



DrumBeat: February 29, 2008

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[Iraq has 'more crude oil' than Saudi Arabia](#)

Chalabi, a former senior Iraqi oil ministry official, believes the country has huge undiscovered reserves on the grounds but no major development projects have been undertaken for more than two decades.

The proven reserves were officially put at 112 billion barrels in 2007 but Chalabi believes the final figure could exceed 300 billion barrels. "Iraq could have this figure, there is no exaggeration in this," he said.

His view is supported by a Western oil analyst who goes even further by saying Iraq's real oil potential could surpass that of Saudi Arabia, which controls nearly a quarter of the world's proven oil deposits.

[Demanding a new supply](#)

"We are at a world oil production rate right now, which is essentially the peak oil rate and following this point the world's oil production rate will start a gradual irreversible decline," said Newendorp. "It isn't that we are running out of oil. The reason that we are at this peak oil — there are two reasons. One is that for the past 20 years the world has consumed two barrels of oil for every barrel of oil discovered to replace it.

"Oil is a non-renewable energy source, so once you take it out of the ground and burn it, it's gone. So if you want to keep burning oil, you have to find more of it. That's one of the two explanations for why the world is at a peak oil rate right now. The other is... for many, many, many years the oil industry worldwide has tabulated the amount of new oil discovered throughout the world in any given year, called a 'world oil discovery rate.'

[Peak Oil Passnotes: The Race to the Bottom \(of the Barrel\)](#)

It has been another week of crude oil records as the Nymex breached \$103 per barrel and event Brent crude topped \$100.

One of the reasons is that the Wal-Mart economy of the world, bargain basement U.S.,

has once again seen its currency rupture a little bit more. Stacking high and selling your countrymen cheap, either out on to the streets due to defaulted mortgages or on the fields of imperial war around the world is not really working as an economic plan for U.S. power.

[Cameroon: Government Reduces Fuel Prices](#)

After a meeting between Government officials and some leaders of transporters syndicates in Yaounde, the government of Cameroon, Wednesday, February 27, reduced the prices of petroleum products

[South Africa: Highest Ever Petrol Hike Looms](#)

Motorists are warned to brace themselves for another petrol hike next week, the highest increase South Africans have ever experienced.

[Research Hub Boosts Colo. Economy](#)

DENVER - Score one more for the "New Energy Economy."

ConocoPhillips' announcement last week that it would open a renewable-energy research hub and corporate learning center in Louisville was hailed by state officials as another example of Gov. Bill Ritter's work to make Colorado a leader on alternatives to fossil fuels and create what he calls the New Energy Economy.

[Pemex Says Production From Cantarell Field May Drop Up to 18% This Year](#)

(Bloomberg) -- Petroleos Mexicanos, the state- owned oil company, expects to increase oil production in 2008 after a three-year decline, even as output at its largest field drops as much as 18 percent this year.

Overall production may rise to 3.1 million barrels a day this year, said Carlos Morales, director of exploration and production for Pemex, as the Mexico City-based company is known, during a fourth-quarter conference call today. Pemex's production was 3.08 million barrels a day in 2007.

[UK gas prices surge after import terminal fire](#)

LONDON (Reuters) - British gas prices rose on Friday after a fire at a major import terminal cut supplies of heating fuel ahead of what is forecast to be a chilly start to

March.

Some of the heat was taken out of the market by the resumption of supplies through the Shell-operated SEAL pipeline, but it was still unclear how long Shell's gas import terminal at Bacton, eastern England, would remain closed.

[China Says \\$16 Billion Iran Gas Agreement Is a 'Commercial Act'](#)

(Bloomberg) -- China National Offshore Oil Corp.'s \$16 billion plan to develop an Iranian gas field is a "commercial act," a Chinese official said, as pressure grows from the U.S. for fresh action over Iran's nuclear program.

[PDVSA says Exxon's asset freeze based on fantasy](#)

LONDON (Reuters) - Venezuelan state oil firm PDVSA told a UK court on Friday that a \$12 billion freeze on its assets should not have been granted to Exxon Mobil as the oil major's arguments were "sheer fantasy land".

PDVSA lawyer Gordon Pollock said the amount frozen was excessive. He said a claim that PDVSA would try to hide its assets was not credible and the English court which awarded the freeze had exceeded its jurisdiction.

