



DrumBeat: January 20, 2009

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Topic: [Miscellaneous](#)

[Rebound in oil prices could be years off](#)

Long time oil bulls have been bucked right out of the ring after having had the ride of their lives as oil prices peaked at US\$150 per barrel last summer. With oil prices languishing below US\$40 per barrel recently, peak oil theorists argue that the next commodity cycle will be even more severe than the last because spending is being cut so hard in the current recession. That may be true, but a rebound in oil prices could be years off.

...The global economy will come out of the gate slowly in 2010 and trade will remain soft. Oil demand will not pose a problem for rising capacity for some time. Even if peak oil is upon us, so what?

[Survey: Scientists agree human-induced global warming is real](#)

In analyzing responses by sub-groups, Doran found that climatologists who are active in research showed the strongest consensus on the causes of global warming, with 97 percent agreeing humans play a role. Petroleum geologists and meteorologists were among the biggest doubters, with only 47 and 64 percent respectively believing in human involvement. Doran compared their responses to a recent poll showing only 58 percent of the public thinks human activity contributes to global warming.

"The petroleum geologist response is not too surprising, but the meteorologists' is very interesting," he said. "Most members of the public think meteorologists know climate, but most of them actually study very short-term phenomenon."

[Statoil calls for offshore debate](#)

StatoilHydro head Helge Lund said today the government needs to revisit debates on industry access to the Norwegian continental shelf.

[Farmers should re-think energy needs: FCC](#)

Even with oil now trading below US\$40 a barrel, down from US\$147 last July, Canadian farmers should prepare for higher energy costs in the longer term, Farm Credit Canada warns.

[Forget "peak oil", West's demand growth peaking](#)

LONDON (Reuters) - Oil demand may never return to growth in the United States, Europe and parts of Asia, easing the strain on long-term supplies and prices as emerging countries burn ever more fuel.

The surge in oil to a record near \$150 a barrel last year heightened concern the world will run out of crude and supply will start to dwindle -- a theory known as "peak oil".

Now a deepening recession and oil price collapse have raised the issue of whether demand, not supply, is nearing its peak.

[Canada's oil sands giant Suncor slashes spending](#)

Suncor Energy Inc., Canada's second-largest oil sands operator, slashed its planned 2009 spending in half Tuesday and shelved major expansion projects with crude prices in free fall.

[Russia's outlook weakens as price of oil stays low](#)

HONG KONG: The Russian economy may not grow at all this year as it feels the impact of the financial crisis, and the government will probably increase support for banks to ensure their liquidity, its finance minister said here Monday.

[Oil patch braces for layoffs and spending cuts](#)

CALGARY -- Layoffs, spending and dividend cuts and disappearing profits are expected in Canada's energy sector, which starts reporting fourth-quarter earnings Tuesday, led by oil sands giant Suncor Energy Inc.

After years of expansions and record profits, the full force of the global economic downturn and falling energy prices will translate into the worst financial results in years, analysts said.

The key themes will be: "Worst cash-flow-per-share and earnings-per-share declines (year-over-year and sequentially) in years, driven by plummeting commodity prices," UBS Securities Canada Inc. analyst Andrew Potter said in a research note Monday. "Downstream results range from weak for Imperial Oil Ltd. and Petro-Canada to horrible for Husky [Energy Inc.] and EnCana [Corp]."

[Saudi Arabia and the need for \\$75 oil](#)

Not long ago, when oil prices were at historically high levels, there were calls from within the Organisation of the Petroleum Exporting Countries for production cuts to keep them there. These efforts failed, and Saudi Arabia was responsible for unilaterally increasing supplies to try to calm the market. In fact, the Kingdom saw that while extremely high oil prices may be good for the short-term budgetary needs of oil producing states, they are not good for the global economy. Oil prices have fallen dramatically and oil consumer nations should recognise Saudi Arabia's long-standing defence of "fair" oil prices and stable production, and realise that just as unrealistically high oil prices are unadvisable, so too are unrealistically low prices. The Kingdom has called for a "fair" price of \$75 and, considering the global economic climate, that is an appropriate number.

