



DrumBeat: December 3, 2008

Posted by [Leanan](#) on December 3, 2008 - 10:00am

Topic: [Miscellaneous](#)

[Oil becoming the realm of despots](#)

Petroleum Intelligence Weekly's annual list of the world's Top 50 oil companies confirms an alarming trend: The world's petroleum riches are sliding further into the hands of state-owned oil companies, with Russian and Chinese companies making the biggest gains in the past year, while publicly traded Western oil companies are fighting for a shrinking pie.

Among the key findings released this week: For all the talk about Canada's huge oil sands reserves and their potential, only two Canadian companies, EnCana Corp. and Canadian Natural Resources Ltd., made the elite list, ranking 34th and 39th, respectively, behind even such government-owned lightweights as Colombia's Ecopetrol and Uzbekistan's Uzbekneftegas.

Two state-owned companies, Petroleos de Venezuela and China National Petroleum Corp., climbed to the No. 4 and No. 5 spots last year, pushing down BP PLC and Royal Dutch Shell PLC., according to the New York-based publication, which bases its rankings on a combination of oil companies' most meaningful operational data: oil and gas output, reserves, product sales, distillation capacity, revenues, profit, assets, employees.

[Oil-Price Drop Forces Big Energy to Retreat](#)

Matthew Simmons, who heads Simmons & Co., an investment-banking firm focused on energy companies, says he has been surprised at how fast firms have begun to cut exploration. He has already heard of a number of drilling projects that have been put on hold. "Unless prices rebound fast, energy companies are going to spend less next year," says Simmons.

It's not just falling prices that are causing companies to pull back. Some are worried that Democrats in Washington will soon push through regulations that will increase costs. What's more, Simmons says, the credit crunch is having an effect. "Drillers have to rely on their own cash flow, and that means some projects don't work anymore," says Simmons. "No one wants to count on bank financing."

['World Energy Outlook' to be presented at Rice University Dec. 9](#)

Richard H. Jones, deputy executive director of the International Energy Agency, will present the "World Energy Outlook 2008" Dec. 9 at Rice University's Baker Institute for Public Policy.

Jones will address such questions as: Is the world facing a supply crunch because of geology or inadequate investment? What type of post-Kyoto policy framework might stabilize greenhouse gases at low concentration levels, and what impact might such a policy framework have on future energy choices?

[OPEC admits limited influence on int'l oil prices](#)

VIENNA (Xinhua) -- The Organization of Petroleum Exporting Countries (OPEC), which supplies 40 percent of the world's crude oil, admitted its limited influence on the price fluctuation trend in the international crude oil market.

In a report made at the National Defense Academy of Austrian Armed Forces in Vienna on Tuesday evening, Director of OPEC Research Division Hasan M. Qabazard pointed out that recently the international crude oil prices fluctuate irregularly, on which OPEC "is able to impose no or almost no influence."

[Economic activity weakened: Fed Beige Book](#)

WASHINGTON (Reuters) - Economic activity has weakened across the United States since early October, while price pressures have eased with declines in retail and energy prices, the Federal Reserve said on Wednesday.

The Fed's Beige Book summary portrayed grim conditions in most areas of economic activity.

[Oil and Economic Collapse—The Trillion Dollar per Year Question](#)

By the time the dust settles and the numbers are collected for 2008, it will become crystal clear that a central reason we are at the point of economic collapse is our addiction to oil. In the first half of this year, while gasoline prices were soaring, the US economy lost \$500 billion diverted to oil imports.

[Petrobras Won't Cut Investments on Crisis, Lula Say](#)

(Bloomberg) -- Petroleo Brasileiro SA, Brazil's state-controlled oil company, won't reduce planned offshore investments after U.S. bank failures caused a world credit

crunch, Brazilian President Luiz Inacio Lula da Silva said.

Lula, who spoke at the World Engineers Convention in Brasilia, said that Brazilians should keep buying and consuming in order to prevent the crisis from spreading.

[Unspent funds to help cover Nigerian budget deficit](#)

ABUJA (Reuters) - Nigeria will finance a 1.1 trillion naira (\$9 billion) budget deficit next year from sources which include unspent 2008 funds, signature bonuses from oil deals and privatisation receipts, the finance minister said on Wednesday.

