



DrumBeat: November 5, 2008

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[IEA predicts oil price to rebound to \\$100](#)

Oil prices will rebound to more than \$100 a barrel as soon as the world economy recovers, and will exceed \$200 by 2030, the International Energy Agency will say in its flagship report to be published next week.

“While market imbalances could temporarily cause prices to fall back, it is becoming increasingly apparent that the era of cheap oil is over,” the report states.

The developed world’s energy watchdog has doubled its long-term price expectation from last year’s \$108 a barrel for 2030 and assumes oil prices will rebound from today’s \$60-\$70 a barrel to trade, in real terms adjusted by inflation, at an average of more than \$100 a barrel from 2008 to 2015.

The IEA’s World Energy Outlook has come to this conclusion largely because it believes companies will struggle to pump enough new oil to offset the steep production declines of the world’s older fields.

“Current global trends in energy supply and consumption are patently unsustainable,” the report states.

[Opec’s economic clout set to grow](#)

The world economy will witness a \$2,000bn shift in wealth and power from oil-consuming countries to members of the Organisation of the Petroleum Exporting Countries as oil prices rise to \$200 a barrel by 2030.

That stark assessment will be made next week by the International Energy Agency, the western countries’ energy watchdog, which will also warn that oil prices could rise even further because national oil companies in oil-rich countries are likely to delay investment decisions.

(See also [Highlights of the IEA report](#). If it's behind a paywall, try going through Google News.)

[Nigerian militants say they rescue Lebanese hostage](#)

LAGOS, Nov 5 (Reuters) - Nigeria's main militant group said on Wednesday it had rescued a Lebanese engineer kidnapped on Monday by gunmen in the southern oil city of Port Harcourt and would hand him over to the Nigerian security services.

"A commando unit from the Movement for the Emancipation of the Niger Delta (MEND) ... conducted a successful rescue of Mr Melad Nasari as promised from deep inside the bush where he was confined by his abductors," MEND said in an e-mailed statement.

[Environmentalists, Nigerians plan to sue Shell](#)

AMSTERDAM (Reuters) - Environment group Friends of the Earth Netherlands and four Nigerians said they plan to sue Anglo-Dutch oil giant Royal Dutch Shell in a Dutch court on charges of negligence related to oil spills in Nigeria.

"New investigation shows that the villages of the Nigerian plaintiffs have been heavily polluted and that Shell has not adhered to international standards for 'good oil field practice' in Nigeria," the group said in a statement on Wednesday.

[Karzai says air strike in Afghanistan killed 40](#)

KABUL - Afghanistan's President Hamid Karzai said on Wednesday that 40 people were killed and 28 wounded in an air strike this week in the southern Taliban heartland of Kandahar province.

Earlier on Wednesday, the Afghan president demanded that president-elect Barack Obama put an end to civilian casualties in his country.

[\\$10 per barrel: in Russia, it's actually arrived](#)

Yes, the \$10 barrel has reappeared...in Russia. That's where government policies are slashing prices for local refiners and all but guaranteeing that the country's extensive reserves of oil are not going to be developed to their fullest.

Earlier this week, Russia slashed its crude export duty to \$39.35/b from just over \$50/b. Given that the price of Urals crude is either side of \$60, depending upon where it's being exported from or delivered to, the \$50 export duty meant that suppliers were staring at \$10 if it was exported, minus transportation costs, versus keeping it at home and having lower costs. With that type of economics, it wasn't hard to figure out what exporters would do.

As a result, crude has been piling up in Russia, and the internal price has declined to the \$10 level. For the barrels of Urals that *have* made it on to the open market, this strange situation has pushed their price higher than Brent at times, an extremely rare situation.

[Energy report: Alaska helps U.S. boost reserves](#)

ANCHORAGE, Alaska -- The U.S. boosted its proved oil reserves last year for the first time since 2007, in part thanks to new discoveries in Alaska.

The U.S. Energy Information Administration says domestic proved oil reserves grew by 2 percent while natural gas reserves increased 13 percent over the previous year.

It's the largest one-year increase since the agency began tracking proved reserves in 1977.