[U.S. Refinery Margins Fall After Russia-Ukraine Gas Agreement](#)

(Bloomberg) -- Refinery margins narrowed the most this month as OAO Gazprom's resumption of gas shipments to the European Union may have reduced demand for heating oil.

Gas flows entered Slovakia early today after Ukraine and Russia resolved a dispute on gas prices and transit. Heating oil, a competing heating fuel to natural gas, fell as much as 7 percent, the biggest decline since Dec. 24.

[Fiat takes 35% stake in Chrysler](#)

MILAN (Reuters) -- Italy's Fiat will take a 35% stake in U.S. car maker Chrysler LLC - valued at zero by its part-owner - in a deal aimed at helping the pair survive the worst crisis to hit their industry in decades.

[North Slope Producers Do Better Than Expected in Sustaining Production](#)

North Slope oil operators did better than expected in sustaining production last year, but the decline rate is expected to steepen this year.

Production from the Slope declined 3.9 percent over a 12-month period of 2008, compared to the same months in 2007, figures provided by the Alaska Department of Revenue indicate. The state revenue department had forecast a 5.8 percent decline.

Production performance on the North Slope was aided by high crude oil prices over the two years, which stimulated operators to step up the pace of drilling of new production wells and to push enhanced oil recovery projects.

[If Detroit Builds It, Will Buyers Come?](#)

The car market is terrible, but new models can boost sales. This could be a good time to bring out the new stuff to try to grab every sale possible, or it might make sense to hold off until business improves.

One thing is certain: Auto executives are facing a terrible dilemma. The same companies that are delaying or canceling some new vehicle programs are also forging ahead, hoping that other new models will jump-start business.

[Bulgaria to Power Up a Soviet-era Reactor](#)

Few developments highlight the specter of looming energy shortages like the decision by Bulgaria this month to switch on Soviet-era nuclear reactors after supplies of its main source of fuel for heating — natural gas from Russia — dried up.

[Australia: Nats push for diesel price investigation](#)

Nationals Leader Warren Truss has written to the Australian Competition and Consumer Commission, requesting an immediate investigation into the retail price of diesel, which he says is out of sync with unleaded petrol.

Mr Truss says a growing number of consumers are complaining about "the increasing disparity in the price" of diesel, which until recently has traditionally been substantially cheaper than unleaded petrol.

[Indonesia: Fire to cost Pertamina dearly](#)

State owned oil company Pertamina has conceded losses from a massive blaze at the Plumpang depot in North Jakarta could continue to rise.

Pertamina said Monday the fire that razed a storage tank of Premium gasoline had also affected fuel in two nearby tanks.

"Our rough estimation [of losses] is around Rp 15 billion. We have not included the future costs of contaminated fuel, largely caused by the water and foam used by firefighters to extinguish the flames, in our calculations," Pertamina's marketing and trade director Achmad Faisal told reporters.

[Rwanda: Gov't Suspends Fuel Rationing](#)

Kigali — The government has announced the scrapping of fuel rationing; an ad hoc measure that had been taken to ensure distribution due to the shortage experienced by the East African region in the past two months.

Speaking to The New Times yesterday, the Permanent Secretary in the Ministry of Trade, Commerce and Investment Promotion (MINICOM), Antoine Ruvebana said: "we have lifted the fuel rationing and we are currently trying to inform the general public that everybody can have any quantity of fuel they want."

[Oil and Gas leaders pull together to reduce the cost of Energy](#)

The current economic downturn is hurting everyone, the cost of energy is doubling as recession looms.

Questions have been asked? Was the Oil and Gas industry to blame? Accused of limiting supply to increase demand made prices rise to \$140+ per barrel, leading to small businesses failing, which then hit asset prices factoring to the crumble in the financial world.

But with its multi-billion pound infrastructure can the Oil and Gas sector lead the economic turnaround?

[Nigeria military denies rebel claims](#)

Nigeria's military has denied killing civilians and destroying homes during a raid on a suspected militant hideout in the oil-rich Niger Delta.

