



DrumBeat: January 24, 2009

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Topic: [Miscellaneous](#)

[Big Oil likely to be leaner](#)

The party's over for Big Oil.

That may not be immediately evident as the world's largest publicly traded oil majors reveal their annual 2008 profits in the coming days. Crude's wild ascent into triple digits for most of last year paves the way for yet another string of record annual earnings.

But oil's swift fall in late 2008 paints a starkly different picture for those last three months and possibly well into 2010, depending on when economic recovery begins eclipsing the worst recession in decades.

"The air has gone out of the tires, the wind's gone out of the sails," said John Olson, an analyst with Sanders Morris Harris in Houston.

[Oil operation's development put on hold](#)

HOPES of an early start to what would be the first commercial oil operation in Caithness have been dashed.

...What has clouded the picture for the operators has been the ongoing financial crisis which has thrown stock markets into disarray and seen crude oil prices tumble.

[Russia Has 'No Aversion' to Nabucco Gas Pipeline, Zubkov Says](#)

(Bloomberg) -- Russia has "no aversion" to the planned Nabucco natural gas pipeline from central Asia to Europe, and the builders have yet to secure sources for the link, Deputy Prime Minister Viktor Zubkov said.

[Ruble Weakens as Wider Target Is 'Invitation for Speculators'](#)

(Bloomberg) -- Russia's ruble weakened after the central bank said it would let the currency fall as much as 10 percent to help preserve foreign-currency reserves.

[The Worst Is Yet to Be](#) (review of Vaclav Smil's *Global Catastrophes and Trends: The Next Fifty Years*)

Energy is a key variable affecting many trends. Smil's substantial discussion of this topic connects only loosely to the theme of catastrophe but well illustrates his debunking posture toward scary headlines and faddish "solutions." He gives short shrift to renewable energy. For example, he considers "massive biomass energy schemes" that have been proposed recently to be "among the most regrettable examples of wishful thinking and ignorance of ecosystemic realities and necessities." Conversion of enough farmland for the production of biofuels is out of the question, he says—we would starve. Wind power will be only a marginal and unreliable source of energy. As for energy from nuclear fusion, it is a mirage, on which the United States has spent a quarter of a billion dollars a year for the past 50 years. Large-scale expansion of nuclear power plants would face significant opposition, Smil says, because of concerns about safety and the lack of permanent waste-storage facilities. (He does, however, note with approval Edward Teller's proposal to build a nuclear power plant completely underground with enough fuel to last its lifetime.) And he sees no realistic possibility of a hydrogen economy for many decades.

[This crisis is bad but it gives us an opportunity to rethink strategies](#)

The Club of Rome – a think tank of scientists, economists, business leaders, civil servants and politicians from the five continents – attracted considerable public attention with its 1972 report titled "The Limits to Growth". The study challenged one of the then core assumptions of economic theory – that the Earth was infinite and would always provide the resources needed for human prosperity. The book, which sold 30 million copies in 37 languages, stated that if consumption patterns and population growth continued at the same high rates of the time, the Earth would reach its limits within a century. And this is what is happening now, says Martin Lees, Secretary-General of the Club of Rome. In an exclusive interview with Emirates Business, he said the world had continued to grow exponentially as if the planet would sustain economic growth forever. "Once the world recovers from the financial crisis we imagine that the global economy will double in size in a couple of decades," he said. "This would mean an additional two billion people or more will join the world's middle class, implying changes in consumption practices and lifestyle. This is simply not feasible."

[Brazil Petrobras To Invest \\$174.4 Billion In 2009-2013](#)

RIO DE JANEIRO -(Dow Jones)- Plummeting oil prices and the worst financial crisis in 30 years failed to crimp plans at Brazilian state-run energy giant Petroleo Brasileiro (PBR), with the company boosting investments over the next five years by more than 50%.

Petrobras said late Friday that it will invest \$174.4 billion in 2009-2013, including a whopping \$28.6 billion in 2009. Chief Executive Jose Sergio Gabrielli called the

company's investment plans "robust and important." Petrobras' previous strategic plan called for \$112 billion in investments from 2008 to 2012. Petrobras invested about \$23 billion in 2008.

Petrobras joined Mexico's Petroleos Mexicanos, or Pemex, as one of the few oil majors willing to up the ante on investments as a slowdown in global economic growth has sapped demand for crude. Pemex said that it will boost investments in 2009 to \$19.4 billion, up from \$18 billion in 2008.