President Umaru Yar'Adua proposed a 2.87 trillion naira 2009 budget on Tuesday, a slight increase over actual spending this year despite lower world oil prices driving down revenues.

[Serbia casts doubt on energy deal with Russia](#)

BELGRADE, Serbia - Serbia said Wednesday it is unlikely to sell its oil monopoly to Russia because of Moscow's refusal to guarantee to build a strategic pipeline through the Balkan country.

[Disappointment with oil sands upgrader problems](#)

Two oil sands upgraders – one belonging to Shell Canada Ltd. and the other to Suncor Energy Inc. – are on the fritz in Alberta right now, and at least one brokerage house is voicing its disappointment.

[Police release images in pipeline bombing investigation](#)

The RCMP have released a series of images that they hope will lead to a break in the investigation into three recent explosions at EnCana natural gas facilities near Dawson Creek in northeastern B.C.

The images, taken from video surveillance tapes, show eight people at the Shoppers Drug Mart in Dawson Creek, including some apparently mailing letters at the Canada Post counter inside the store, on Oct. 7.

On that day, three threatening letters were mailed from the Dawson Creek Shoppers Drug Mart, said RCMP Sgt. Tim Shields on Wednesday.

[Ralph Nader: We Need a Global Carbon Tax](#)

If President Barack Obama wants to stop the descent toward dangerous global climate change, and avoid the trade anarchy that current approaches to this problem will invite, he should take Al Gore's proposal for a carbon tax and make it global. A tax on CO₂ emissions -- not a cap-and-trade system -- offers the best prospect of meaningfully engaging China and the U.S., while avoiding the prospect of unhinged environmental protectionism.

[Deflation: Bargains abound, which could be a problem](#)

WASHINGTON — Everything is on sale. And that's not a good thing.

Consumer prices in October fell at the fastest pace in more than 60 years, sucked down by the rapidly deteriorating economy. The prices of oil, food, cars, clothing and electronics have all plunged. Home prices continue to swoon and so do stock prices.

As the early reports from the holiday shopping season suggest, the nationwide fire sale might seem like a boon for consumers. But it's increasing the risk that the economy could become mired in a dangerous deflationary spiral — a widespread, sustained reduction in prices. That's something that hasn't happened here since the Great Depression.

[Cheap oil: short-term good, long-term dangerous](#)

LONDON (Reuters) - Motorists must be glad the price of fuel is one thing they do not have to worry too much about as they face the worst recession since the 1930s, but cheap fuel is not good for anyone in the long run.

[Oil Stocks Will Bounce Back](#)

Oil's swift ascent was driven by a speculative bubble, not the laws of supply and demand. To diversify their stock-and-bond portfolios, pension funds invested directly in energy. That was all hedge funds needed to get their motors running. With as much as 20-to-1 leverage, hedge funds moved the markets fast and far.

[Iran's president concedes oil prices hurt economy](#)

TEHRAN, Iran - President Mahmoud Ahmadinejad has acknowledged publicly for the first time that tumbling oil prices are hurting Iran's fragile economy, a sensitive subject for the leader critics have accused of mismanaging the country's finances, state media reported Wednesday.

[Saudis Talk \\$75 Oil; Market May Aim at \\$35](#)

The market sets the price of oil, Ali Naimi, the Saudi Arabian oil minister, has often said, in side-stepping talk of oil price targets.

So it was big news Saturday when Saudi Arabia's King Abdullah told a Kuwaiti newspaper in a wide-ranging discussion that "the fair price of oil is \$75 a barrel."

But the Saudis aren't looking for a quick 50% jump in oil prices.

[Mexican Energy Reform: Now Comes the Hard Part](#)

But now comes the hard part, as reforms offer no guarantee that national oil company Pemex will be able to improve its operational and financial performance. The new measures could put Pemex down the right road if implemented properly, although they alone will not be enough to turn around the infamously inefficient N.O.C. In fact, more reforms will be needed in coming years if Mexico wants to hang on to its status as one of the world's leading oil exporters.

