



## DrumBeat: January 17, 2009

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Topic: [Miscellaneous](#)

### [Recession drills deep into oil and gas: Industry in crisis](#)

Job cuts have been the dominant theme in British business over the past three months. And the energy sector has been one of the most badly hit industries as a result of the volatile oil price.

At the end of October, BP chief executive Tony Hayward warned that "productivity and efficiency" drives would result in "materially higher" redundancies than the 5,000 the company had already announced. One former BP executive says there is anecdotal evidence that BP is pushing through an early retirement programme, citing five friends who have recently taken up the scheme. BP denies there is an emphasis on early retirement, but there is little doubt that oil and gas companies will in the short term replace few staff who leave in the next few months.

### [French aristocrats the Wendels forced to put North Sea assets on the block](#)

THE Wendel family, one of France's most prominent industrial dynasties – which once made cannons for Louis XIV – has put its North Sea oil company up for sale in a desperate bid to raise cash after debt-fuelled investments soured, threatening to make it one of the most high-profile casualties of the global financial crisis.

Wendel Investissement, the buyout firm controlled by the family, has quietly appointed Jefferies, the investment bank, to sell its oil company Oranje-Nassau for up to \$750m (£509m). The sale would be one of the largest in the North Sea in recent years and provide a much-needed windfall for Wendel. The firm saw its credit rating slashed to "junk" status in October after the value of its biggest investments, including a 21% stake in the building-materials giant Saint-Gobain, plummeted.

### [EU Companies Propose Temporary Solution to Ukraine Gas Dispute](#)

(Bloomberg) -- European energy companies, seeking a resumption in gas shipments via Ukraine, proposed a "temporary solution" to the crisis as Russian Prime Minister Vladimir Putin and Ukraine's Yulia Timoshenko remained locked in talks in Moscow.

## [Wind Farm Off Cape Cod Clears Hurdle](#)

BOSTON — A federal agency said Friday that the nation's first offshore wind farm, proposed for the waters off Cape Cod, posed no serious environmental threat, bringing it a major step closer to fruition.

Homeowners and boaters on the cape, including Senator Edward M. Kennedy, Democrat of Massachusetts, have fought the project for eight years, saying it would hurt wildlife, fishing and tourism and spoil the beauty of Nantucket Sound.

## ['Green' energy plan in Obama stimulus may be losing steam](#)

Barack Obama portrays his stimulus plan as a quick jolt for the ailing economy and a "down payment" on his priorities as president. But those goals appear to be colliding in at least one key area: energy independence.

The stimulus package increasingly appears unlikely to include major investments in "green infrastructure" -- the wires and rails that could deliver renewable energy to Americans' homes and help end the nation's addiction to oil -- according to alternative-energy advocates who are discussing the plans with the Obama transition team.

It's a timing issue. The blueprints and, in many cases, the authority don't exist to lay miles of high-speed rail lines or to build a sprawling web of power lines to create a truly national electric grid.

## [ConocoPhillips plans to cut 4 percent of work force](#)

ConocoPhillips on Friday unveiled plans to lay off 4 percent of its work force, illustrating that even the oil majors may not ride out a mean recession without taking some punches.

In other worrisome news, the company said it will cut capital spending by 12.6 percent and write down the value of various assets by \$34 billion — including its minority stake in Russian oil company Lukoil — to gird itself for what economists increasingly expect to be a protracted downturn.

...Analysts said Friday's revelations imply that ConocoPhillips sees weakness in oil and gas prices as more than temporary given global economic struggles.

"It's really a batten-down-the-hatches type of thing," said Phil Weiss, an analyst with Argus Research. "It says a lot to me about what ConocoPhillips thinks the environment's going to look like for a while."

### [Honda lays off all its temps in Japan](#)

The auto industry meltdown is leading Honda to cut production and lay off temporary workers in Japan, although the carmaker is not announcing any new cuts in the United States.

Tokyo-based Honda draws a distinction between the release of temporary employees and its tradition of not laying off workers. The company says its no-layoff practice applies only to full-time employees.

### [OPEC may cut output again if prices fall - Algeria](#)

ALGIERS (Reuters) - OPEC may consider reducing output again if oil prices fall, Algeria's energy and mines minister said on Saturday, adding that he expected a sharp decline in oil demand in the second quarter this year.

The minister, Chakib Khelil, said that prices would nevertheless stabilise in that quarter.

"Prices...would stabilise in the second quarter before they would increase in the third quarter," Khelil told reporters.

### [Mexico Looks to Play Catchup with Deepwater Oil Exploration](#)

While the U.S. has spent two decades scouring the deep waters of the Gulf of Mexico for oil, neighboring Mexico is just getting started.