[DOE: No More Post-Hurricane SPR Crude Oil Swaps Expected](#)

NEW YORK -(Dow Jones)- The U.S. Department of Energy said Tuesday it doesn't expect to issue any more crude oil loans from the Strategic Petroleum Reserve to refiners affected by hurricanes Gustav and Ike.

DOE loaned refiners 5.389 million barrels of crude oil from the emergency stockpile beginning on Sept. 8. The last delivery of SPR crude was made on Oct. 14.

[Statoil Says Mongstad Incident Had `Major Accident Potential'](#)

(Bloomberg) -- StatoilHydro ASA, Norway's largest oil and gas company, said an incident at its Mongstad refinery in August that was caused by a power cut had a ``major accident potential."

``The findings of the ongoing investigation show that the incident quickly could have escalated further as air could have forced its way into the reactor and led to an explosive development," the Stavanger-based company said today in a statement on its Web site. ``This was prevented by an emergency stop."

[This year's Antarctic zone hole is 5th biggest](#)

NEW YORK – This year's ozone hole over Antarctica was the fifth biggest on record, reaching a maximum area of 10.5 million square miles in September, NASA says. That's considered "moderately large," NASA atmospheric scientist Paul Newman said in a statement.

...The hole is an area of depletion in the stratospheric ozone layer, which blocks harmful ultraviolet rays from space. Created by human-produced gases, the ozone hole generally forms in August and grows to its maximum size in September or October before

breaking up.

[Medvedev: Russia to deploy missiles near Poland](#)

MOSCOW – Russia will deploy missiles near NATO member Poland in response to U.S. missile defense plans, President Dmitry Medvedev said Wednesday in his first state of the nation speech.

Medvedev also singled out the United States for criticism, casting Russia's war with Georgia in August and the global financial turmoil as consequences of aggressive, selfish U.S. policies.

[ANALYSIS - Funding crisis is trouble for Nigeria oil sector](#)

ABUJA (Reuters) - Nigeria's inability to fund its share of joint venture oil projects means it could struggle to keep output at current levels in coming years, let alone meet an ambitious target of doubling it, industry executives say.

Violent attacks by militants in the Niger Delta, the heartland of Nigeria's 2 million barrels per day (bpd) oil industry, are usually blamed for preventing it from being able to pump anywhere near its current capacity of 3 million bpd.

But the state-run Nigerian National Petroleum Corporation's (NNPC) persistent inability to guarantee timely funding for joint ventures with oil giants such as Royal Dutch Shell and Exxon Mobil is taking an equally heavy toll.

[Diesel prices drop, but how long will it last?](#)

After hitting record highs this summer, diesel fuel prices are finally dropping. As they welcome the reduced fuel prices, many California farmers and ranchers say they wish the lower prices would have come sooner, during the height of harvest when fuel use is at its highest. And analysts say they expect fuel prices to head up again by spring.

Many farmers have already harvested their crops or are winding down. However, those who are currently working the ground for their winter plantings are benefiting from the fuel savings.

[UK: Fuel shortage explained](#)

A shortage of fuel at garages across Reading has been blamed on a power failure at one of the UK's largest refineries.

[Zimbabwe Facing Small Cereal Harvest in 2009, Famine Unit Says](#)

(Bloomberg) -- Zimbabwe is facing another small cereal harvest next year because of severe shortages of seed and fertilizer, the Famine Early Warning Systems Network said.

[Gazprom says OPEC could cut oil output 10% if prices plunge](#)

"We see that some OPEC countries, accounting for quite a large share of the oil market, are now proposing to cut oil production and delivery to the market even further. In particular, there are talks of reducing production by 10%," Gazprom CEO Alexei Miller told Russia's Channel One.

He said the prices of raw materials, oil, and the value of companies' shares did not reflect their fundamental value.

[US\\$200M up front or no light, Dominican power companies say](#)

SANTO DOMINGO.- The power companies demand an advance of US\$200 million from the Government's US\$458 million debt to buy fuel and begin solving the energy crisis that affects to the country.

Radhamés Segura, executive vice-president of the State-owned electrical companies (CDEEE) denied that the country is shut down, though recognized that the situation is critical and promised to advance US\$50 million immediately.

[Fiji: Don't blame nature](#)

The Consumer Council of Fiji says the Fiji Electricity Authority (FEA) should not blame nature for the looming energy crisis.