[Chevron confirms development of Nigeria deepwater field](#)

SAN FRANCISCO (Thomson Financial) - Chevron Corp. said Friday its Chevron Nigeria Deepwater Ltd. subsidiary and its partners are moving forward to develop the offshore Usan field in Nigeria.

The Usan Field is located 62 miles off the coast in the eastern Niger Delta. First production from the field is expected in late 2011 with peak production of 180,000 barrels of oil per day.

[Exxon may trim production on higher prices](#)

NEW YORK (MarketWatch) -- Exxon Mobil may trim its production targets in a meeting with Wall Street next week as the oil giant absorbs the impact of sustained \$100-a-barrel oil, analysts said.

Since Exxon Mobil relies on production sharing contracts with oil-rich countries to extract its crude, more expensive oil will likely limit the amount of petroleum it can supply to the world, analysts said.

These agreements are usually based not only on the amount of oil, but on the dollar value of petroleum taken out of the ground.

So with oil now holding at the \$100 a barrel level, Exxon will manage to grow its profit while shaving its long-term production target of 3% average growth annually through 2010.

[Gasoline could hit \\$4 as crude breaks records](#)

NEW YORK (Reuters) - Motorists may face gasoline prices as high as \$4 a gallon this summer as crude oil costs smash records, painting a bleak picture for consumers already feeling the pinch of an economic slowdown.

[Weyerhaeuser and Chevron form biofuels joint venture](#)

NEW YORK (Reuters) - Oil company Chevron Corp and forest products maker Weyerhaeuser Co on Friday announced the launch of a joint venture to develop renewable fuels from nonfood sources like wood.

The 50-50 joint venture, Catchlight Energy LLC, will research and develop technology for converting cellulose-based biomass into economical and low-carbon biofuels, the companies said in a joint statement.

[Green Energy Needs Long-Term Political Support - Ex-BP CEO](#)

LONDON -(Dow Jones)- A strong, long-term political commitment and clear policy framework and regulations are key if investment in renewable energy is to continue booming, John Browne, the former head of oil giant BP PLC (BP), said Friday.

"Maintaining the growth rates we've seen will be very ambitious and it will require an ironclad partnership between government and business," said Browne, who is now managing director of the new European branch of U.S. private equity energy specialists Riverstone Holdings LLC.

[As green power investments rise, a fear they are being misguided](#)

PARIS: Long considered marginal and even quixotic, energy from sources like the wind, sun and plants is turning into one of the world's most highly valued industries. And while power generated by "green" sources remains tiny compared with fossil fuels, the sector has begun to attract the attention of big-league investors seeking to profit from a new wave of growth in alternative energy.

But even as the amount of cash swells, environmental officials warn that financing is flowing to projects that may be doomed to failure.

[Oil for nukes – mostly a bad idea](#)

Cambridge, Mass. - French President Nicolas Sarkozy is on a nuclear power selling spree in the Middle East.

He has recently pledged to assist the civilian nuclear programs of three oil-producing countries in this conflict-prone region: Saudi Arabia, Qatar, and the United Arab Emirates. These pledges were preceded by signed offers of nuclear aid to Algeria and Libya, two other oil exporters.

If history is any guide, two things seem probable. First, these nuclear power sales are an attempt to ensure a stable oil supply at a time when prices are approaching record highs. And second, this oil for nuclear technology swap is a deal that France will later regret.

[Ecuador: Exports Won't be Affected by Rupture, Declaring Force Majeure](#)

Mining and oil minister Galo Chiriboga said Friday that Ecuadorean oil exports won't be affected despite state-run oil company Petroecuador suspending operations of the SOTE oil pipeline Thursday and declaring a force majeure for its oil exports.

"We are searching for alternatives. We can use the private OCP oil pipeline to transport our crude and maintain the oil exports. Our exports won't be affected," Chiriboga told to Dow Jones Newswires on Friday.

[Gazprom to reduce Ukraine's gas](#)

Gazprom, Russia's gas monopoly, says it will cut supplies to Ukraine by 25% on Monday after talks between the two sides ended in failure.

The state-run Russian company said its efforts to get Ukraine to pay its debts had "reached a dead end"

[U.S. urges Turkmenistan to diversify gas exports](#)

ASHGABAT, Feb 29 (Reuters) - A senior U.S. official urged Turkmenistan to find other routes, apart from Russia, for its natural gas exports and called the Nabucco project skirting Russia a viable option for Central Asia's largest gas producer.

