



DrumBeat: December 6, 2008

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[‘Aramco will cut costs, not delay projects’](#)

KUALA LUMPUR: Saudi Arabia’s state-owned oil giant will be looking to cut costs rather than delay or abandon oil projects amid the fall in global oil prices, a senior company executive has said.

“Construction is one area where we can reduce costs – steel prices are down 60%, for example,” Abdulla A Al-Naim, vice president for Petroleum Engineering and Development at Saudi Arabian Oil Co, told Dow Jones Newswires.

[Kuwait's income projected to fall as result of record drop of oil prices](#)

KUWAIT (KUNA) -- Kuwait's oil returns are forecast to drop to KD 19.9 billion if the prices of the crude remain at the level of USD 40 per barrel, Al-Shal consultancy said in a report released on Saturday.

Total income will also fall to KD 20.9 billion, with a possible surplus of KD two billion.

[The crisis and opportunity of peak oil and peak coal - Interview of Richard Heinberg by Dr. Helen Caldicott](#)

In this engrossing discussion with Dr. Helen Caldicott, Richard Heinberg explains the situation of Peak Oil, and reminds us just how reliant our society is on the finite resources of oil, coal and gas. We are reaching a state where the depletion of these fossil fuels will force us to undergo a major transition to low-energy and re-localized societies with food grown and products made close to home. Heinberg describes how transportation will need to change - currently oil is responsible for 95% of transportation technologies in the United States.

[Peak oil still relevant? More than ever.](#)

Before the Thanksgiving holiday we got an email from William M., a reader of our

newsletter, asking, "Why if oil supply is decreasing and demand is increasing is the price collapsing? What is happening? Is Peak Oil therefore a myth?"

[Iran OPEC Gov: Inadequate Invest In Oil Will Bring Supply Bottleneck-Report](#)

TEHRAN -(Dow Jones)- Iran's governor to the Organization of Petroleum Exporting Countries said Saturday that a decline in investments in oil production will lead to tightened oil supplies and a crude oil price rise in the future, the semi-official Isna news agency reports Saturday.

"Inadequate investment in the (oil) production sector will be a factor in an oil price jump in the future," Mohammad Ali Khatibi said, according to Isna.

[Industry says investment will continue in Gulf drilling, despite declining fuel prices](#)

Money will likely continue to flow into drilling the deepest regions of the Gulf of Mexico, even as the energy industry cuts costs to deal with a global economic downturn, according to analysts who spoke Friday at an energy economics forum in downtown New Orleans.

The deepwater of the Gulf, which refers to areas more than 1,000 feet under water, is thought to hold some of the largest reserves of untapped fuel in the world. Some estimates indicate that there are still 40 billion barrels of oil left to be found in the Gulf, more than enough to feed the United States for five years. But companies are having to travel farther offshore to tap those resources, which require more time and expensive technology to produce than fuel unearthed from shallower waters.

[Peru's Surging Natural Gas Business](#)

Peru's phenomenal economic growth in recent years has boosted the country's prominence in Latin America. It has also caused more than a few headaches for government planners, as energy demand has expanded faster than expected. Inadequate transmission and natural gas pipeline capacity has further exacerbated the problem, putting Peru under threat of power outages and forcing generators to increase imports of high-cost diesel.

If the government is to be believed, the problem will be short lived, as projects are underway to increase generation and transmission capacity and expand natural gas pipelines. But the current energy crisis will have long-lasting consequences, as it has forced the country to rethink how best to take advantage of its newfound natural gas wealth. It's becoming increasingly clear that Peru will not expand its natural gas export program beyond the one liquefied natural gas project that is on track to start operations in about a year.

[The U.K.'s Gas and Power Worries](#)

The United Kingdom, like many other regions, has seen its energy prices rise dramatically over the past few years. And along with that have come increasing worries about the security of its energy flows, with some forecasters even predicting power shortages this winter. This article reviews the situation's underlying causes, with suggestions for improvement.

[Zimbabwe: Bicycles, new attitudes critical in fuel crisis](#)

For instance you are driving to work and the last drop of fuel, in your tank is sucked up, the vehicle shudders and the engine stalls, you curse the inanimate creature and the inevitable lack of response makes you fume all the more, futile your plaintive eyes unable to elicit help from other motorists. You lock the car and hitch a lift to work to be greeted by the boss with a grunt and telltale furrows on his face in which is encoded a message over manhours lost.

Then you stretch your lunch hour scouring the city for fuel and sneak back to work via the route leading to the toilet. Then you stealthily, your heart throbbing, productivity virtually on its knees, probably abscond early via the way to the toilet, to take care of your car in case, if left at night, some thieves come by.