Council chief executive Premila Kumar in a statement yesterday said FEA was "creating a helpless situation" by blaming poor rainfall figures at the Monasavu hydro dam for the power crisis. She said the poor rainfall argument had been refuted by the Fiji Meteorology Department.

[UAE: Start building for 2060 now](#)

Already the country is seeing the beginnings of a dire water and energy crisis that is hampering development in the northern emirates. The Government cannot allow the

basic necessities of modern life, electricity and running water, to become a scarce commodity.

[Cash-strapped motorists turn to car sharing](#)

Rising fuel costs have resulted in a sharp increase in the number of pay-as-you-go motorists joining car clubs across the UK.

City Car Club, one of the big four car-sharing companies in the UK, has seen a 46 per cent increase in members in the past 10 months, bringing the current total to nearly 2,200.

[Order DVDs of the 2008 Sacramento Peak Oil Conference](#)

The professionally recorded and edited set of DVDs covers over 20 hours of the conference. All of the plenary sessions are included, along with ALL of the Sunday sessions.

The presentations have the power-points integrated into the DVDs for easy viewing, rather than just the camera view. Cost is \$95.00 (US), including shipping and handling to most countries.

[We're Still Vulnerable](#)

With the economy slowing, gasoline is lower at the pump and many are relieved. But the U.S. is still as dependent as ever on imported oil, and remains vulnerable to disruption. This is no time to get complacent.

[Deepwater Brazil Oil Output at 300,000 BOE/D by 2012](#)

Output from the Tupi, Iara and Guara deep water fields in the Santos basin off the Brazilian coast should hit 300,000 barrels of oil equivalent a day by 2012, said BG Group Tuesday.

"First commercial production is now expected from the 100,000 barrel-a-day Tupi pilot by fourth quarter 2010. In addition, the exploration success with Guara and Iara has led the partnership to fast-track planning on two additional 100,000 barrel-a-day pilot schemes, with the objective of achieving first production in 2012," the company said in a statement.

[California votes against green power initiatives](#)

Two California ballot measures that would have significantly increased the research funding and generation of renewable energy look almost certain to fail.

[Why clean energy is still a good bet](#)

There's no doubt that recent developments cast a cloud over the renewable energy business. The capital markets have turned risk-averse, making financing for alternative energy hard to come by. Declining oil prices make it harder for cleaner transportation fuels to compete with gasoline. In a slumping economy, the government will be reluctant to pass climate change legislation that will raise gas and electricity rates.

Never mind - there are compelling reasons, even now, to believe that the U.S. is on the verge of a dramatic shift, away from a economy dependent on cheap fossil fuels and towards cleaner, greener, more efficient ways of doing business.

[IEA Report Underlines Long Term Supply Side Challenge for Oil Markets](#)

The IEA World Energy Outlook highlights long-term supply side constraints, showing that current depletion rates outstrip future demand. On the face of it, this is welcome succour for 'peak oil' theorists, who have long been arguing that the world is actually running out of physical reserves. However, the IEA is not focusing on a shortage in the physical element, but rather in the necessary levels of investment that will be needed to meet energy demand going forward, amid high rates of depletion. According to the report, conventional production will effectively remain static, rising from 70.4m barrels per day (b/d) in 2007 to just 75.2m b/d in 2030, as 'new gains' and 'old losses' balance out.

[Peak gas output could come 'earlier than we think'](#)

For the gas industry, peak gas output could come sooner than expected, "maybe not too different from peak oil," Shell executive vice president John Mills told delegates at the ADIPEC conference in Abu Dhabi on Wednesday.

"Globally, what people have woken up to is that there is a prospect for the gas industry that its supply-demand crunch could come earlier than anticipated," he said.

"The Middle East will still be increasing its gas exports right through that [peak in global gas supply], but the picture in North America and Europe will be quite different," he said.

[Shell eyes floating LNG units for Iraq, Egypt](#)

ABU DHABI (Reuters) - Royal Dutch Shell is studying the use of floating liquefied natural gas (LNG) terminals to ship gas produced in Iraq and Egypt, a senior Shell executive said on Wednesday.