Output from Mexico's traditional fields is in free fall, forcing state-run Petroleos Mexicanos to move into more difficult terrain in an effort to maintain its status as a major crude exporter.

### [Tanzania: Fuel traders now explain petrol crisis](#)

The fuel crisis which hit the country last week could have been caused by diversion of routes by vessels to Mediterranean countries where prices were better, fuel dealers have said.

### [Indonesia Rejects Exxon Mobil's Natuna Gas Proposal](#)

Indonesia has rejected a proposal by Exxon Mobil Corp to develop the giant Natuna D-Alpha gas field, since it believes the contract held by the U.S. oil major expired in 2005, the energy minister said on Friday.

The move, revolving around the dispute between Exxon Mobil and the government over the U.S. major's role in the project and over how to split the gas output, would further delay the project's start-up, but would not end Exxon's involvement, analysts said.

### [Wake up - tech can't solve energy crisis](#)

"FUTURE Energy" author Bill Paul appears to be one of those over-optimistic Americans who believe their current high-energy-consuming way of living can well be sustained by a technology revolution.

While Paul does give a detailed and factual analysis of the gloomy future for oil supply, his excessive enthusiasm for promising alternatives - biofuels and unconventional fossil fuels in particular - to oil is not as recommendable.

### [New-Model Wood Stoves Burn Cleaner](#)

During the energy crisis in the 1970s, interest in heating with wood surged, particularly in regions where oil or electricity were primary heat sources.

Ten years later, as clouds of wood smoke hung over many New England towns and Western cities on winter days, wood stoves were considered major polluters, and many people stopped buying them.

But the newest editions burn much cleaner than your grandmother's stove, and that's rekindling consumer interest.

### [From east to west, a chain collapses](#)

Across the scrap trade, prices have halved or worse in a matter of months. Each link in the chain is disintegrating, from factories to scrapyards to collectors such as Wu, 56, a former farmer who now plans to return to Hubei province.

Official media reported that four-fifths of China's recycling units had closed and that millions will eventually be left without employment.

### [Yes, there is life after oil](#)

To say that this week's international auto show in Detroit marked a new beginning might be going too far, given the history of the industry. But at the very least it was a sign. A new direction taken. A light at the end of the tunnel. The carmakers' fresh lineup

of electric and hybrid vehicles, and plenty of shiny promises of more to come, offered a glimmer of hope to a world stuck on oil. The message was simple. The future of clean energy is now. Viable alternatives to the combustion engine exist. We have liftoff.

Two questions: Why did it take so long? And if this is so, do we really have an energy crisis or is the problem elsewhere? With concerns over global warming and pending oil shortages growing, not to mention intense air, ground and water pollution on a local and international level, events such as the auto show have put a lie to the doomsday scenario that nothing can replace oil.

In other words, we have the technology to move toward a life without oil. What we don't appear to have is the political will.

### [‘Save oil or we’ll have too little of it’](#)

BANGALORE: Emphasising the importance of conserving oil for the future, Indian Oil Corporation Limited (IOCL) General Manager and state-level coordinator for oil industry, B Ashok, observed that the world would not run out of oil, but reserves could one day be so depleted that maintaining production would become impossible.

### [Congressman Steve Buyer's proposals](#)

West Lafayette, IN - President-Elect Barack Obama will officially take office next week. But, Congress is already considering Obama's \$825 billion dollar stimulus bill designed to jump-start the economy. Fourth District Congressman Steve Buyer's proposals involving energy and veterans are included in that bill, known as the "American Recovery and Reinvestment Bill."

Congressman Buyer said with the recent energy price spikes, a smart way to spend dollars is by addressing energy issues.

"It should help be a wake up call to our nation regarding peak oil. The leading geophysicists of the world say based on growth of populations and economies that the world should hit peak oil between 2037-2040. If we do not prepare for that event then geopolitically bad things begin to happen as nations begin to fight for scarce resources," said Buyer.

### [350 Billion Things To Worry About](#)

We have 350 billion reasons for oil to bounce back a bit but is 350 billion going to be enough? Maybe we need 350 billion and one because we may have already spent it! Holy TARP! Bank bailouts and falling oil demand! I need some TARP and I need it bad. Oil tried to dig itself out of the deflationary hole it dug itself into as the stock market rebounded on the realization that the Senate was going to approve the release of the \$350 billion in TARP funds. Yet today that boost might still be uncertain as weak

demand fears and another bail out may have us all feel like we are in need of a bail out.

## [2nd Gen Biofuels are a Dangerous "Green" Bubble](#)

A diverse alliance of organizations published an open letter today in the U.S. and internationally warning of the dangers of industrially produced biofuels (called agrofuels by critics). The letter explains why large-scale industrial production of transport fuels and other energy from plants such as corn, sugar cane, oilseeds, trees, grasses, or so-called agricultural and woodland waste threatens forests, biodiversity, food sovereignty, community-based land rights and will worsen climate change. With the new Obama Administration slated to take office Tuesday, the letter's originators warn that if Obama's "New Green Economy" runs on agrofuels it may trap the U.S. in a dangerous "Green Bubble" of unrealistic promises from an unsustainable industry.

