



DrumBeat: January 28, 2009

Posted by [Leanan](#) on January 28, 2009 - 9:44am

Topic: [Miscellaneous](#)

[Tanaka gears up for 'double challenge'](#)

The double challenge of cheaper oil and a global recession is to ensure enough is spent on new sources of fossil fuel and to grab the opportunity to get greener supplies, Nobuo Tanaka, the head of the International Energy Agency (IEA) said today.

Oil at near \$40 a barrel has slowed investment in oil projects, he told Reuters, raising the possibility of a supply shortfall once demand resumes.

"The current price level has a negative impact on investment in new oilfields," Tanaka said on the sidelines of the World Economic Forum in Davos.

"We are concerned about slowdown, slippage, cancellation of projects. When demand comes back, we may have a supply crunch," He added.

[OPEC chief sees supply cuts enforced, demand weak](#)

DAVOS, Switzerland (Reuters) - OPEC is expected to have fully delivered on its pledged supply curbs by the end of this month, said the group's Secretary-General on Wednesday, but a weak economy would continue to erode demand for fuel.

Abdullah al-Badri told reporters at the World Economic Forum in Davos that even an oil price of \$50 a barrel was still too low to encourage investment in new supply. Oil was trading around \$42 on Wednesday.

[OPEC Optimism Over Production Cuts Jars With PetroLogistics](#)

(Bloomberg) -- OPEC Secretary General Abdalla el- Badri said the group may achieve its new output quotas in full before the end of the month, even as tanker-tracking estimates suggest otherwise.

[Shell Seeks to Sell Third Forties Crude Cargo Stored on Vessel](#)

(Bloomberg) -- Royal Dutch Shell Plc offered to sell a third cargo of North Sea Forties crude in as many days from a supertanker that's been storing the oil off the U.K. since December.

Shell offered 600,000 barrels of Forties loading between Feb. 7 and Feb. 14 at Scapa Flow from the vessel Oliva at a discount of \$1.60 to the cost of March forward prices, said two people who saw the offer in the Platts trading window. The crude is being offered on a ship-to-ship basis, meaning it will be loaded directly from the seller's vessel onto the buyer's.

That's the third cargo of Forties from the 2 million-barrel Oliva Shell has offered this week. It sold 600,000 barrels to Vitol Group on Jan. 26 and Jan. 27.

[Mexico's Pemex expects wider loss in 2008](#)

MEXICO CITY (Reuters) - Mexico's state oil company Pemex said on Tuesday it expected its net loss in 2008 to be "significantly greater" than its 2007 results due to the sharp drop in oil prices in the fourth quarter.

Pemex did not provide an estimate of its expected loss in a statement filed with the U.S. Securities and Exchange Commission, but it comes as the company has been struggling with sliding oil production due to falling yields from the giant Cantarell field.

[Pemex looking away from US deepwater following reform](#)

MEXICO CITY: Mexican state oil company Pemex does not need to consider E&P operations on the U.S. side of the Gulf of Mexico maritime border for the time being, company CEO Jesús Reyes Heróles told correspondents in response to a BNamericas question.

Pemex in the past was invited to participate in joint ventures in US waters but was waiting to see what changes last year's energy reform would bring.

[Mexican Economy: Does What Happens in Mexico, Stay in Mexico?](#)

Approximately 40% of the Mexican government budget is financed by oil exports and 32% of those exports come from the Cantarell field. In December, Pemex, the state owned oil company announced that production from the Cantarell field fell 33%, twice the official estimate. As a result, the government is devoting more money to fighting drug cartels and the main source of financing is disappearing more rapidly than expected.

[Pemex Sells \\$2 Billion of 10-Year Bonds in U.S.](#)

(Bloomberg) -- Petroleos Mexicanos, the state-owned oil company, sold \$2 billion of 10-year notes in the U.S., a month after the Mexican government began a wave of emerging-market debt issuance by tapping international markets.