[Rail efficiencies](#)

I am troubled by the various claims I've seen over the years regarding energy consumption and CO₂ emissions per passenger-mile for trains/streetcars versus automobiles versus airplanes. Environmental organizations and sustainability advocates routinely assert that energy consumption for passenger rail is much "greener" than driving or flying. But Tables 2.13 and 2.14 in the Department of Energy's Transportation Energy Data Book #27 indicate that existing Amtrak intercity passenger rail is only 25% more efficient than the fleet average for cars; furthermore, Amtrak is only 18% more efficient than air travel!

[Energy Goals a Moving Target for States](#)

In hopes of slowing global warming and creating "green jobs," Congress and the incoming administration may soon impose a mandate that the nation get 10 or 15 percent of its electricity from renewable sources within a few years.

Yet the experience of states that have adopted similar goals suggests that passing that requirement could be a lot easier than achieving it. The record so far is decidedly mixed: some states appear to be on track to meet energy targets, but others have fallen behind on the aggressive goals they set several years ago.

[AP Interview: OPEC head predicts output cuts](#)

ALGIERS, Algeria (AP) — Oil markets should brace for a surprise decision on output cuts when OPEC meets Dec. 17, the cartel's president said Saturday, suggesting that reductions could be deeper than expected.

"A consensus has formed for a significant reduction of production levels" by the 14-member Organization of Petroleum Exporting Countries, OPEC President Chakib Khelil told The Associated Press.

The OPEC head would not discuss how deep the output cut would be, but said it could be "severe," and noted that some analysts are predicting cuts of as much as 2 million barrels per day.

An output decision that startles markets would help bolster plunging oil rates, Khelil said.

"The best way is to surprise them," he said. "I hope it (the decision) will,"

[Drastic Oil Price Fall May Push Big Oil To Pare Spending](#)

HOUSTON -(Dow Jones)- Rapidly falling oil prices are prompting large oil companies to review 2009 capital programs, shifting analysts' expectations of companies' future spending.

...Some analysts suspect that companies need extra time to trim their capital budgets, a move that could translate into a slowdown of investment in both current and new oil capacity. This could potentially further restrain global oil supply and halt or at least slow the slide in prices, though the effect often happens with a lag.

[Cheap U.S. fuel oil prompts switching from natgas](#)

NEW YORK (Reuters) - A collapse in U.S. East Coast residual fuel oil prices over the last month has made it the fuel of choice for many utilities and industrial firms seeking to avoid relatively expensive natural gas.

[U.S. winter chill to bolster heating fuel demand](#)

NEW YORK (Reuters) - Winter is shaping up to be the coldest in years for much of the United States, spelling potentially robust demand for heating oil and natural gas.

The outlook could put a floor under crude oil prices, which have dropped more than \$100 since July due to an economic crisis that has slashed consumption of

transportation fuels like gasoline and jet fuel.

[If the Oil Runs Out...: Will mankind find a solution before it is too late?](#)

Just over a century ago, man eagerly grabbed hold of this tasty treat. Since then, he has built his entire global economic foundation upon oil. It is the lifeblood of modern civilization, with more than 80 million barrels consumed worldwide every day. It is cheap, easy to acquire, addictive, and allows many of life's conveniences to exist. Without it, life for many of the earth's over six-and-a-half billion inhabitants would be radically different. Day in, day out, human beings are dependent upon it more than any other resource—and yet most rarely think about it.

But, like the case of the monkey and the coconut, there is a catch. Man may soon find himself with a rapidly dwindling supply of oil—and eventually none at all. Will he choose to keep his fist clenched around the black liquid until it is too late—and bring about catastrophic upheaval? Or will he overcome seemingly insurmountable odds and let go—thus avoiding disaster?

[Oil Prices Have World's Meanies Over a Barrel](#)

Go ahead, celebrate. Let the SUV warm up in the driveway extra long tomorrow.

And rejoice over the potentially catastrophic economic misfortune being delivered to the doorsteps of some really nasty regimes around the world.

[Future-Proof Design](#)

A perfect storm of change is gathering on the horizon. Climate destabilization, peak oil, population growth, and the acceleration of consumption in the developing world point to dramatic increases in energy, food, and materials costs. As population and demand for resources grow, key life-support resources like productive soil, fresh water, and fisheries continue to decline. How will libraries help their communities and campuses cope with looming global challenges that may require dramatic shifts in the way we live? How will library operating budgets accommodate future dramatic increases in utility costs and meet local financial challenges? How can you “future-proof” your library?