The Movement for the Emancipation of the Niger Delta (Mend) alleged in an email sent on 18 January that a joint operation by the army, navy and air force on 17 January resulted in an unspecified number of "casualties."

Lieutenant-Colonel Sagir Musa, a military spokesman, told Bloomberg no civilians were killed and no homes were destroyed during the operation.

[Nigeria, Dubai \\$16B Deal Eyes Gas, Oil and Power Investment](#)

A huge infrastructure deal between Nigeria and Dubai will target \$16 billion worth of investment over the next decade in oil and natural gas drilling and the country's dilapidated power sector, Nigeria's state petroleum company said Monday.

The deal, many details of which have yet to be hammered out, could be a boon to the impoverished West African nation where past and present governments have long been unable to meet its population's basic development needs, like reliable electricity supplies.

[Saudi sailor from hijacked tanker returns home](#)

RIYADH, Saudi Arabia: It was a sunny November morning with a calm sea. Saudi sailor Hussein al-Hamza was napping after his night shift on the brand new supertanker Sirius Star, loaded with two million barrels of oil as it crossed the Indian Ocean.

But the sound of the alarm shook al-Hamza awake, and he rushed to join his fellow sailors on the deck.

"I looked down and saw eight Somali pirates in two boats, each about 18-feet-long," al-Hamza told The Associated Press in a brief phone interview late Monday, a couple of hours after his return to Saudi Arabia following the pirates' release of the ship on Jan. 9.

[Canada must work on image, envoy says](#)

The increasing perception of Canada as both "foreign" and a "purveyor of dirty oil" is a challenge for the country with the new Obama administration, says Canada's ambassador to the United States.

On the eve of the inauguration of President Barack Obama, Michael Wilson yesterday told a luncheon crowd it's something his embassy staff must work to change with White House officials and members of Congress.

['Peak wood' gives a history lesson in Abu Dhabi](#)

Prince Willem Alexander says our aim should be "nothing less than revolution" with regard to tackling climate change and weaning ourselves off oil.

He also does a bit of history teaching himself, claiming the Roman Empire came to grief partly because it deforested Europe.

The Romans apparently ignored "peak wood" forecasts and used up all their primary energy sources! Well, I have learned something unexpected today.

[Jan Lundberg: Peak-oil activist approach for the coming change in culture](#)

Peak oil is something to heed more today than ever, no matter where crude oil and gasoline prices go or what they may do to oil consumption. Peak-oil awareness has risen greatly in recent years, but this has not resulted in wide understanding of energy in our fast changing world of mounting crises and distractions. Even among those knowledgeable about peak oil there is confusion about energy and oil, based on old

assumptions. Kinds of peak-oil awareness can be based on levels of knowledge or worldviews -- some of which are seen as obsolete in the last several months: "Peak money" has passed, both from the private sector and government spending. Oil costs were a major factor leading up to the economy's meltdown marked by peak money.

[George Monbiot: If the state can't save us, we need a licence to print our own money](#)

It bypasses greedy banks. It recharges local economies. It's time to think seriously about an alternative currency.

[Green-collar economy taking root in Chicago](#)

The lot where Isaac Wright Jr., ex-con, tends vegetables next to abandoned railroad tracks and across the street from a boarded-up house is the intersection of social justice, environmental righteousness and economic prosperity.

He is part foot soldier, part guinea pig in a movement that starts in the Englewood garden and may reach all the way to the Oval Office, although he may not fully appreciate it. "I'm not going to lie to you," Wright said one crisp morning while working a row of radishes in a greenhouse. "I needed a job. Long as I was plugged in somewhere, that was OK."

[StatoilHydro Says Kristin Gas Field Still Down](#)

Norwegian oil and gas producer StatoilHydro said on Monday its North Sea Kristin gas field was still down after a lifeboat problem and declined to give guidance about a possible start-up time.

[Sudan to Inaugurate a New Oil Field with Capacity of 50,000 B/D](#)

Sudan announced today that a new oil field will begin production in the Upper Nile state with a capacity of 50,000 barrels per day.