[Petrobras Shuns 'Expensive' Dollar Bond Market](#)

(Bloomberg) -- Petroleo Brasileiro SA, Brazil's state-controlled oil producer, put off plans to sell bonds because the cost for borrowing on international markets is "too expensive," Chief Executive Officer Jose Sergio Gabrielli said.

[Canadian oil drilling seen dropping 21%](#)

CALGARY, Alta -- Canadian oil and gas drilling could fall 21% this year on slowing petroleum demand and low commodity prices, the Petroleum Services Association of Canada said on Wednesday.

[Cyclone Dominic Shuts about Half of Australian Oil Output](#)

A cyclone off western Australia has shut down nearly half of the country's oil output, but some operators said output was likely to resume by Wednesday as the storm rapidly weakens.

Oil and gas firms operating off Australia's northwest coast, including Woodside Petroleum Ltd, BHP Billiton Ltd, Santos Ltd and Apache Corp, have in total suspended 218,000 barrels per day (bpd) of oil production since Sunday -- accounting for about 45 percent of Australia's daily oil output.

[ConocoPhillips, Valero, Slash Refinery Production](#)

(Bloomberg) -- ConocoPhillips, the second largest U.S. refiner, expects refinery utilization rates near 80 percent during the first-quarter due to planned turnarounds and hydro-skimming economics.

Valero Energy Corp., the largest U.S. refinery, said yesterday average utilization rates for its fluid catalytic cracking units, which help make gasoline, are between 70 and 75 percent of capacity.

"I think they are smart business people," said Peyton Feltus, president of Randolph Risk Management Inc. in Dallas. "Demand is down. Refiners have gotten a profitable crack spread back by reducing capacity, so why ramp up and ruin the market that they have worked hard to improve?"

[Petrobras is 'Best Positioned' for Oil Rebound, Goldman Says](#)

Goldman wrote in a note that Petrobras will continue to increase volumes organically at a “very competitive mid-single digit rate.”

[Kenya: Oil marketers raise fresh alarm over fuel shortage](#)

The move comes after biting fuel shortages experienced last month in which many motorists saw it as a ploy by oil marketers to hoard the commodity with the intent of hiking prices during the Christmas holidays.

Industry insiders, however, could not explain what was happening then, but it eventually emerged that in addition to the inefficient delivery system run by the Kenya Pipeline Company, the Government had in October hired a broke oil firm – Triton – to import the December supplies on behalf of the industry, but did not deliver.

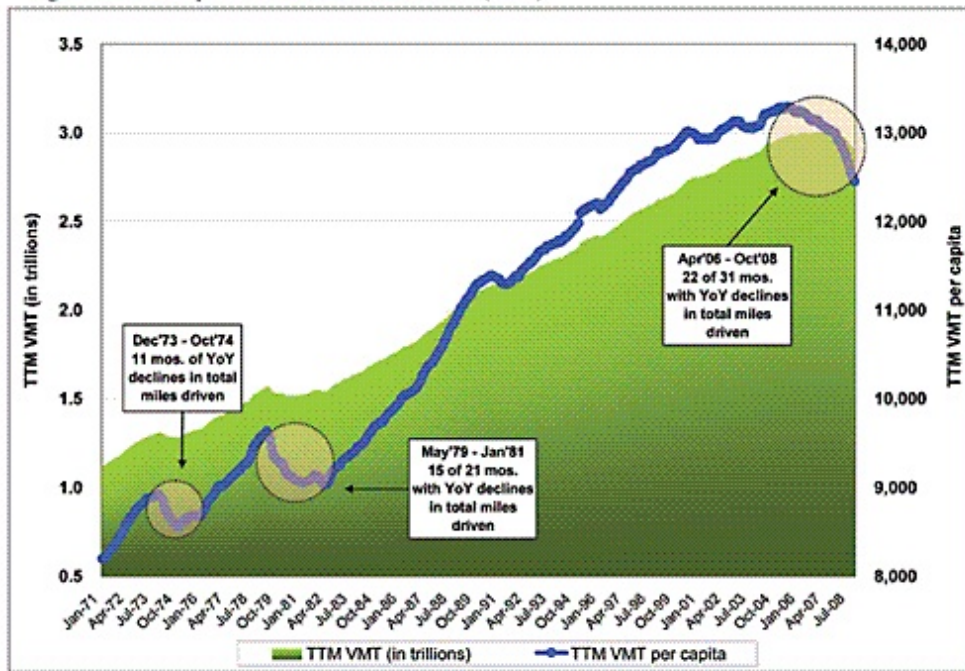
[Pakistan - Small dams no substitute for large ones: seminar told](#)