[UK Industry on Peak Oil: Virgin, Yahoo and Others Raise the Alarm](#)

While some in the business world have recognised and spoken out about the threat of peak oil – from Shell CEO Jeroen van der Veer's prediction that energy depletion could hit us in 7 years, through to oil banker Matt Simmon's warning that the energy crisis could dwarf the financial crunch soon - in general the silence from corporations on this

issue has been deafening. This is a particularly puzzling state of affairs when you consider how dependent our entire economy is on cheap oil. But there are signs that things are changing – a report, which Matt posted about last week, from the newly formed UK-based Industry Taskforce on Peak Oil and Energy Security, has now been launched at the London Stock Exchange. The video above shows the kind of heavy hitters involved in this initiative - including Richard Branson of Virgin - as they aim to raise awareness of the threat, and what can be done to counter it.

[Betting against the crowd can be profitable, but it's no picnic](#)

A year ago, some Malthusian brokerage reports stated that food has become the new oil weapon, because of its coming scarcity. Farm exchange-traded funds proliferated. Today, all are down and food inventories are piling up.

In the same spirit, the Club of Rome warned in the 1970s that resources are limited and so we must allocate them via central planning, socialist-style. A Stanford professor made a famous bet that resource prices would be lower 10 years thence, because initially rising prices would increase supplies. He won the bet.

Last year, oil was supposedly running out. Three-hundred-buck oil was bruted about, and a guy called Matt Simmons (spiritual son to Malthus and the Club of Rome) made a career of it. Today, oil is one-third its peak price; there's so much of it you can't get storage; and OPEC members bicker over who will cut production first.

[Tories pledge protection for embattled oil sands](#)

OTTAWA - The Harper government pledged to protect the oil sands sector from economic uncertainty as it challenged opposition parties yesterday to explain how their proposed coalition would regulate pollution from the western Canadian industry.

[BP budgets more than a billion in Alaska](#)

ANCHORAGE, Alaska — BP is budgeting \$1.2 billion in capital expenditures for Alaska in 2009, a 33 percent increase from current year spending, according to the outgoing president of the local subsidiary.

But the company also expects a 10 percent drop in drilling at Prudhoe Bay next year.

[Kuwait may scrap new refinery project](#)

Kuwait may scrap a project to build the country's fourth refinery with a capacity of 615,000 barrels per day, which has faced opposition in parliament, it was reported.

[UN defends carbon-trading scheme from US criticism](#)

The GAO found that the cap-and-trade scheme successfully created a working carbon market, “but its effects on emissions, the European economy, and technology investment are less certain.” The report noted that the use of carbon offsets can “undermine the system’s integrity” because there is no way to ensure that the projects invested in would not have been built anyway, or that they will last long enough to reduce the amount of emissions that they are expected to reduce. Carbon offsets, the report concluded “involve fundamental tradeoffs and may not be a reliable long-term approach to climate change mitigation.”

Yvo de Boer, executive secretary of the UN Framework Convention on Climate Change, said that, while the program can certainly be improved, the fundamentals of the system were sound. Mr. de Boer, who is attending the UN climate summit in Poznań, Poland,

[Yes you can change the climate, Mr Obama](#)

YOU have promised to help Americans suffering from the financial crisis, to tackle global warming and to bring about genuine change. Well, there is a way to achieve all these goals.

[Global Climate and Global Power](#)

Something I didn’t get to go into, but is on my mind these days, is the possible political shake-up coming in part from how we respond to climate disruption. 2030 is a good target point for this issue, since I’m fairly confident that by then we’ll have seen some significant changes in how we govern the planet.

This scenario most likely to make this apparent is one in which we embark upon a set of geoengineering-based responses to the climate problem (not as the sole solution, but as a disaster-avoidance measure), probably starting in the early-mid 2010s. These would likely be various forms of thermal management, such as stratospheric sulfate injections or high-altitude seawater sprays, but might also include some form of carbon capture via ocean fertilization, or even something not yet fully described*. Mid-2010s strikes me as a probable starting period, mostly out of a combination of desperation and compromise; geo advocates might see it as already too late, while geo opponents would likely want to have more time to study models.

[Save Our Slopes, say top skiers in climate change SOS](#)

POZNAN, Poland (AFP) – Some of the world’s top skiers and snowboarders Friday urged governments locked in UN climate talks to curb greenhouse gas emissions, saying that global warming was threatening their sport.

[Climate change is old news: Scientists predicted global warming more than a century ago](#)

Irish scientist John Tyndall first speculated that human-induced global warming might be possible back in 1861 and Nobel Prize-winning chemist Svante Arrhenius had confirmed climate change (with laborious pencil and paper calculations rather than the shortcut of computers) by the end of the 19th century. And a little magazine called *Scientific American* published an article on the phenomenon back in 1959 that holds up today.

Even back then, the rudimentary outlines of the much-maligned "hockey stick" were visible, showing human-induced warming temperatures over time, despite the fact that U.S. geochemist Charles Keeling had only begun his annual measurements of carbon dioxide (CO₂) levels in the atmosphere in Hawaii a year earlier. And the outcome was clear: average global temperatures would rise much the way that a closed car heats up in the sun.



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