[Total pulls out of deal for Canadian oil giant](#)

Total's board has concluded that a deal would be too risky in the current climate, in view of the poor outlook for the global economy and the falling oil price. The fact that the contract for US light sweet crude closed yesterday at below \$47-a-barrel for the first time since May 2005 is said to have been a consideration.

[Norway Can Boost Investment, Curb Declines with Greater E&P Focus](#)

Opening areas of the Norwegian continental shelf currently closed to oil and gas activities could increase investment by NOK 200-250 billion (US \$28 billion) in 2022-40, according to a new KonKraft report.

Submitted today to petroleum and energy minister Terje Riis-Johansen, this study also finds that leaving such acreage closed would strengthen the fall in capital spending on the NCS. Investment could thereby decline to 20% of today's level after 2030.

[Gazprom touts \\$33 bln investment plan for 2009 - CEO](#)

UKHTA (north-west Russia) (RIA Novosti) - Gazprom's investment program in 2009 will be worth 920 billion rubles (\$33 billion), the state-run energy giant's CEO said on Wednesday.

"As for the investment program for 2009, we are planning for 920 billion rubles," Alexei

Miller told reporters.

[Argentina Could Know Its Oil, Gas Output Potential by 2011](#)

"There's a lot of potential to discover new oil and gas reserves," said IAPG analyst Gerardo Rabinovich.

Rabinovich said Argentina shares some of the same geological traits as Brazil, which has recently made big offshore discoveries, and that it may have similarly impressive production potential.

"There's a need to implement aggressive exploration policies," he said. "All you have to do is create the legal and financial incentives necessary to get there."

[India: Power stations stare at acute coal shortage](#)

The country is heading towards more power shortfall as coal-based power stations with generation capacity of over 70,000 mw are reeling under severe coal shortage. Of the 77 stations being monitored by the Central Electricity Authority (CEA), as on November 27, nearly 51 stations had coal stocks of less than seven days while 33 stations had stock of less than four days. According to the Central Electricity Authority's (CEA) report, so far 5.6 billion units have been lost by these power stations by October due to unavailability of adequate coal. There are peaking shortages at the level of 14% while energy shortages are at 8%. There are indications that the crisis may escalate further also because of coal deficit.

[Plan C bailout strategy – Dealing with cars](#)

Some peak oil proponents such as Matt Simmons and James Kunstler have called for a rebuilding of the national railroad network. This would take decades – if it is even possible. I am sure they will think of buses as unimaginative. Light rail and bullet trains have all the excitement of high technology. Thoughts of racing between Paris and London on the Eurostar evoke the thrills of speed and cultural exploration. But an extensive investment in buses would not require that we build any new parallel transport rail-based network (presumably running alongside our existing roads).

The magnitude of the effort to re-build a national rail system has not yet even been described. People seem to think there are some rusty tracks just waiting to be dusted off, which is not the case.

[Solar thermal projects gather steam -- and opposition](#)

Scores of grand-scale facilities are proposed for California. Their possible effect worries environmentalists and others.

[The War on Carbon Heats Up Globally, but Strategies for Change Remain Local](#)

"Think globally, act locally," urged an environmental mantra popular in the 1970s. That strategy made sense when communities faced visible problems such as polluted streams and smoggy air. It is less effective today, as the world tries to tackle a threat as broad and shapeless as climate change.

[Holiday displays dimmed in cash-strapped cities](#)

Fantasia, a light display in Goodwin Park in Hartford, Conn., was canceled after organizers decided they would have to double the \$12-per-vehicle entrance fee to cover rising fuel and electricity costs, spokesperson Nancy Stamler says. Local businesses had helped sponsor the display, but Stamler says, "How can they sponsor when they're laying people off?"

[Credit fears creep even into cash-rich oil sector](#)

HOUSTON (AP) — Access to credit and the capital needed for exploration and production is the biggest obstacle facing oil companies in 2009, even more than lower crude and natural gas prices, a new survey shows.

Nearly 60 percent of chief financial officers at 100 U.S. oil and gas companies cited "credit capacity restraints, including access to capital" as their No. 1 financial challenge next year, according to the survey, released Tuesday by accounting firm BDO Seidman LLP.