The field named 'Qamari' will be opened in March by Sudanese president Omer Hassan Al-Bashir, the director of exploration at the Ministry of Energy and Mining Azhari Abdullah told reporters today.

[Roubini Predicts U.S. Losses May Reach \\$3.6 Trillion](#)

(Bloomberg) -- U.S. financial losses from the credit crisis may reach \$3.6 trillion, suggesting the banking system is "effectively insolvent," said New York University

Professor Nouriel Roubini, who predicted last year's economic crisis.

"I've found that credit losses could peak at a level of \$3.6 trillion for U.S. institutions, half of them by banks and broker dealers," Roubini said at a conference in Dubai today. "If that's true, it means the U.S. banking system is effectively insolvent because it starts with a capital of \$1.4 trillion. This is a systemic banking crisis."

...Oil prices will trade between \$30 and \$40 a barrel all year, Roubini predicted.

"I see commodities falling overall another 15-20 percent," Roubini said. "This outlook for commodity prices is beneficial for oil importers, it's going to imply that economic recovery might occur faster, but from the point of view of oil exporters, this will be very negative."

[Crude Oil Falls Below \\$33 a Barrel on Dollar, Contract Expiry](#)

(Bloomberg) -- Crude oil fell below \$33 a barrel in New York as the strengthening dollar reduced the appeal of commodity investments at a time when demand is declining and stockpiles are rising.

At Cushing, Oklahoma, where the benchmark oil for New York futures is stored, inventories have climbed to 33 million barrels, the highest since records started four years ago. The February contract will cease trading today, so traders have to sell futures or accept the barrels at a time of falling demand.

"Traders are rolling over to the next month to avoid delivery and the dollar is rallying," said Andrey Kryuchenkov, an analyst with VTB Capital in London. "All this against a background of falling demand and easing geopolitical tensions."

[Pemex Oil Output Declines at Fastest Rate Since World War II](#)

(Bloomberg) -- Petroleos Mexicanos, Mexico's state oil company, will probably report its fastest drop in production since 1942, eroding revenue as plunging crude prices limit the amount of cash available to drill for new reserves.

Pemex last year likely extracted 2.8 million barrels a day, down about 9 percent from the 3.08 million a day pumped in 2007, representing a total of \$20 billion in lost sales, according to data compiled by the government and Bloomberg. The Mexico City-based company, which had revenue of \$104 billion in 2007, plans to report annual production figures tomorrow.

Falling output is leading Pemex into deepwater exploration as state-run peers Petroleo Brasileiro SA in Rio de Janeiro and Ecopetrol SA in Bogota invest billions to boost production. Costs are rising at Cantarell, Pemex's largest field, after declining pressure reduced output in the past five years. Oil tumbled 77 percent from its July record to \$34.08 a barrel in New York.

Pemex's "biggest problems have yet to come," said Alejandro Schtulmann, head of research at Empra, a political-risk consulting firm in Mexico City, in an interview. "The fall in oil prices and lower production is going to make expensive exploration projects less attractive now."

[Russia restarts gas supplies to Europe via Ukraine](#)

PISAREVKA, Russia (AP) -- Russian natural gas began flowing into Europe on Tuesday after a nearly two-week cutoff that left large parts of the continent shivering and underscored its vulnerability and dependence on Russia's energy.

But a higher price Ukraine now has to pay for the Russian gas will further cripple an economy badly hurt by the financial crisis and could set the stage for another gas dispute with Russia. The office of Ukraine's president has already criticized the deal, saying it hurt the nation's interests.

[ExxonMobil tastes oil at 'mega prospect'](#)

US supermajor ExxonMobil has notified Brazilian regulatory authorities that it has detected hydrocarbons on a deep-water pre-salt prospect that is billed as the biggest yet in the emerging Santos basin province.

[Sunoco seeks oil sands supplier](#)

CALGARY - Just as several projects in Alberta's oil sands are being shelved, Sunoco Inc. is looking for a partner who can deliver a steady stream of heavy crude to one of its refineries.

Lynn Laverty Eisenhans, Sunoco's chief executive, said Monday the Philadelphia-based company was search for a partner for its refinery in Ohio.