[Venezuela's PdVSA, ENI To Sign Orinoco Venture](#)

Petroleos de Venezuela and Italy's ENI will strike a deal Friday that would bring ENI SpA into the oil-rich Orinoco basin as a partner, the Venezuelan foreign ministry said Thursday.

[Brazil police recover computers stolen from Petrobras, arrest 4; 'common crime' blamed](#)

The suspects, employees of a security company hired by Petrobras to guard the port, had been carrying out small thefts since September that went unnoticed until the computers disappeared, Caetano said. They face charges of criminal conspiracy.

"This was a common crime," he added. "They didn't have the slightest idea of what they had" at first.

[Ecuador's Dec Oil Export Revenue Up 69% at \\$827.82 Million](#)

Ecuador's oil export revenue totaled \$827.82 million in December, a 69% increase from \$489.25 million in the same month of 2006, the central bank said Thursday.

In terms of volume, Ecuador exported 10.72 million barrels in the December, slightly more than the 10.68 million barrels shipped one year earlier.

[Thailand: Minister looking for options to selectively subsidise LPG prices](#)

The energy minister is seeking ways to limit LPG price subsidies only to household use but not the transport and industrial sectors in her bid to curb demand growth.

[The Day China Runs Dry](#)

China's massive but dwindling aquifers would be on track to run virtually dry if over-pumping continued, said Lester Brown, prominent US environmental policy advocate. At that point, its grain production would dive, severely exacerbating any food price increases that had already accumulated. Without rationally priced water, Brown predicted this scenario and a severe global food shortages as inevitable.

[The CO2 State](#)

Texas produces more carbon emissions than most countries, but the state government

and business community don't seem too concerned.

[Stocks of unleaded petrol may run low in Brisbane](#)

MOTORISTS have been warned to expect disrupted petrol supplies in Brisbane this weekend.

A leaked email from the State Government to the Ambulance Service, obtained by couriermail.com.au, said the shortage of unleaded petrol suffered by Caltex, Shell and BP is expected to lead to long delays at the pump, higher prices and possibly complete unavailability at some service stations.

[Bligh urges calm over petrol shortage fears](#)

Ms Bligh says under a long-standing arrangement, other refineries will cover the shortfall.

"There is no need for anybody to be panicked, there are other petrol suppliers who are filling any petrol supply gaps to other retailers," she said.

[Mexico's Plan to Open Oil Industry Lacks Support](#)

Failure to open the oil industry may mark the biggest political defeat yet for Calderon, who managed to win support for cutting pensions and raising taxes since taking office in December 2006. Mexico, the third-largest oil supplier to the U.S., needs the help of foreign and private companies to halt a decline in crude output and reserves, Calderon has said.

Cantarell, the nation's largest oil field, is running out of crude. Taxes that exceed half of sales at state oil company Petroleos Mexicanos cut into its ability to invest in production.

[China: Oil giants 'told to supply small players'](#)

The central government had asked its oil duopoly to open fuel taps to hundreds of independent dealers, a person close to the situation said on Friday, in what would be the first official move in nearly a decade to liberalise the domestic market following a serious supply shortage.

[China's Yudean buys 7.5 pct of Australia coal mine](#)

SHANGHAI (Reuters) - China's Guangdong Yudean Group, one of China's top power generating groups, has agreed to buy a 7.5 percent stake in Narrabri Coal project, wholly owned by Australia's Whitehaven Coal Limited, for A\$67.5 million (\$63.9 million), Whitehaven said.

[Energy crisis a concern for South African steel industry](#)

The current national energy crises that is affecting the country is set to have far-reaching effects in the South African steel industry, report a number of industry stakeholders.

[India: High oil prices may lay slippery track for economy](#)

The brewing energy crisis, following a phenomenal increase in the international crude oil prices, may soon grip India's Economy. The country imports nearly 78% of its total crude oil requirement and with global oil prices touching unprecedented levels of \$102 a barrel, it's time that appropriate strategies be put in place to deal with any unforeseen situation.