Indications that the incoming Obama Administration may be ideologically wedded to continuing the agrofuel disaster are clear. President Obama's "New Green Deal" includes support for notoriously destructive agrofuel corporations, the creation of a pro-agribusiness cabinet that includes Tom Vilsack, Ken Salazar and Steven Chu, promotion of cellulosic fuel technologies, and references to increasing the Renewable Fuel Standard biofuel target. Additionally, Obama, a former Senator from a corn-growing state, has indicated that the already troubled U.S. ethanol industry will receive a financial boost soon, despite mounting evidence that the industry simply cannot meet the demand for fuel in any just or sustainable way.

## [Is the ultimate green fuel particle annihilation?](#)

We should consider the annihilation of anti-matter and matter. Since 1995, CERN, the world's largest particle accelerator, has produced enough antimatter to light a light bulb for a few minutes. Antimatter is the most expensive substance – estimated future cost of \$25 million per gram or 0.0022 pounds, but 2.2 pounds would produce energy equivalent to 345 million gallons of gasoline. An organization similar to NASA should be established for providing research and development.

## [Iran sees oil at around \\$40 in 2009 - Minister](#)

TEHRAN (Reuters) - Iran's Oil Ministry anticipates a crude oil price of about \$40 a barrel in 2009, Oil Minister Gholamhossein Nozari was quoted as saying on Saturday, suggesting Tehran does not expect the market to rebound soon.

Nozari also said crude producers outside the Organization of the Petroleum Exporting Countries (OPEC) were not cooperating with the group in reducing output to restore stability, the official IRNA news agency reported.

## [Crude prices fall as storage space nears limit](#)

NEW YORK – Burgeoning crude inventories pushed oil prices lower Friday with yet another major energy group predicting demand will fall again this year in a widening recession.

In its closely watched monthly survey, the Paris-based International Energy Agency cited "the relentless worsening of global economic conditions" as it reduced its global demand expectations by 1 million barrels, to 85.3 million barrels a day.

It would mark the first time in more than a quarter century that global demand fell in consecutive years.

## [Oil Tankers are a Banks Best Friend](#)

Why does this contango exist? My theory is oil producing countries NEED money (budgets were based on \$60, not \$30 oil) so are willing to sell at whatever the current market price is. And speculators / arbitragers are willing to buy at this price knowing they can sell for a higher amount in the futures market and deliver that oil when / if necessary. This tells me that there is actually artificial demand even at these low prices (from those storing vs. those using the oil) and prices **can / will go even lower** once storage capacity is completely filled as the market becomes flooded with this stored oil.

## [Government issues draft offshore drilling plan](#)

WASHINGTON (Reuters) - A preliminary proposal was issued on Friday by the U.S. Minerals Management Service to hold oil and natural gas lease sales in coastal areas where drilling was, until recently, banned.

The draft plan proposes 31 energy exploration lease sales between 2010 and 2015 for areas on the U.S. Outer Continental Shelf, including tracts along the East Coast and off the coasts of Alaska and California.

## [Byron King: The End Of The Oil Bust](#)

The traditional energy industries need prices about \$75 or so to keep up levels of investment in new projects that require several years to build out. That's just to try and maintain current levels of fossil fuel output, which are declining in any event.

That is, world oil production has already peaked at about 86 million barrels per day. We were probably never going to change that overall fact of energy-life back with oil at \$147. But we sure aren't going to change it now that oil is selling at \$37. It's the Peak Oil argument.

## [U. S. needs Alberta's oil sands](#)

Russia behaves like a goon toward its European energy customers; Saudi Arabia, Iran and others export terrorism; Nigeria is unstable and Venezuela's Hugo Chavez spews hatred. All of which means there is little choice for the United States and the world but to embrace, and possibly finance, Alberta's oil sands.

If Washington does not get it, then Japan, India, China, South Korea and other energy-starved nations will. They should be encouraged to finance the oil sands megaprojects that have been put on ice or axed because of the bank crisis and price collapse.

## [Pace of Oil, Gas Mergers to Increase 'Very Soon,' Waterous Says](#)

(Bloomberg) -- Oil and gas industry mergers will probably pick up this year as producers struggling to finance expansion target rivals for growth, said Scotia Capital investment banker Adam Waterous.

"The transaction pace is going to be very strong, very soon," Scotia Capital's head of global investment banking said in an interview in Toronto. "The opportunity to be able to make acquisitions is much more compelling than it's been prior to the credit crunch."

