to last through March](#)

ABUJA (Reuters) - Shell Nigeria's force majeure on crude exports from the Bonny terminal will last for the rest of February and March, a spokeswoman said on Thursday.

[Suncor Energy reports oil sands production numbers for January 2008](#)

CALGARY /CNW/ - Suncor Energy Inc. reported today that production at its oil sands facility during January averaged approximately 245,000 barrels per day (bpd). Suncor is targeting average annual oil sands production of 275,000 to 300,000 bpd in 2008.

[Polar Bears' Plight Raised In Drill Bids For Oil, Gas](#)

The Interior Department yesterday announced \$2.6 billion in winning bids from companies seeking to drill for oil and gas in Alaska's Chukchi Sea despite protests from environmental groups and members of Congress that oil and gas exploration would endanger polar bears.

[BG says Tupi field can pump up to 1 mln boepd at full development](#)

LONDON (Thomson Financial) - Frank Chapman, chief executive of BG Group PLC, said the Tupi discovery in Brazil is capable of producing up to 1.0 mln barrels of oil equivalent per day once the field is fully developed.

[Kazakhstan to increase oil output in 2008](#)

ASTANA (RIA Novosti) - Kazakhstan plans to increase oil output up to 70 million metric tons in 2008, a 4% increase year-on-year, the country's energy minister, Sauat Mynbayev said on Thursday.

"We plan to produce 69-70 million tones of oil in 2008," Mynbayev said.

[Gazprom says nears deal on Exxon's Sakhalin-1 gas](#)

KHABAROVSK, Russia (Reuters) - Russian gas export monopoly Gazprom (GAZP.MM: Quote, Profile, Research) will sign a deal to buy the entire annual gas output from the Sakhalin-1 field of U.S. oil major Exxon Mobil (XOM.N: Quote, Profile, Research) in April-May, an executive said on Thursday.

The move will mark another milestone in the Kremlin's drive to bring large energy assets back under state control and allow Gazprom, the world's largest gas company, to get hold of more resources without tapping its own rich hydrocarbon base.

[Pressure mounts to drop dollar peg](#)

DUBAI -The relentless decline of dollar over the past few months and Federal Reserve's interest rate cuts will force Gulf countries to revalue their currencies within months to stem spiralling inflation, currency analysts and experts said.

Speculation about a Gulf-wide revaluation is rising before a meeting between Saudi Arabia's advisory council, the Shura, and the finance ministry and central bank on February 17, according to Steve Barrow, currency strategist at Bear Stearns Co.

[Late and Lame on Warming](#)

Even allowing for the low expectations we bring to any lame-duck president's final State of the Union address, President Bush's brief discussion of climate change seemed especially disconnected from reality: from the seriousness and urgency of the problem and from his own responsibility for obstructing progress.

[Israeli find could help plants adapt to climate change](#)

JERUSALEM (AFP) - Israeli scientists said on Wednesday they had identified genes that help plants weather harsh conditions, a discovery that could lead to the development of crops better able to endure climate change.

[Indian PM calls for 'climate justice' to fight global warming](#)

NEW DELHI (AFP) - Indian Prime Minister Manmohan Singh urged rich countries to ensure technology transfers to developing nations to combat climate change under a transparent global regime.

Calling for "climate justice," Singh said developing countries such as India needed environment-friendly technologies in various sectors.

[WMO plans conference on improving climate predictions](#)

GENEVA (AFP) - The World Meteorological Organisation said Wednesday its next conference would urge scientists around the globe to improve seasonal climate predictions to adapt to climate change.

..."There has been too little global investment in the science that underpins seasonal climate prediction," WMO Secretary-General Michel Jarraud said in a statement.



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