[Ethanol Fuels Intense Food Debate](#)

How can so many people be obese, yet so many others still are hungry? The next American president is confronted with a moral dilemma. Supporting ethanol production might end our dependence on foreign oil and help protect the country from radical extremism, but at the same time, it has two potentially devastating consequences. With the looming possibility that ethanol might harm the environment more than it would benefit, Congress needs to reassess its stance on the commodity. Every gallon of corn diverted to ethanol is less corn for food production. As an LA Times editorial recently said, "The astonishing callousness of burning millions of bushels of grain in gas tanks even as global starvation worsens has apparently never occurred to Congress, the Bush administration or the remaining presidential candidates."

[Crunch Time on the Bread Line](#)

Where will you be in the line? In a column last week, I discussed the forthcoming risk of global famine. Now the evidence is piling on, and there is every reason to expect - at the very least - astronomical inflation in food prices within the next year. Most significantly, this problem is not confined to any one region of the world, and the ripple effect is mind-boggling. Keep in mind that the dollar is falling on the world exchanges, and the food you buy is subject to the fluctuations of the currency exchanges. Why? Well, simply because it may be more lucrative for global agricultural corporations to sell to the highest bidder - no matter where they may be.

[Deutsche Bank's \\$150 Call: Peak Oil Light](#)

DB made some good points that might be news to the mainstream but probably not to my readers:

1. The U.S. economy wrung a lot of oil-intensiveness out during the '70s oil shock when it took oil out of electricity generation and U.S. industry became much more oil-efficient. Those savings cannot be replicated no matter how high the oil price goes.
2. On the other hand, U.S. transportation is vastly inefficient and thus can and will reduce oil use as prices rise. This is the most significant available source of oil savings in the OECD world. Of course, DB probably meant to say "cars" rather than "transport", since trucks which use 1/3rd of transport fuel do not have the same savings potential that cars do.

[Phil Flynn: Remember The Gold old days!](#)

Demand for oil is weak and it is obvious that we are seeing at least some form of demand destruction but as we have seen, rising supply and lower demand does not necessarily translate into lower price.

We have gotten beaten up lately by correctly predicting rising supply and weakening demand. What we failed to realize is that rising supply and lower demand does not always translate in to lower price. Larger market forces have rewritten the laws of gravity as commodity price inflationary pressures have over ruled the basic laws of supply in demand. Even with clear signs of demand destruction in the US and some worrying signs of slowing in Japan and even Europe, oil prices have surged along with inventories.

[Oil at \\$300/barrel? - Matt Simmons on WSJ Report](#)[Alaska to sue BP over 2006 Prudhoe spill](#)

NEW YORK (Reuters) - The state of Alaska is planning to sue BP Plc for "several hundred million dollars" to recover oil revenues lost when corrosion in pipelines at the oil major's Prudhoe Bay oil field forced a partial shutdown of the field in August 2006, the Anchorage Daily News reported on Friday.

The suit may be filed as soon as September if settlement talks are unsuccessful, the Daily News reported.

[Spain sets power, gas network price structure](#)

MADRID, Feb 29 (Reuters) - The Spanish government on Friday set a new pricing structure for the electricity and gas distribution sectors, sending shares in Red Electrica and Enagas higher.

The new structure will only affect installations that are started after Jan. 1 2008, the government said after a weekly cabinet meeting.

[UN likely to vote new Iran resolution Saturday](#)

UNITED NATIONS (Itar-Tass) -- The UN Security Council is likely to vote a new resolution on Iran on Saturday, however Tehran already made it clear it will not comply, as its nuclear program is the business of the International Atomic Energy Agency (IAEA) rather than of the United Nations.

[Morgan Stanley: A Petrodollar Tsunami Is Coming](#)

High energy prices lead to transfers from oil importers to oil exporters, note Stephen Jen and Charles St-Arnaud in Morgan Stanley's latest Global Economic Forum, and as oil breaches the psychological US\$100 a barrel, so investment decisions by the owners of these petrodollars clearly become more important the higher oil prices go.

[BMW betting on hydrogen](#)

Earlier this month, The Chronicle ran an interesting interview with General Motors CEO Rick Wagoner, in which he said major car manufacturers need to develop a variety of alternative energy technologies in preparation for the day that world gets off the oil.

The theory goes: Betting on just one -- electric cars or fuel cells -- would be too risky.

That's not the party line over at BMW. The German car manufacturer told TED attendees in Monterey Thursday that they are betting the whole hog on hydrogen.