“It is a tragedy that in the midst of a global energy and food crisis we are trying to reinvent the wheel without proper information. The reality on the ground is that Pakistan currently has 68 small dams with an average capacity to irrigate 8,500 acres of land. None of these dams produces electricity. Moreover, there are no sites for these dams in NWFP, Sindh and south Punjab,” he said.

A few dams, he added, could be built in northern Punjab though they would not meet agricultural water needs of the country and would certainly not produce a single unit of electricity. He said Pakistan needed three to four large dams of the size of Kalabagh or Tarbela to overcome the water and energy crisis and ensure food security.

[An aftermarket haunting](#)

Figure 1: Extended period of declines in miles driven (VMT)



Source: U.S. Department of Transportation, Bureau of Labor Statistics, BB&T Capital Markets

In 2006, gas prices climbed to the \$3 range and caused many in the aftermarket to see slowing sales trends as spending patterns and driving habits started to shift. The psychological shock of gas prices crossing the \$3 barrier put in motion an extended period of declining miles driven (as shown in Figure 1), with year over year declines in 22 of 31 months from April 2006 until October 2008, with 12 months of consecutive declines since November 2007.

In hindsight, we think what began as a temporary deferral of automotive maintenance and repair services has perhaps led to a more permanent shift in pattern. Discretionary categories, such as truck running boards and lights, experienced an even more pronounced slowdown, followed by a decline in demand for such products as washes and waxes.

[Plastic power](#)

A startup has a new solar technology so light and malleable that it could charge your laptop - or light up a skyscraper.

[Former railroad administrator bullish on Amtrak](#)

MERIDIAN, Miss. (AP) - Former federal railroad administrator Gil Carmichael is bullish on the future of passenger rail service in the United States.

Carmichael, FRA leader under the first President Bush, tells Meridian television station WTOK that thanks to the energy crisis and gasoline prices skyrocketing, ridership increased on Amtrak significantly.

[Organic food sales growth slows](#)

LONDON/CHICAGO (Reuters) -- As the recession drives consumers to cut costs, their commitment to organic food has been tested. Although sales growth has slowed, sales haven't dropped - yet. How green are our wallets?

[Obama's Fuel Economy Follies](#)

Politicians want you to pay more when you drive. They just won't admit it.

[Gore: Economy must spur action on warming](#)

WASHINGTON - Former Vice President Al Gore is urging Congress not to be sidetracked by the current financial crisis and to take "decisive action" this year to reduce the heat-trapping gases responsible for global warming.

Gore, scheduled to appear before the Senate Foreign Relations Committee on Wednesday, planned to tell lawmakers that a bill capping greenhouse gas emissions is needed if the United States is to play a leading role in negotiations for a new international climate treaty.

[Graduation "Speech" to the Class of 2009 Has Important Message about Global Warming](#)

I can't be here in person to address you, since I passed into oblivion long ago. But as a member of the graduating class of 1971 at this esteemed university on a hill, I wanted to leave you with a brief message -- from the past to the future -- about global warming and climate change.

As the class of 2009, you are about to enter the 22nd Century in a few more months, and you will bring with you not only your Tufts experience but also your career expectations and personal anxieties as citizens living on a planet in the midst of a Long Emergency. I'm sure you've heard this term a lot these past four years -- "The Long Emergency" that writer James Howard Kunstler wrote about almost 100 years ago -- but you should know that in my days as a student we never used the phrase. We had not even heard of it yet!