Next on the list, at 21 percent, was falling oil or natural gas prices, the survey said.

Already, many smaller producers with constrained capital reserves have been stung by a credit crisis that's severely limited or even paralyzed their ability to finance new exploration and production.

[Gas prices decline for 77th day](#)

Gas prices have been in decline for the past 77 days as the slowing economy has driven down the price crude oil, according to a daily survey released Wednesday.

The national average price of regular unleaded gasoline slipped 0.9 cent to \$1.803 a gallon, according to motorist group AAA, which released the survey of credit-card swipes at gas stations.

[Pickens: New administration needs energy plan](#)

OKLAHOMA CITY — Billionaire energy magnate Boone Pickens said Tuesday that he expects the incoming presidential administration of Barack Obama will have an energy plan that will include renewable resources like wind and solar power.

Pickens, speaking at a wind energy conference in his native state, said he thinks Obama "understands the problem" of the nation's dependence on foreign oil.

"I think we're going to see an energy plan for the first time in America, ever," Pickens said. "And a big part of that will be renewables."

[Shell executive says low prices may hurt energy policy](#)

WASHINGTON (Reuters) - Shell Oil Co President Marvin Odum said Monday he is concerned that falling oil prices are hurting investment in the sector and may push energy down as a priority for lawmakers.

"My number one concern is that energy moves off the top of the agenda," Odum told reporters after speaking at energy event.

[OPEC makes 66 pct of pledged supply cut-Reuters survey](#)

LONDON (Reuters) - OPEC oil supply fell in November for a third consecutive month as members began to implement a deal to cut supplies in a bid to stem the slide in oil prices, a Reuters survey showed on Tuesday.

The survey suggests the Organization of the Petroleum Exporting Countries met 66 percent of a pledge to lower output by 1.5 million barrels per day in November -- so far not enough to counter the slump in oil demand as the world economy slows.

"OPEC definitely needs to do more," said Mike Wittner, oil analyst at Societe Generale. "What may look like enough of a cut now may turn out not to be once more data on the economy and oil demand come out. Demand seems to get weaker as we go on."

[OPEC to cut oil supply in December - Qatar](#)

DUBAI — OPEC will cut oil output at its next meeting on Dec. 17 in Algeria, Qatar's oil minister said on Wednesday.

"For sure we will cut in Oran (Algeria)," Abdullah al-Attiyah told reporters on the sidelines of a petrochemical conference in Dubai. "I don't know by how much. We will

discuss it there.”

[The Revenge of the Dinosaur – Oil Awakens](#)

No one expects oil to return to \$145 a barrel any time soon. With crude currently in the \$50 range – and showing no technical signs of holding at that level – it’s nearly consensus that the heady days of the oil “bubble” are behind us.

In fact, nearly everywhere you look analysts with a great assortment of letters following their names are speaking of “demand destruction” – a phenomenon that describes a permanent downward bias on oil demand because of sustained high prices. Or, to put it more succinctly: the smarty-pants out there would have us believe that because oil spiked, people have stopped driving cars and businesses have found other sources of energy (hamsters on treadmills?) to power their workplaces.

Ladies and gentlemen, *with respect to oil*, demand destruction does not exist and did not happen. Nor is it in any way accountable for the severe sell off in Nymex crude futures that scalped 60% from the price of oil in less than half a year.

[BP books supertanker for US Gulf storage-shippers](#)

DUBAI (Reuters) - Oil major BP has booked a supertanker capable of storing around 2 million barrels of crude at sea, becoming the latest firm to bet that it could get a higher price for holding onto oil rather than selling now.

BP's booking takes the total capacity booked for storage by oil firms and traders to at least 12 million barrels, nearly 15 percent of one day of world oil demand. In November, U.S. oil trader Koch and major Royal Dutch Shell booked vessels to store around 10 million barrels of crude.