[RV resort: Boon or bust?](#)

Residents, community leaders and consultants alike, on the other hand, have questioned the viability of a large RV resort in Gunnison. Not only would it add to the many already in the area, but the long-term prospect of the RVing industry has been called into question in light of rising energy costs, peak oil and the general fight against climate change.

[Oil price strikes record high above 103 dollars](#)

LONDON (AFP) - The price of New York crude oil hit an all-time high point of 103.05 dollars per barrel on Friday owing to record weakness of the dollar but then fell back, traders said.

And the price of gold reached an historic peak of 976.32 dollars per ounce.

"This was part of a broad-based commodities run based on the continued weakness of the dollar," said Petromatrix analyst Olivier Jakob.

A weak US currency boosts demand for dollar-denominated raw materials such as crude oil because it makes them cheaper for buyers using stronger currencies. However the increased demand eventually leads to higher prices.

[The Peak Oil Crisis: Catenaries and Pantographs](#)

As the availability of liquid fuels dwindles, those supplies that remain will be increasingly allocated to uses for which there are no readily available substitutes -- such as powering aircraft and ships. Electric power for land vehicles appears to be the most realistic option for the present. Cellulosic biofuels may come to power some share of land transport, but this is still many years away. Electric power is a proven technology and, more importantly, a widespread distribution system for electricity is already here.

[The Squeeze on PetroChina](#)

With domestic production falling, it must buy costly oil abroad to sell at subsidized prices at home.

[OPEC unlikely to change output at current price: Libya](#)

PARIS (AFP) - OPEC is unlikely to change its production level at a meeting next week if the oil price stays at about 100 dollars per barrel, acting Libyan Oil Minister Chukri Ghanem told AFP on Friday.

[Fire at Kuwait's Shuaiba Oil Refinery Is Contained, KUNA Says](#)

(Bloomberg) -- A fire at Kuwait Petroleum Corp's Shuaiba refinery was extinguished today without any casualties or disruption to output, according to KUNA, the state-run news agency.

The fire broke out at 12:21 a.m. local time in a distillation tower in one of the heavy oil refining units as it was being idled for maintenance, KUNA said, citing Mohammad Al-Mutairi, the refinery's acting managing director.

[North Sea Sullom Voe Oil Terminal Halts Berthing on High Winds](#)

(Bloomberg) -- The North Sea Sullom Voe terminal in Scotland's Shetland Islands, which handles shipments of benchmark Brent crude oil, suspended berthing because of high winds.

[Partnership will bid for U.S. oil refineries](#)

Petroplus Holdings, Europe's largest refiner, said Wednesday that it had entered into a \$2-billion deal with private equity firms Blackstone Group and First Reserve to buy crude oil refineries in the United States.

Each partner has committed \$667 million to form an investment company to be led by Petroplus Chairman Thomas D. O'Malley.

[Ecuador shuts off oil exports after pipeline break](#)

QUITO (AFP) - OPEC member Ecuador on Thursday suspended its oil exports because a landslide cut off its main pipeline, state-run Petroecuador oil company said.

"Exports were suspended and a force majeure was declared to avoid sanctions from our buyers, who already have been notified of the emergency," an unnamed Petroecuador official told AFP.

[Russian paper predicts trouble for South Stream pipeline](#)

MOSCOW (AFP) - A Russian newspaper on Friday predicted trouble ahead for Moscow's strategic South Stream gas pipeline, saying the project could be held up by difficult relations with neighbouring Ukraine.

[Nepal strike over after accord reached](#)

KATMANDU, Nepal - Trucks began transporting gasoline to the fuel-starved Nepalese capital Friday along with much-needed food and other supplies after ethnic-rights groups in southern Nepal ended a paralyzing strike, authorities said.

[Japan arranging climate change summit: official](#)

TOKYO (AFP) - Japan said Thursday it was arranging a meeting of national leaders to address climate change as it prepares to hold the Group of Eight summit of major

industrial economies this summer.

A newspaper report said Japan has invited heads of state and government from 16 nations, which together account for 80 percent of greenhouse gas emissions, for parallel talks to the G8 summit.

[EU nations sound objections to climate change plan](#)

BRUSSELS (AFP) - EU nations raised on Thursday a host of objections to new proposals for fighting climate change, setting the stage for tough negotiations over the package.

In the first debate of the plans since they were proposed in January, EU members lined up to call for more flexibility and greater attention for industrial competitiveness while also pushing their national wish-lists.



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