



DrumBeat: January 25, 2009

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Topic: [Miscellaneous](#)

[The Patch: Peak supply vs. peak demand](#)

"There is a reasonable likelihood that OECD oil demand has peaked," Peter Davies, former chief economist at BP PLC, told Reuters this week. Antoine Halff and Veronique Lashinski, energy analysts at the U.S. brokerage, Newedge, said: "More and more analysts are sold on the idea that U.S. oil demand peaked in 2007. The market meltdown is likely to entrench current demand losses not only in the U.S. itself but in the world at large."

That, of course, would be bad news for a growing oil producer such as Canada.

Yet the same market focus on shrinking oil demand to the exclusion of everything else is beginning to encourage another, just as powerful view: that oil supply is disappearing faster than demand is falling.

Randy Ollenberger, managing director of oil and gas research at BMO Capital Markets, said global oil supply could decline by as much as 20 million barrels a day over the next three years if the oil industry stops investing new capital, whether by building new projects or sustaining existing ones, because oil prices are too low. This would dwarf a decline in demand of about 2.25 million barrels a day over the same period.

[Exxon, Hess Oil Field May Hold 10 Billion Barrels, Estado Says](#)

(Bloomberg) -- Exxon Mobil Corp., Hess Corp. and Petroleo Brasileiro SA's BM-S-22 offshore block in Brazil's so-called pre-salt area may hold as much as 10 billion barrels of oil, O Estado de S. Paulo reported, without saying where it got the information.

The block operated by Exxon Mobil in Brazil's Santos Basin may have more potential than the nearby Tupi field, which contains as much as 8 billion barrels, the newspaper said, citing unidentified people with access to results of some studies.

[Algeria storms leave 8 dead, disrupt port](#)

ALGIERS (Reuters) - Heavy wind, rain and snow in OPEC member Algeria have killed

eight people and disrupted the movement of oil and gas tankers at the port of Arzew near the western city of Oran, newspapers reported on Sunday.

Arzew port authorities were forced to halt oil and gas tanker activity until Saturday due to rough seas caused by 90 km-per-hour winds, but the storm had now calmed, daily El Khabar said.

[Crude Oil Contango: West Coast Has no Relief from Gas Prices](#)

The reason gasoline prices will stay firm on the West Coast regardless of all the crude oil price gyrations is that oil refiners have either cut back production, are having unscheduled maintenance problems or have brought their units down earlier than normal for the switchover to producing summer gasoline.

[Nigeria arrests seven for stealing oil in delta](#)

ABUJA (Reuters) - Nigeria's anti-corruption police arrested six Ghanaians and a Nigerian for stealing millions of dollars worth of crude oil in the restive Niger Delta, the agency's spokesman said on Sunday.

The suspects were taken into custody after their vessel, carrying a cargo worth around 330 million naira (\$2.2 million), was seized in Chanomi Creek in southern Nigeria's Delta state in late December.

[Kuwait posts 9.82 billion dinars surplus](#)

The Finance Ministry of Kuwait has reported a preliminary budget surplus of 9.82 billion dinars in the first nine months of its 2008/09 fiscal year, despite falling oil prices, official data showed on Sunday.

Income mainly from oil revenues for the world's No. 7 oil exporter was 18.55 billion dinars at end-December, while expenditures were 8.73 billion dinars, the finance ministry said.

[Behind the Numbers: Problems Loom for OPEC](#)

So far OPEC has been relatively successful at cutting oil production and keeping oil prices propped up. Saudi Arabia is leading the charge saying, more or less, it's going to do what needs to be done.

They have been able to stick together, but how long can it really last?

[Obama Has Opportunity to Reverse Mistake on Offshore Drilling](#)

Campaigning in Florida last June as a presidential candidate, then-Senator Barack Obama blasted the proposal of his opponent, Senator John McCain, to open coastal areas of the United States to offshore drilling. Declaring that it "makes no sense at all," Obama correctly stated that such drilling would make very little difference in the price of gasoline, and supported a reduction of fossil fuel use through a stimulus program that would create "green jobs."

But as gasoline prices soared past \$4 a gallon and the Republicans campaigned on the issue of "drill here, drill now," the Democratic leadership softened its position. The end result was that a 27-year ban on drilling in coastal areas off the United States was allowed to expire.

President Obama now has an opportunity to reverse this mistake by re-instituting the prior protection of our coastal environment.

[Green garbage dumps? Mexico City vows to try](#)

MEXICO CITY - Mexico City wants to turn one of the planet's biggest and messiest waste management systems into the greenest in Latin America, if not the developing world.

[Italian oil company Eni's chief says oil price turbulence unprecedented, bad news for industry](#)

RIYADH, Saudi Arabia (AP) — The head of the Italian oil company Eni SpA said Sunday that the turbulence in oil prices is unprecedented and is "extremely bad news" for the industry.

Paolo Scaroni, CEO of Eni, told a panel at the Global Competitiveness Forum that the time is ripe for the oil industry to look for ways to ensure more stability.