[Motiva Port Arthur Refinery Expansion Is Slowing Down-Contractor](#)

HOUSTON -(Dow Jones)- Motiva Enterprises LLC's multi-billion dollar expansion of its Port Arthur, Texas, refinery is slowing down, the chief executive of a construction company contracted to build parts for the project said Friday.

Cianbro CEO Peter Vigue said the company was laying off 35 workers because Motiva "has asked us to scale back," according to a release posted on the company Web site. The Maine-based company is making modules for the expansion.

[Iran objects to Caspian seabed pipeline construction](#)

Hossein Noqrekar-Shirazi, Iran's deputy oil minister for international affairs, specifically pointed at the pipeline carrying oil from Kazakhstan to Azerbaijan through the bed of Caspian Sea and posed his objection.

"The pipeline carrying Kazakh oil to Azerbaijan will be constructed on the seabed and could pose threats to the ecological system of the Caspian Sea," Noqrekar-Shirazi was quoted as saying.

[Gas mining company provides water after methane found in private wells](#)

DIMOCK TWP. -- Cabot Oil and Gas installed fresh water supplies this week at four residences where methane has been found in private water wells.

The company, which is extracting gas from the Marcellus Shale in the region, also hired a water well installer to inspect wells at two additional residences today where the state Department of Environmental Protection has found a "significant presence" of gas, a Cabot spokesman said.

[Conoco cuts 20%](#)

In the most significant response yet to the recent drop in oil prices, ConocoPhillips is budgeting a 20 percent reduction in capital spending in Alaska for this coming year.

[Uganda's oil cash to delay](#)

UGANDA'S oil production will not begin this year. Industry sources attributed the delay to disagreements over oil prices, construction of the refinery and the tendering process.

[Is 'cheap' gasoline really a good thing?](#)

In this complex economic world of ours where so many things are interconnected, the Law of Unintended Consequences has yet to be repealed.

That suggests that some seemingly good things -- like our recent decrease in oil and gas prices or zero-down mortgages -- unfortunately have some downsides that we often don't always consider.

[Pakistan: Get ready to swallow a bitter pill! Govt to increase electricity tariff, says Raja Pervez](#)

ISLAMABAD: Federal Minister for Water and Power, Raja Pervez Ashraf has asked the nation to be ready for swallowing bitter Pill as Government would have to increase electricity tariff in upcoming months.

[ARL stops fuel supply to Pepco](#)

ISLAMABAD: In a shocking development, the Attock Refinery Limited (ARL) has stopped fuel supply to Pakistan Electric Power Company (Pepco) for thermal power generation, exposing countrymen to more power outages, a senior official told our sources.

“Attock Refinery Limited Managing-Director Shoaib Malik communicated to the petroleum ministry about its decision of stopping the fuel supply to Pepco with immediate effect, raising the prospect for the power sector to face another fuel shortage.”

“The Bosicor refinery has already been shut because of its poor financial health.”

[FACTBOX - South Africa power generation plans](#)

(Reuters) - South Africa's state-owned utility Eskom said on Friday that power supply had improved compared with a year ago, when a near-collapse of the power grid forced

mines to close. To see a story, please click on [ID:nLN93417]

Below are details of Eskom's generating capacity.

[Arctic Directory: Platforms for Arctic offshore?](#)

Massive gravity-based structures sitting on the seafloor remain the most likely option for oil and gas production in the challenging ice conditions of the Beaufort and Chukchi seas. And the study says that in Arctic conditions steel is likely to prove to be a more suitable construction material than concrete.

[The Future of the Nickel Metal Hydride Battery and the Rare Earth Metals it Is Constructed from](#)

So, excuse me if I yawn when I hear about GM spending a lot of American taxpayer subsidies in Korea to buy batteries that are not proven to be durable, reliable, safe, economical, or long lived to build a car that will, when it finally comes out, have to compete with a half dozen others that will already be in the market. Excuse me also if I wonder why GM wasted years and hundreds of millions of dollars of other people's money ignoring the opportunity to support a world class battery operation owned and operated by Americans with innovative skills in battery technology and located in Troy, Michigan less than 10 miles from GM's so-called technical center.

[The auto collapse's ripple effects](#)

DETROIT (CNMoney.com) -- As Detroit's Big Three automakers fight for survival, thousands of small suppliers are caught in their economic wake, struggling to adapt to a shrinking industry.

[Water pressure running dangerously high](#)

In 2003, Frank Rijsberman, then head of the International Water Management Institute, expressed his concern: "If present trends continue, the livelihoods of one third of the world's population will be affected by water scarcity by 2025. We could be facing annual losses equivalent to the entire grain crops of India and the US combined."