## [ConocoPhillips may lay off 1,300 workers: A worldwide work force reduction is announced.](#)

ConocoPhillips could lay off about 1,300 people this year under a planned 4 percent reduction in its worldwide work force that was announced Friday.

CEO Jim Mulva cited lower commodity prices and the crippled credit market for the Houston-based oil giant's cutback plan.

## [Raymond J. Learsy: With Bush Leaving Town Pity Poor Hugo And King Abdullah](#)

With Bush leaving town the air is going out of the price of oil.

When back in Texas Bush will be hailed as the President who brought the oil patch \$147 barrel oil through the willful sponsorship of policies conducive to high oil prices ranging from the mismanagement of the Strategic Petroleum Reserve, cozying up to Saudi Arabia and OPEC, encouraging the Iraqi government to rejoin OPEC. By turning a blind eye to speculation and manipulation of oil trading on the commodities markets until Congress finally interceded. By permitting OPEC to collude in threatening to veto the NOPEC bill that would have passed in Congress.

## [Flying the Coal-Fired Skies](#)

In the not-so-distant future, cars could run on electricity, power plants on wind and solar energy, and city buses on zero-emission hydrogen fuel cells. But airplanes? Those just might run on coal.

Yes, coal. The U.S. Air Force wants to create a synthetic-fuel industry that, unless something better comes along, will mine America's massive coal supply (we have more than a quarter of the world's known reserves) and turn it into enough jet fuel for half its domestic operations to run on a 50/50 blend of synthetic and regular fuel by 2016. By the Air Force's logic, it has no choice. It uses more fuel than all the other branches of the military combined, burning through 2.5 billion gallons of the stuff in 2007 alone—10 percent of the total used by the entire domestic-aviation fuel market—at a cost of \$5.6 billion. And although oil prices have dropped in recent months, no one expects the relief to last indefinitely.

## [Norwegians join push to ban oil exploration from fragile Arctic coasts](#)

Oslo, Norway - Norwegian communities and conservationists today launched a campaign to ban oil exploration and development from parts of their Arctic coast, linking up with WWF-supported campaigns already underway in Alaska and Russia to protect vulnerable fisheries and communities.

The campaigns are supported by studies showing oil returns would be less than those provided in the long term through the protection and sustainable exploitation of resources.

## [Is combating climate change worth the cost?](#)

So is preventing climate change worth that price, estimated by some to be as much as 1 percent of global gross domestic product (GDP)?

## [EPA: Climate change will have big effect on Md. coastal erosion](#)

Climate change will produce a sharp increase in storm-related flooding and coastal erosion over the next century in Maryland and the rest of the mid-Atlantic coastal states, affecting both natural and human communities, the federal government said in a report released yesterday.

## [Rising sea levels threaten East Coast](#)

WASHINGTON (Reuters) - Sea levels on the United States' mid-Atlantic coast are rising faster than the global average because of global warming, threatening the future of coastal communities, the Environmental Protection Agency said on Friday.

Coastal waters from New York to North Carolina have crept up by an average of 2.4 to 4.4 millimeters (0.09 to 0.17 inches) a year, compared with an average global increase of 1.7 millimeters (0.07 inches) a year, the EPA said in a report.

As a result, sea levels along the East Coast rose about a foot over the past century, the EPA's report, commissioned by the Climate Change Science Program, said.

The EPA focused on the mid-Atlantic region because it "will likely see the greatest impacts due to rising waters, coastal storms, and a high concentration of population along the coastline," the agency said.

### [Tibetan glacial shrink to cut water supply by 2050](#)

Nearly 2 billion people in Asia, from coastal city dwellers to yak-herding nomads, will begin suffering water shortages in coming decades as global warming shrinks glaciers on the Tibetan Plateau, experts said.

The plateau has more than 45,000 glaciers that build up during the snowy season and then drain to the major rivers in Asia, including the Yangtze, Yellow, Brahmanputra and Mekong.

Temperatures in the plateau, which some scientists call the "Third Pole" for its massive glacial ice sheets, are rising twice as fast as other parts of the world, said Lonnie Thompson, a glaciologist at Ohio State University, who has collected ice cores from glaciers around the world for decades.

### [Arctic warming pattern 'highly unusual': Report](#)

A major U.S. government report on Arctic climate, prepared with input from eight Canadian scientists, has concluded that the recent rapid warming of polar temperatures and shrinking of multi-year Arctic sea ice are "highly unusual compared to events from previous thousands of years."

The findings, released on Friday, counter suggestions from some skeptics that such recent events as the opening of the Northwest Passage and collapse of ice shelves in the Canadian Arctic are predictable phenomena that could be explained as part of a natural climate cycle rather than being driven by elevated carbon emissions from human activity.