[Michael Klare: '2025' Report: A World of Resource Strife](#)

That resource scarcity and climate change will become increasingly severe in the decades ahead are hardly novel observations – many “peak oil” and environmental groups have been saying the same thing for years. But the NIC report takes this one step further by describing how these phenomena will intrude into international affairs and could provide the spark for armed violence. Increased scarcity, it suggests, could lead to greater efforts by states to secure control over overseas sources of energy and other key resources, producing geopolitical struggles among the major energy-deficit nations and possibly provoking all-out war.

“The rising energy demands of growing populations and economies may bring into question the availability, reliability, and affordability of energy supplies,” the report notes. “Such a situation would heighten tensions between states competing for limited

resources...In the worst case this could lead to interstate conflicts if government leaders deem assured access to energy resources to be essential to maintaining domestic stability and the survival of the regime."

[Peak oil and what it means for the future](#)

Now that petrol prices have dropped below the one pound per litre level it is easy to forget that the world still faces peak oil. This is the point where half of the world's oil supply has been pumped out of the ground. From here on it will be a diminishing resource.

[Soil Not Oil: Why We Need to Kick Petroleum Out of Our Farms](#)

Biodiverse farms offer us more food, better food, higher incomes for farmers and a defense from climate disasters.

[Take the long view and ride the economic cycles](#)

Markets have a powerful capacity to overshoot the fundamental influences on them. Just think of the ups and downs in the oil price this year. In July, the prevailing view was that powerful growth, especially in emerging economies, would aggravate the problems arising from "peak oil". As a result, the price of oil was said to be heading for \$US200 or more a barrel. In recent months, economic growth in China and India has slowed modestly and the oil price has dropped by almost two-thirds.

Experience also says we must allow for the X factor. Every year has an X factor.

The X factor is the key influence that, with the advantage of hindsight, turns out to have been a powerful force on the economy and investment markets over the year, but which was not widely expected -- if noticed at all -- when the year began.

[KU, ConocoPhillips Collaborate to Use Nanotechnology to Enhance Oil Recovery](#)

The University of Kansas and ConocoPhillips have announced a three-year collaborative nanotechnology research program that will focus on the development and testing of new technologies for oil field stimulation to enhance recovery to help meet growing energy demand. ConocoPhillips will contribute \$400,000 per year to the program.

[At 9,356 feet, Shell's New Offshore Oil Well Is the Deepest in the World](#)

Shell has drilled an oil well in the Gulf of Mexico that's 1.77 miles deep and it will follow

up with an even deeper one.

The oil giant announced it has drilled a well in the Silvertip field of the Perdido development that extends 9,356 feet below the surface and will later drill a 9,627-foot well in the same area. That handily beats the old record, which stood at 6,950 feet.

[EPA to gut mountaintop mining rule protecting streams](#)

WASHINGTON — The Environmental Protection Agency on Tuesday approved a last-minute rule change by the Bush administration that will allow coal companies to bury streams under the rocks leftover from mining.

The 1983 rule prohibited dumping the fill from mountaintop removal mining within 100 feet of streams. In practice, the government hadn't been enforcing the rule. Government figures show that 535 miles of streams were buried or diverted from 2001 to 2005, more than half of them in the mountains of Appalachia. Along with the loss of the streams has been an increase of erosion and flooding.

[High court turns down pipeline company appeal](#)

WASHINGTON – The U.S. Supreme Court on Monday rejected an appeal from a pipeline company over denial of environmental permits for a proposed natural gas pipeline through Long Island Sound.

Connecticut regulators refused to issue permits for the 50-mile project to Islander East Pipeline Co. LLC, saying it would damage water quality, natural resources and prime shellfish beds.

[Count the reasons to power into nuclear](#)

It is not just Western governments and developing nations seeking energy independence that are pursuing nuclear power – even the oil-rich nations of the Middle East are looking at the possibility of building nuclear reactors.

This has prompted many peak oil conspiracy theorists to conclude that the Saudis are running out of oil. Questor doubts that this is true.

The Saudis are interested in pursuing a nuclear strategy so that the country can export more of its oil, its main source of foreign currency.