The message is unusual. Normally, "water scarcity" is associated with tap water — Rijsberman talked about crops.

[Where warming hits hard](#)

Threatened with encroaching seas, dwindling water supplies and fiercer storms, Bangladesh is already suffering the ill effects of rising global greenhouse gas emissions.

[Michael Klare: Repudiate the Carter Doctrine](#)

Twenty-nine years ago, President Jimmy Carter adopted the radical and dangerous policy of using military force to ensure U.S. access to Middle Eastern oil. "Let our position be absolutely he clear," he said in his State of the Union address on January 23, 1980. "An attempt by any outside force to gain control of the Persian Gulf region [and thereby endanger the flow of oil] will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force."

This principle — known ever since as the Carter Doctrine — led to U.S. involvement in three major wars and now risks further military entanglement in the greater Gulf area. It's time to repudiate this doctrine and satisfy U.S. energy needs without reliance on military intervention.

[Aiming for a soft landing](#)

Whether we like it or not, the unprecedented double challenge of peak oil and global warming is already transforming our lives.

As with the current financial meltdown, these now crises have been developing rapidly, largely without the concern and scrutiny of U.S. political leaders or the media.

Like the melting ice in the Arctic, the world as we have known it is dissolving and we are being given the stunning opportunity to create a new kind of society.

[Book for the weekend: Soil Not Oil - climate change, peak oil and food insecurity](#)

In *Soil Not Oil*, Indian scientist, agricultural activist and bestselling author, Dr Vandana Shiva, connects the food crisis, peak oil, and climate change to show that a world beyond a dependence on fossil fuel and globalization is both possible and necessary. Shiva presents the argument that these three crises are inherently linked and that any attempt to solve one without addressing the others will get us nowhere.

[China's new clout with the United States](#)

After 9/11 when China sided with the United States in the war on terrorism, Chinese leaders expected a *quid pro quo*. Perhaps Washington might make some concessions on the "Taiwan issue"; but Secretary of State Colin Powell emphatically dismissed this idea.

In 2005, the China National Offshore Oil Corporation made a bid to buy the American oil company Unocal. It also looked at Maytag. This created a furor and members of Congress and other national leaders openly and sharply criticised China. China withdrew the offers. In 2008, the media and human rights groups in the US assailed China over events in Tibet while China was getting ready to hold the Olympics. Some American officials even advocated boycotting the Olympic Games; others suggested President Bush should not go.

The situation appears very different now. What a difference a day makes—or more accurately a trillion or two dollars!

[North Sea contractors facing a 10% pay cut](#)

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More than 1,000 North Sea contractors will see their pay cut by an average of 10% as oil companies feel the impact of lower crude prices.

The wage reductions affect only one oil service business, Wood Group Engineering (North Sea), but its rivals could follow suit as their oil company clients seek to reduce costs.

[US drilling nears a 3-year low](#)

On Jan. 22, the day before the Baker Hughes report, Paul Horsnell at Barclays Capital Inc. in London said, "The latest US rig counts seem to imply a sharp downturn in industry confidence and in the willingness to invest. US drilling activity has fallen by 99 rigs (23%) over the past 4 weeks alone and does appear set to move even lower. In our view, the impression given by the data of an industry which is pulling in its horns rapidly, and which is moving with haste to reexamine, scale-back, and postpone expenditure seems to be an accurate one."

He said, "With the backdrop of a hail of recent announcements on capital expenditure reductions for both conventional and nonconventional oil, together with the continuing move away from investment in alternative energy, we believe that the sharp fall in industry confidence is likely to have a more lasting effect on the health of the supply-side."

[Libya eyes nationalisation of oil firms: Kadhafi](#)

TRIPOLI (AFP) - Libyan leader Moamer Kadhafi said Tripoli could nationalise foreign oil firms operating in the country unless prices rise to 100 dollars a barrel, the state

news agency JANA reported on Saturday.

[Shell and BP Q4 profits seen hit by crude collapse](#)

LONDON (Reuters) - Oil majors including Royal Dutch Shell and BP are expected to announce the end of a four-year run of record-breaking earnings over the coming weeks, after crude prices collapsed from over \$100/bbl during the fourth quarter.

Analysts believe the big international oil companies will be forced to curb generous dividend rises, rein in soaring investment spending and may even cut back on jobs, after four years of complaining of difficulties in finding staff.

[Pdvsa discusses ways to pay bills to suppliers](#)

State-run oil company Petr leos de Venezuela (Pdvsa) has debts with service companies and after recognizing its obligations, oil-sector officials are discussing several schemes of payment.