[TNK-BP Restricts Its Gas Production on Gazprom Curbs](#)

(Bloomberg) -- TNK-BP, the Russian joint venture of Europe's second-biggest oil company, said natural-gas production is below expectations because of OAO Gazprom-imposed curbs.

Gazprom, Russia's gas monopoly, today resumed gas pumping to Europe via Ukraine, ending almost two weeks of supply disruptions because of a price dispute. Domestic gas demand has declined because of the economic slowdown, Gazprom Deputy Chief Executive Officer Alexander Medvedev said.

[Canada offers to back Mackenzie gas project](#)

Canada's federal government has offered financial support for the Mackenzie gas pipeline, a multibillion-dollar project that has been held back by regulatory delays and cost overruns.

Jim Prentice, the federal minister in charge of pipelines, would not disclose Monday how much federal money is on the table, telling reporters that formal negotiations are still under way.

[No need for state gas reserves - German energy lobby](#)

BERLIN (Reuters) - Germany, which was cushioned from gas supply disruptions during the Russia-Ukraine dispute partly due to privately owned storage facilities, does not need to build up a state reserve, energy lobby BDEW said on Tuesday.

Germany has 46 underground gas storage units which can hold 20 billion cubic metres or a quarter of annual consumption, and 15 more such sites are planned or under construction, BDEW's managing director Hildegard Mueller said.

[Coal shortage may trigger power crisis in W Bengal](#)

KOLKATA: West Bengal may face long hours of load shedding from March onwards if the state does not receive a tapering (read temporary) linkage from the union coal ministry soon, as coal production from its captive block allotted some times in 2002 can start production only by 2011 due to a delay in receiving environment clearance.

[DOE buys oil for reserve](#)

WASHINGTON — The U.S. Department of Energy (DOE) has awarded contracts to purchase 10.683 million barrels of crude oil at a cost of \$553 million for the Strategic Petroleum Reserve (SPR). Deliveries of the oil will be made from February to April 2009.

The awards made to Shell Trading and Vitol are the first direct purchases of crude oil for the SPR since 1994. Revenues from the 2005 Hurricane Katrina emergency sale were used for the purchase.

[The reasons why crude oil could double this year](#)

Adequate supply plus stagnant demand equals \$35 oil. So why is the December 2010 oil contract trading nearly 80% higher at \$61.80? What could possibly happen between now and December 2010 that would cause oil to go up 80%?

[Only a matter of time for higher energy prices](#)

A number of peak oil theorists also see oil going higher. Geologist M. King Hubbert advanced his theory, which became known as peak oil, in 1956 when he postulated that at some point the world would have found and exploited all the Earth's available energy reserves. At that time, output would be maximized and going forward, the supply of oil would begin to decline and prices would rise.

Noted "peak oil pundit" Matthew R. Simmons became famous for the 2005 publication of his book "Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy." In the book, Simmons argues that Saudi Arabia's oil supplies are much more limited than everyone thinks. Fortune reported that Simmons believes it's possible that we will see oil climb into the \$500 a barrel range — which would make gasoline a little more expensive than the best bottled water at around \$10 a gallon.

[Dramatic shift lies just ahead in oil production](#)

A Saudi oil geologist named Sadad I. Al Hussein who was head of exploration and production for the state-owned oil company, Saudi Aramco, discovered in the year 2000 that output would be leveling as early as 2004 - that upbeat forecasts for future production were wrong.

He had long been skeptical of the oil industry's upbeat forecasts, and in the mid-1990s he began studying data from the 250 or so major oil fields that produce most of the world's oil. He calculated how much crude remained in each field and how rapidly it was being depleted. Then he added all the new fields the company hoped to bring on line in the coming decades.

Once he tallied the numbers, he realized that where mainstream forecasts showed output rising steadily each year in a great upward curve that kept up with global demand, output was actually leveling off. Also, he calculated that the production level would last 15 years at best. Then the output of conventional oil would begin a gradual, but irreversible decline.