[OPEC exports down 830,000 bpd from Sept supply peak](#)

LONDON (Reuters) - OPEC seaborne exports, excluding Ecuador, fell 190,000 barrels per day in the four weeks to Oct. 19 and are down 830,000 bpd since a peak in mid-September as group production cuts feed through, Lloyd's Marine Intelligence Unit said on Wednesday.

[Shell Nigeria Suspends Export Obligations on Crude](#)

(Bloomberg) -- Royal Dutch Shell Plc suspended export obligations on shipments of its Nigerian crude in November and December as the West African country cuts production to comply with OPEC's curbs.

Shell declared force majeure on exports of Nigeria's Bonga, Forcados and Bonny Light crude effective Oct. 31, spokesman Rainer Winzenried said by telephone today. Force majeure is a legal clause that allows producers to miss contracted deliveries because of circumstances beyond their control.

[India says oilmin to discuss Sakhalin-3 with Putin](#)

NEW DELHI (Reuters) - India's oil minister, Murli Deora, will meet Russian Prime Minister Vladimir Putin to discuss India's interest in the Sakhalin-3 project, an Indian government statement said on Wednesday.

[Crisis may force Saudi to review big oil projects](#)

Aramco was uncertain about future global oil demand and did not want to invest in too much spare capacity, he said.

'We are reassessing all our projects,' Buraik said. The giant Moneefa oilfield expansion and the Karan gas scheme were put out to bid when the cost of labour and materials were soaring, he said.

But falling oil prices and tight credit conditions may result in companies postponing or cancelling projects, easing competition for resources and bringing down costs, he said.

[Bangladesh asks China for help in Myanmar sea row](#)

DHAKA (Reuters) - Bangladesh asked China on Wednesday to help it resolve a row with Myanmar over oil and gas exploration in deep-sea blocks in disputed waters in the Bay of Bengal, foreign ministry officials said.

Bangladesh sent a naval patrol to the area on Sunday after Myanmar began exploration in the blocks, thought to be rich in gas reserves. The two have been holding talks for years to demarcate their border in the Bay of Bengal.

[Angola cut oil production by 99,000 bpd - official](#)

LUANDA (Reuters) - Angola cut its oil production by 99,000 barrels per day (bpd) on Nov.1 as planned at an OPEC meeting last month, an oil ministry spokesman said on Wednesday.

"We made the cuts on November 1," Miguel da Conceicao told Reuters. "It was an OPEC decision to cut production and we cut our production by 99,000 bpd."

[Gas Furor Tips Guinea Further Off Balance](#)

DAKAR, Senegal — Frustrated youths took to the crumbling streets of Guinea's capital, Conakry, for the third day in a row on Tuesday, throwing stones and setting tires on fire in escalating protests over high gas prices.

The demonstrations, and the violent reaction they have provoked from the country's security forces, have heightened tensions in a country that has been teetering on the brink of mass unrest for two years.

[Japan Cosmo Oil cuts Nov, Dec crude refining further](#)

TOKYO (Reuters) - Japanese refiner Cosmo Oil Co said on Wednesday it has cut crude oil refining volume plans for November and December by an additional 3.5 percent, or 180,000 kilolitres (about 18,600 barrels per day).

Cosmo, Japan's fourth-biggest oil refiner, in September cut crude refining by 11 percent or 252,000 kl (53,000 bpd) from a year ago and had expected the refining volume between September and December to be down around 4 percent.

[Most U.S. Gulf oil production seen back by March: MMS](#)

HOUSTON (Reuters) - Most Gulf of Mexico oil and gas production that remains shut after Hurricane Ike will be restored by one pipeline repair project expected to finish by

March, a U.S. government official said on Tuesday.

The repair will bring several deepwater platforms back on line at once, said Lars Herbst, Gulf region director for the U.S. Minerals Management Service.

"Once that ... pipeline system is repaired, all of that will come back on at one time, and that's at least half if not three-quarters of what's remaining shut in," he said.

[Oil Shale Pushed as Domestic Oil Source, but Many Doubts Remain](#)

MEEKER, COLO.--With the fate of domestic oil production promising to spill over into a new administration, oil companies in northwestern Colorado are steadily pushing ahead with projects to develop the American West's vast deposits of oil shale, estimated to contain the equivalent of more than 800 billion barrels of oil--three times more than Saudi Arabia's proven oil reserves.