Representatives of the oil industry are expected to meet with suppliers in the coming days to propose them several options. Oil industry sources have said that Pdvsa officials are interested in paying the debts.

[Turkey possible winner in Russia-Ukraine gas dispute - expert](#)

KIEV (RIA Novosti) - A Ukrainian energy expert said Russia came out on top in the recent gas dispute with Ukraine but believes that Turkey could prove to be the outright winner as the EU seeks alternative gas routes.

[Lawyers seek to move Nigeria militant trial to delta](#)

JOS, Nigeria (Reuters) - Lawyers for Nigeria's most prominent militant leader sought on Friday to have his trial moved to a court in the oil-producing Niger Delta, where most of the crimes he is accused of are said to have taken place.

The trial for gun-running and treason of Henry Okah, the suspected leader of the Movement for the Emancipation of the Niger Delta (MEND), is being closely followed by armed gangs in the region, home to Africa's biggest oil and gas industry.

[Khalifa refinery project back on track](#)

ISLAMABAD: The government has decided in principle to give another extension to Mohammad Rasheed Jang, Managing Director of the Pak-Arab Refinery (Parco) to win back the UAE administration's support for the setting up of \$5 billion export-oriented Khalifa Coastal Refinery, a senior official told our sources.

[Credit crunch to keep lid on energy trading](#)

LONDON (Reuters) - Fallout from the credit crisis looks set to keep a lid on activity in over-the-counter trading in energy markets, where liquidity has not recovered nearly six months after the crisis hit.

Volumes overall in over-the-counter oil trades, such as price swaps, used to hedge price risk or simply take a punt on the market, are estimated to be around 20 to 30 percent down.

"OTC liquidity has not recovered," said one senior executive at a financial services firm. "Some markets have had significant withdrawals, such as the electricity markets."

[Oil prices baffle traders; soar 6 pct to end week](#)

NEW YORK – The government reported by midweek that oil inventories had soared, suggesting a serious dent in demand; there were horrible housing and jobless numbers Thursday and to end the week there was talk that OPEC couldn't cut production fast enough. Over the same three days, oil prices jumped 11 percent.

Traders searched for logic in a market that seemed to defy it, and by Friday had largely given up.

"I don't understand it," analyst and trader Stephen Schork said. "I don't know why people love buying crude right now. The economy's in horrendous shape. Nobody's driving."

[Oil Storage At Record Levels As Speculators Await Higher Prices](#)

When news reports mention the price of oil, they are usually referring to the price of a barrel of the benchmark West Texas Intermediate crude, and that price often depends on how much of it is in large storage tanks near the small town of Cushing, Oklahoma. Paying storage costs may prove profitable if oil prices go back up in coming months as some experts predict they will.

Cushing is a town of just over 8,000 people, halfway between Oklahoma City and Tulsa, an important U.S. oil and gas production zone. Cushing is the location of between five and 10 percent of total U.S. domestic petroleum storage and the delivery point for the New York Mercantile Exchange crude oil contract.

[Freedom and the price of oil](#)

Our current energy crisis is less immediately dramatic but more ominous in long-term outlook. The price of oil has fluctuated wildly in the past year, tending to obscure the arguments about whether we have in fact reached, or come close to, the moment of peak oil predicted by geoscientist M King Hubbert. But even if oil, by some miraculous dispensation, could be extracted indefinitely from the earth's crust, we would still have an energy crisis, or a fossil fuel crisis. We are choking in our pollution, dangerously overheating the planet, and we have not yet come up with a reliable, consistent, safe and clean source of energy.

[Budget-making and the oil-price illusion](#)

A BRIGHTER BIT of news on the economic front is that oil prices have plunged and we can resume carefree driving without the trauma of gas at \$1.40 or so a litre. At the government level, we can plan for more spending on highways without those annoying demands for alternative transportation modes. And lower energy prices should grease the wheels of recovery.

Well, yes, you're right with your niggling doubt about all this. Oil prices are suddenly out of sight as an issue, but they're like a coiled snake in the bushes, ready to hit us in the ankles when we're not looking, at least according to the energy analysts and institutes I keep an eye on.

[What Goes Down, Must Go Up?](#)

Simmons laments (like many others of us) that the recent collapse in oil prices -- as inexplicable as it's been -- is not a good thing. For Simmons and others in the oil industry, low oil prices have caused major investment projects to be deferred. For those of us more on the cleantech side of things, low oil prices cause the alternatives to oil to become less economically or financially attractive.