"Our sector is no stranger to cycles," Scaroni said. "But the turbulence we are currently experiencing — with oil doubling in the nine months to July 2008 and then losing two-thirds of its value in the following six months — is unprecedented."

"It is also extremely bad news for an industry like ours, where a five-year view counts as short term," he added.

[Obama's Vilsack Appointment: Not a Change We Can Believe In?](#)

Obama's ambiguity on corn-based ethanol has evoked apprehension in the scientific world. If he wants to remain consistent with his liberal agenda and goals of positive

change, he will have to yield to the scientists in his cabinet—thereby removing himself and politically-tied Cabinet members from the energy-resolution process. But when Obama appointed former Iowa governor Tom Vilsack—with his partiality towards corn ethanol—as the new Secretary of Agriculture, it highlighted a potential for extremely worrisome energy policy.

[Environmental Issues Slide in Poll of Public's Concerns](#)

A new poll suggests that Americans, preoccupied with the economy, are less worried about rising global temperatures than they were a year ago but remain concerned with solving the nation's energy problems.

...In the poll, released Thursday by the nonpartisan Pew Research Center, global warming came in last among 20 voter concerns; it trailed issues like addressing moral decline and decreasing the influence of lobbyists. Only 30 percent of the voters deemed global warming to be "a top priority," compared with 35 percent in 2008.

[Productive stimulus: Fast-track nuclear power](#)

I propose that Congress bankroll immediate construction of a dozen new nuclear reactors *at existing nuke sites*. This meets the common concern that infrastructure projects be "shovel-ready." Starting with existing nuclear power plant sites minimizes risk of undiscovered environmental issues. Local political acceptance is usually well resolved after years of "good neighbor" operation, not to mention the millions of dollars annually that flows into the local economy and government treasuries.

[The Futility of Alternative Energy in the Midst of Hyper-Population Growth](#)

But let's return to the phrase, "...and keep our economy growing." That means to keep our population growing in order to create more production, consumption and use of natural resources. What those politicians fail to tell you: our non-renewable energy resources dwindle while our population accelerates on its way to adding 100 million people in the next 30 years and six million added to Colorado by mid century.

Nonetheless, everyone thinks alternative energies will take up the slack when the planet runs out of oil in the near future. How soon? The Hubbert Curve shows the planet hitting Peak Oil Extraction by 2010. From there, no matter how many wells we drill, the planet's supply declines inexorably toward zero.

So, can alternative energies save our civilization? Let's find out.

[Whose oil is it anyway?](#)

Blood of the Earth is about oil, "its birth, life, and approaching death," as author Dilip Hiro puts it. The book provides an overview of the early exploration and production of oil, its centrality in our lives and geopolitics over the past century and the crisis that is looming as the world runs out of oil.

[Home oil shortage hits dealers](#)

UTICA - A recent cold weather snap and low fuel prices might be the reason why some area retailers had to travel to Syracuse for home heating oil recently.

Some began commuting to Syracuse and other locations last week after they were told by regional distributors that more home heating oil would not be available here through the Buckeye Terminal pipeline until Wednesday.

Some consumers who use heating oil to warm their homes might have seen a short-term rise in costs as retailers tried to offset their traveling costs.

[Kuwait investment company sets up oil and gas joint ventures with Russia's Gazprom](#)

DUBAI, United Arab Emirates (AP) — Kuwaiti state news says an investment firm in the Persian Gulf oil producer is forming a pair of joint venture companies with Russia's Gazprom.

Kuwait News Agency says Noor Financial Investment will join with the Russian oil and gas giant's Gazprom Geofizika subsidiary to form one venture in Russia and another in Kuwait.

[Europe to Ask Wealthy Nations to Adopt Carbon Trading System](#)

BRUSSELS — The European Commission was preparing an appeal on Friday to wealthy countries — and to the United States in particular — to adopt carbon trading as one of the main mechanisms for curbing greenhouse gas emissions.

[Car-free Masdar City will run on green PRTs](#)

Visitors to the future Masdar City will have no choice but to do what the Masdarans do — leave their cars outside the city and use PRT.

Personal Rapid Transit automotives will be the only means of transport in the planned zero-carbon and zero-waste city taking shape just outside Abu Dhabi as one of cleanest and most environment-friendly habitats in the world.

[Gone With the Wind](#)

When I first wrote about the Pickens Plan, as it is now known, he was putting his money where his mouth was, declaring that he was going to build a giant 2,700-turbine wind farm in West Texas costing upward of \$10 billion. Nope, not anymore. The nation's credit crunch has gutted the wind project's financing, putting the whole project on hold. He's also delayed work on a state permit to build 170 miles of transmission lines from West Texas that would carry enough wind energy to power 300,000 homes. "For now," Boone told one reporter, "the wind stuff is deader than hell."