But they are also among the first to caution against premature exuberance by lawmakers, saying that commercial production, despite some progress, is still years away.

Such disparities between political rhetoric and on-the-ground reality are a common theme among national proposals for new sources of energy, but in the case of oil shale, the gap is particularly stark.

[U.S. gasoline demand up as prices fall: MasterCard](#)

NEW YORK (Reuters) - U.S. retail gasoline demand edged up 1.3 percent last week from the previous week as national average prices for the fuel dropped, MasterCard Advisors said on Tuesday.

But gasoline demand remained 3.9 percent below year-ago levels, said Michael McNamara, vice president of research and analysis at MasterCard Advisors, citing the economic slowdown.

[Economy Shifts, and the Ethanol Industry Reels](#)

As producers of ethanol navigate a triple whammy of falling prices for their product, credit woes and volatile costs for the corn from which ethanol is made, an economic version of "Survivor" is playing out in the industry.

Last week, VeraSun, one of the nation's largest ethanol producers, announced that it had filed for bankruptcy protection after its bets on the price of corn turned out to be wrong -- and costly.

Several other small producers have filed for bankruptcy this year, and construction plans for several Midwestern ethanol plants have been postponed or shelved. Shares in the handful of publicly owned ethanol companies have mostly been slumping all year. Aventine Renewable Energy and Pacific Ethanol, for instance, have both lost more than 80 percent of their value since the beginning of the year.

While producers pin their hopes on rising government mandates for the use of ethanol, analysts who follow the industry voice concerns that more companies could go under. They expect a wave of consolidation to sweep the ethanol business once the credit crisis eases.

[Algae attracts investors, but obstacles remain](#)

"I'm convinced algae will work, but it'll take a different, out-of-the-box approach," said Silicon Valley billionaire Vinod Khosla, delivering the keynote address at the Algae Biomass Summit in Seattle last month.

The potential for algae to compete with fossil fuels is there, but it will take scientific breakthroughs to bring down costs and solve climate change, said Khosla, co-founder of Sun Microsystems whose Khosla Ventures has invested in renewable energy though not algae.

[BizzEnergy collapse is bleak news for UK energy market](#)

The collapse this weekend of BizzEnergy, one of a handful of independent UK energy suppliers, is bleak news - and not only for the company's 170-odd employees.

It leaves the UK energy market even less competitive and even more dominated by the so-called Big Six suppliers - EDF, British Gas, Scottish Power, E.ON, RWE, npower and Scottish & Southern Energy.

[Energy board slams nuclear bill](#)

The province's energy watchdog says Ontario Power Generation is spending far too much to operate its Pickering A and B nuclear stations and that electricity customers shouldn't have to bear the financial brunt.

[Money Is Tight, and Junk Food Beckons](#)

Last year, Dr. Drewnowski led a study, published in The Journal of the American Dietetic Association, comparing the prices of 370 foods sold at supermarkets in the Seattle area. The study showed that "energy dense" junk foods, which pack the most

calories and fewest nutrients per gram, were far less expensive than nutrient-rich, lower-calorie foods like fruits and vegetables. The prices of the most healthful foods surged 19.5 percent over the two-year study period, while the junk food prices dropped 1.8 percent.

Obesity researchers worry that these trends will push consumers toward less healthful foods. “The message for this year and next year is going to be affordable nutrition,” Dr. Drewnowski said. “It’s not the food pyramid, it’s the budget pyramid.”

[Obama Should Prioritize Climate Plan, Nobel Prize Winner Says](#)

(Bloomberg) -- U.S. President-elect Barack Obama should put global warming ahead of a domestic plan to cut carbon emissions, said Rajendra Pachauri, head of a Nobel Prize-winning United Nations panel of climate-change scientists.

[Obama May Put Renewable-Energy Plan Ahead of Climate Package](#)

(Bloomberg) -- President-elect Barack Obama may pursue legislation early next year to speed a transition to an economy fueled by renewable energy sources and delay a fight on climate change until the economy improves.

With unemployment at a five-year high, an early effort to create jobs by encouraging electricity production from solar and wind will get top priority, energy lobbyists and analysts said. A more far-reaching effort on a climate-change bill may be delayed until late next year or 2010.



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