[Nigeria: 30,000 Megawatts - 'Country Needs 10 Power Plants'](#)

Abuja — Director, Nigerian Nuclear Regulatory Authority (NNRA), Shamsudeen Elegba, has stated that Nigeria needs to build at least 10 nuclear power plants to generate 30,000 megawatts of electricity and suggested additional importation in order to meet the stated target.

Elegba stated this when the House Committee on Petroleum Resources (Up Stream) came for an oversight function in the agency.

[French Bid Disrupts Buffett Offer for U.S. Utility](#)

PARIS — Seeking a strong foothold in the United States, Electricité de France, the giant French utility, offered on Wednesday to pay \$4.5 billion for half of Constellation Energy's nuclear power unit, a deal that could scuttle a takeover by the billionaire investor Warren E. Buffett.

[Hawaii Endorses Plan for Electric Cars](#)

SAN FRANCISCO — The State of Hawaii and the Hawaiian Electric Company on Tuesday endorsed an effort to build an alternative transportation system based on electric vehicles with swappable batteries and an “intelligent” battery recharging network.

The plan, the brainchild of the former Silicon Valley software executive Shai Agassi, is an effort to overcome the major hurdles to electric cars — slow battery recharging and limited availability.

[AEP eyeing ‘transmission superhighway’ for wind energy](#)

American Electric Power Company Inc. said Tuesday it is considering a multibillion-dollar project aimed at harnessing wind energy through a “transmission superhighway.”

The Columbus-based utility said it is in the conceptual phase of the proposal, which would require construction of more than 1,000 new miles of transmission lines and cost between \$5 billion and \$10 billion. The 765-kilovolt lines would connect wind farms in the upper Midwest — the Dakotas, Minnesota and Iowa — to an existing network that ends near Chicago.

[British car makers win delay to bringing in carbon emission cuts](#)

Car manufacturers have won a four-year delay to the introduction of European rules designed to force them to reduce carbon dioxide emissions from new cars.

Jaguar Land Rover was granted a special deal after Britain joined ranks with other car-producing EU states to water down fuel efficiency targets proposed last year.

[Deadline for global climate treaty in question](#)

POZNAN, Poland – Negotiators from 190 countries agreed a year ago to complete a new global warming treaty by the end of 2009 that would force governments to reduce carbon emissions.

That deadline now appears to be slipping away.

[Hybrid solar plant to reduce need for fossil fuel](#)

INDIANTOWN, Fla. – Proclaiming green the new gold, Florida Power & Light executives on Tuesday marked the groundbreaking of the first of three new solar power projects that will eventually make the state No. 2 in the nation for energy from the sun.

FPL says the facility in southeast Florida will be the world's first hybrid solar plant to connect to an existing fossil fuel plant. It will use the sun's power to generate steam and offset the use of natural gas, making the facility more energy efficient, company officials said.

[Rare Mineral Foretells Major Meltdown](#)

What Lowenstein and his colleague Robert Demicco at Binghamton University have discovered is that nahcolite, a rare, yellowish-green or brown carbonate mineral, only forms on earth under environmental conditions marked by very high atmospheric CO₂ levels. That establishes it as both a marker and a benchmark that can be used by scientists as they consider the likely climatic implications of ever-increasing CO₂ levels in our atmosphere today. More specifically, nahcolite suggests that Eocene warming was concurrent with atmospheric CO₂ levels of at least 1,125 parts per million (ppm), which is 3 times the current levels of 380 ppm, but not all that much higher than we can expect on earth in the next 100 years or so given generally accepted scientific projections based on fossil-fuel consumption.

[Over 10,000 metal workers protest EU climate plans](#)

BRUSSELS (AFP) – More than 10,000 metal workers, most from Germany, protested in Brussels Tuesday over EU plans to tackle climate change, which they fear will hit their industry.

[Soot darkens ice, stokes runaway Arctic melt: study](#)

POZNAN, Poland (Reuters) - Soot is darkening ice in the Arctic and speeding a melt that could make the ocean around the North Pole ice-free in summer well before 2050, experts said on Tuesday.

The experts said the fight against warming in the Arctic should be re-directed to focus more on cutting the industrial pollution from soot, ozone and methane in Europe, North America and Russia to try to prevent the ice disappearing.



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