In fact, the whole Pickens Plan seems to be going, well, nowhere. In November, California voters resoundingly defeated a ballot measure he supported to put \$5 billion in bond money into promoting natural-gas vehicles in the Golden State. (Pickens's own company, Clean Energy Fuels Corp., the country's largest owner of natural-gas filling stations, sponsored the plan and put up \$19 million to back it.) What's more, automakers have simply refused to embrace the idea of natural gas-powered cars. They are focused on building cars that run on electric power. Meanwhile, more skeptics have emerged to blast away at Pickens' wind energy proposal. They insist, for instance, that the cost of transmitting electricity from Boone's proposed windmill farms in the Midwest to the current power grid would be ridiculously prohibitive.

[OPEC may meet early if oil drops below \\$40: report](#)

LUANDA (Reuters) - OPEC could meet before March if Brent crude oil prices fall to below \$40 per barrel, the group's president was cited by Angolan weekly newspaper O Pais as saying.

Although Jose Botelho de Vasconcelos said he only expected the next gathering of the 12-member Organisation of the Petroleum Exporting Countries to take place, as planned, in Vienna on March 15, he added the group could meet sooner if oil prices suddenly dropped.

[The Peaknik Diaspora](#)

Am I some kind of dystopian? I believe in peak carbon, and I'm becoming a believer in peak debt. I'm very sympathetic to peak fish, and I'm agnostic on peak dirt: I haven't really looked into it. I generally avoid the peak-oil crowd, not because they make no sense at all but rather because they're so shrill. And I don't think much of the peak-dollar lot, including the goldbugs. But I clearly have peaknik tendencies, even though I have no eschatological leanings.

My general attitude towards such things is that they are big drivers of the global economy, but not necessarily forces which will devastate the human race: I enjoy listening to Jim Kunstler, but I don't follow him all the way to his conclusions.

[Peak Oil Delayed](#)

Opec Nations this week reached a decision of global import, delaying the onset of the Peak Oil Crisis at least until the price for crude goes back up to a profitable potential.

This move comes on the heel of the traumatic discovery last year that consumers will not, after all, find a way to continue driving when they have no money to buy it. As the price for a gallon of gas rose above \$4 last year, consumers fought back, and fuel purchases dropped to unprecedented levels.

[Saudi Aramco, Total sign new Jubail refinery deal](#)

(MENAFN - Arab News) Saudi Aramco and Total yesterday reaffirmed their resolve to complete the world-class Jubail refinery project that is designed to supply 400,000 barrels per day, the Saudi Press Agency said.

"The two companies signed a new contract to implement the project," the official agency said, adding that the new refinery would begin operations at the end of 2012.

[New head of BP's U.S. unit silent on acquisitions](#)

The incoming head of BP's U.S. operations said he's committed to developing ongoing projects on the continent but was mum about possible future oil and gas acquisitions in a volatile economy.

[Gazprom hopes to sign gas contracts with Ukraine for 20-30 years](#)

MOSCOW (RIA Novosti) - Russian energy giant Gazprom hopes to sign gas supply contracts with Ukraine for 20-30 years to ensure stable gas transit to Europe, Gazprom Deputy Chairman Alexander Medvedev said on Sunday.

[French firm expands oil research into Colorado](#)

When French energy giant Total recently signed on to a U.S. oil shale project, it became just one more element in the company's global effort to pursue shale and other unconventional fuel projects.

Total announced earlier this month it plans to acquire a 50 percent stake in IDT Corp.'s American Shale Oil LLC subsidiary. AMSO holds a 160-acre federal oil shale research, development and demonstration lease in Rio Blanco County, and a right to convert that to a commercial development lease covering about eight square miles upon meeting

certain conditions.

[Climate change could devastate Philippines: NASA scientist](#)

Climate change could have a devastating impact on the Philippines, leading to widespread destruction of the country's flora and fauna and flooding the capital Manila, a NASA scientist warned here Friday.

The continued melting of Arctic ice caps, brought on by climate change, could cause sea levels to rise by seven metres (23 feet), said National Aeronautics and Space Administration (NASA) physicist Josefino Comiso.

He said the country's fish stocks would be depleted and many species of plant and animal life would die because of the change in ocean temperatures caused by climate change.

[Obama moves forward with plans to cut emissions](#)

A cap-and-trade initiative would limit greenhouse gases and raise the cost of pumping more carbon into the atmosphere. Some fear it could also further hurt the economy.

[Tweak gardening practices as the weather goes to extremes](#)

As climate change brings weather extremes, hotter temperatures and increasing demand on a diminishing water supply, not only our gardens but our gardening techniques must be fine tuned.

[The other global warming](#)

But even if we bring the greenhouse effect under control, says a Tufts astrophysicist, the earth will warm up anyway, thanks to a completely different source of heat that we create ourselves.

Over the next 250 years, calculates Eric J. Chaisson in a recent paper, the earth's population will start generating so much of its own heat - chiefly wasted from energy use - that it will warm the earth even without a rise in greenhouse gases. The only way to avoid it, he says, is to rethink how we generate energy.



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