To Simmons, it is especially frustrating that the decline in oil prices have nothing to do with fundamental realities. Simmons notes that plummeting prices haven't been driven by any material declines in global demand, backing this with the comment that "all signs still say [the oil market is] 'very tight'" -- admittedly cryptic, but Simmons has access to all sorts of data from innumerable sources in the oil industry worldwide.

After asking plaintively "why do we know so little about an issue so critical to our well-being?", he pulls no punches with his stark conclusions: "Crude oil has peaked" and "Its future decline could be swift," giving credence to his warning that "What goes down can come right back!"

[U.S. independent oil companies hiring- for now](#)

HOUSTON (Reuters) - Unemployment lines across the United States are growing, but demand for workers in the oil patch remains healthy with exploration and production companies still hiring workers in anticipation of the next leg up in oil and gas prices.

Even so, the sector got a surprise last week when ConocoPhillips (COP.N), the third largest U.S. oil company said it planned to cut 4 percent of its workforce, or about 1,300 jobs in a bid to control costs. But smaller peers like Devon Energy Corp (DVN.N) say so far they have no plans to take similar action.

["Things are Always Their Worst at the Bottom"](#)

Do I believe that we're going to run out of crude oil in the next 100 years? Not on your life. Sometime in the next 10,000 years we probably will run out of crude oil. In that instance, I am a peak oil believer. It's not going to happen soon though. I remember they told me when I was in undergraduate school back in the late '60s that we would be out of crude oil by 1984.

...Isn't it interesting? We've pumped crude oil for 28 more years. This is an interesting statistic: We have either seven or eight times more proven reserves now than we had in 1969. And I think we have used a bit of crude oil between now and 1969.

[Some ideas for President Obama's call to sacrifice](#)

The economic downturn seemingly defines the present context, but a larger perspective can better illuminate the situation. The recession, Obama said, is "a consequence of greed and irresponsibility on the part of some but also our collective failure to make hard choices and prepare the nation for a new age." The economic meltdown highlights the same lesson presented by even more thorny issues like climate change and peak oil: We now live in an era of planetary interdependence.

[Detroit Bets Its Future on Washington](#)

The curtain comes down this week on the 2009 Detroit International Auto Show -- and with it likely on the American auto industry as we know it. This might turn out to be a watershed year when some of the industry's big players permanently shift gears from serving ordinary car buyers to serving the grand designs of central planners.

The only other time that the industry subordinated its customers to the government was World War II. Then it had no choice. This time the industry, particularly General Motors, is desperately "retooling" itself to make Washington's environmental and industrial policy priorities a vital part of its business revival plan.

[A smarter way for oil firms to pay for eco damage](#)

GETTING oil and gas companies to contain the harm they do to the environment just got a little easier.

Companies are sometimes asked to preserve pristine land to compensate for the damage their operations do - both directly and through the roads, houses and towns that spring up nearby. This poses a problem because the companies can easily claim credit for protecting land their activities would never have damaged anyway.

[James Lovelock: One last chance to save mankind](#)

There is one way we could save ourselves and that is through the massive burial of charcoal. It would mean farmers turning all their agricultural waste - which contains carbon that the plants have spent the summer sequestering - into non-biodegradable charcoal, and burying it in the soil. Then you can start shifting really hefty quantities of carbon out of the system and pull the CO₂ down quite fast.

[EPA objects to coal plant, Sierra Club claims new day](#)

LOS ANGELES (Reuters) - Environmentalists claimed on Friday that a new era regarding coal-fired power plants had arrived with the Obama administration after the U.S. Environmental Protection Agency turned back South Dakota's approval of a big coal-fired power plant in that state because of pollution concerns.

"EPA is signaling that it is back to enforcing long-standing legal requirements fairly and consistently nationwide," said Bruce Nilles, head of the Sierra Club's effort to stop coal power plants.

[Raising the Bar on Fighting Climate Change](#)

The Bush White House was so profoundly hostile to action on global warming that during its eight-year tenure, one could have qualified as a "green progressive" simply by asserting that climate change was real. In 2007, under these circumstances — perhaps because of them — was born an unlikely alliance between Duke Energy, a North Carolina-based utility that depends heavily on coal, and the Environmental Defense Fund, which together with 30 other green groups and major corporations, formed the U.S. Climate Action Partnership (USCAP).

[A Clean Coal Confrontation](#)

On the campaign trail, President Obama embraced the coal industry's vision of "clean coal" technology. But even before he took office, a coalition of environmental groups (including Al Gore's) launched ads ridiculing the idea as a myth: "In reality, there's no such thing as clean coal."

...Is "clean coal" possible? Our answer: Probably, though it would come with a big price tag.



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