[Time to spread resilience message](#)

With climate change affecting our weather patterns and peak oil limiting our capacity for economic growth, combined with the credit crunch, it is surely time to look at the resilience of our towns.

It is all very well having new supermarkets being built, but they do not add to the food

and energy security for a community that resilience implies.

[Oregon: The End \(of Oil\) is Nigh](#)

If you've had your fill of hope after Tuesday's inauguration, you might try washing it down with an hour of fear at the Bagdad Theater the next night.

John Kaufman (pictured above), a senior policy analyst with the Oregon Department of Energy will be talking Wednesday, Jan. 21 about peak oil and its implications. Peak oil is the idea that oil production already has or will soon begin to diminish. Combine slowing oil production with increasing global demand, and the future starts to look pretty scary. (Unsurprisingly, it's a subject that has a good deal of traction in Portland.)

[Wanted: babies and immigrants](#)

A good reason to try to develop the population, economy, and essentially the wealth of New Brunswick over the next 20-plus years is that there are world events, many of which are already unfolding, which we cannot control but will have significant detrimental impacts on us, just as they will worldwide. The recent financial troubles which originated on Wall Street and quickly spread like an offshore oil slick across the global economy is a good example of how things far outside Fredericton's control will affect Victor Boudreau's budget.

Two big changes that are expected to hit us hard over the next generation are peak oil and climate change. These are big enough to make the economic crisis of the past few months seem as mildly inconvenient as discovering you've run out of fabric softener after the grocery store has closed for the night. Being more self-sufficient may not mean no support from Ottawa, but it might help mitigate the ill-effects of these changes.

[Abu Dhabi to keep investing in solar energy despite crisis](#)

ABU DHABI (AFP) – Oil-rich Abu Dhabi said Monday it will press ahead with plans to develop solar energy, shrugging off a huge drop in oil prices which is cutting the emirate's revenues.

"The current economic situation has no impact on Masdar's intended and planned projects," said Sultan al-Jaber, chief executive of Masdar, the government-owned Abu Dhabi Future Energy Company charged with developing clean energy.

[Expansion of Suncor's Ontario ethanol plant to be delayed for at least a year](#)

Suncor Energy Inc. is delaying a \$120-million expansion of its Sarnia, Ont., ethanol plant by more than a year to save costs, it said yesterday. Suncor spokeswoman Shawn Davis said work may not be complete on the expansion until 2011, as Canada's No. 3 oil exploration and refining firm seeks to cut costs and delay spending to cope with the downturn in oil prices. "We've deferred some construction," Mr. Davis said. "We have had to make some ... decisions on fiscal responsibility and living within our means."

[Hong Kong's economic growth spluttering on filthy air](#)

HONG KONG (AFP) – In recent years, a thick haze originating from factories in southern China has enveloped Hong Kong for large chunks of the year, blocking views of its famous harbour and raising health fears.

Combined with the city's home-grown pollution, scientists and business leaders say it presents a serious economic risk to the financial hub, both for its ability to attract and retain talent and the associated health costs.

[Pork producers sue EPA over new emissions rule](#)

DES MOINES, Iowa – The National Pork Producers Council said Monday it is suing to challenge the Environmental Protection Agency's requirement that livestock farms inform communities about estimated emissions.

The rule is scheduled to take effect Tuesday. It requires livestock producers to call state and local emergency response authorities to inform them of estimated emissions and to notify them in writing.

[EPA to regulate mercury from cement plants](#)

TRAVERSE CITY, Mich. – Federal regulators have settled a lawsuit with environmental activists and nine states over standards for mercury emissions from cement plants, the plaintiffs announced Friday.

[Antarctic ice shelf set to collapse due to warming](#)

WILKINS ICE SHELF, Antarctica (Reuters) - A huge Antarctic ice shelf is on the brink of collapse with just a sliver of ice holding it in place, the latest victim of global warming that is altering maps of the frozen continent.

"We've come to the Wilkins Ice Shelf to see its final death throes," David Vaughan, a glaciologist at the British Antarctic Survey (BAS), told Reuters after the first -- and probably last -- plane landed near the narrowest part of the ice.



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