[Obama's high-wire electric act](#)

To justify taking homes and farms to build the Interstate highway, President Eisenhower cited a security need: Military vehicles must move fast in case of war. Now

President Obama, citing a need to curb global warming, wants new transmission lines across America to carry electricity from carbon-free energy sources. Will he also use federal muscle to take people's land, even wilderness?

The question hangs like a sparking high-tension wire over Mr. Obama's plans to plow \$11 billion – part of his economic stimulus – into a "smart grid," which is critical to his ambitious goal to curb fossil fuel use by 2020.

Even without a need to help renewables transmit electrons, the nation's electric grid needs an upgrade. Its structure hasn't changed much from the days of Thomas Edison. Blackouts, such as the big one in 2003 that left 50 million people in the dark, are increasing. Its 164,000 miles of lines and 9,200 generating plants are ill-equipped to accept power from small-scale sources such as wind, geothermal, and biomass.

Yet Obama wants to double renewable energy within three years and bring it "to every corner of our nation." Without smashing through local resistance and environmental concerns to new transmission lines, he's unlikely to reach his goal.

[Engineers give U.S. infrastructure poor grades](#)

CHICAGO (Reuters) - U.S. roads, airports, schools, levees, dams, and other infrastructure are in overall poor shape and require a \$2.2 trillion investment to bring them up to par, an engineering group said on Wednesday.

The American Society of Civil Engineers gave infrastructure a grade of "D" as U.S. President Barack Obama seeks \$825 billion in extra government spending and tax cuts to ease the economic crisis.

Infrastructure earned the same dismal grade in 2005, but the group's estimated five-year price tag to fix it rose by \$600 billion to \$2.2 trillion.

[Unitil gets an earful from angry residents left without power](#)

FITCHBURG - Infuriated consumers delivered hours of angry testimony yesterday, asking state officials to consider banning Unitil from doing business here and accusing the power company of failing them in its handling of a massive outage after a December ice storm.

[Friction over Edison rate hike](#)

How's this for bad timing? As the economy keeps tanking, and as tens of thousands of people are losing their jobs, state regulators are preparing to vote on a rate hike that could grant Southern California Edison Co. more than \$1 billion in additional ratepayer cash over the next three years.

[Palm Oil to Rebound on Demand, Indonesia's Manggabarani Says](#)

(Bloomberg) -- Crude palm oil should recover to as much as \$700 a metric ton this year on increased demand, according to Achmad Manggabarani, the head of plantations policy in Indonesia, the world's largest producer.

"We are moving toward the equilibrium price" where supply balances demand at \$600 to \$700 a ton, Manggabarani, plantations director general at the Agriculture Ministry, said in an interview. The forecast compares with 1,800 ringgit (\$499) a metric ton in Malaysia today and \$560 in Rotterdam on Jan. 27.

[State Farm to leave Florida property market](#)

TALLAHASSEE, Fla., Jan 27 (Reuters) - State Farm Insurance Co said on Tuesday that it would leave the Florida property insurance market within two years because it cannot raise premiums high enough to offset the hurricane risks.

The privately held company has been battling state insurance regulators for more than a year over proposed rate hikes that State Farm said it needed in Florida's hurricane-rattled property and casualty market.

[New York City fears return to 1970s](#)

NEW YORK (Reuters) - While many U.S. cities worry that their economies are deteriorating to the level of the 1930s Great Depression, New York City fears reliving a more recent decade that features strongly in city lore.

The 1970s were a low point in city history as a fiscal crisis almost pushed it into bankruptcy, crime rates soared, and homeless people crowded sidewalks as public services crumbled.

Almost a million people fled New York's Mean Streets during the decade for the safer, more stable suburbs, a population decline that took more than 20 years to reverse.

[Cardiff women are worst offenders for binning unworn clothes](#)

The equivalent in carbon emissions of all homes in Wales is produced by throwing away unworn clothes, says a survey.

[OPEC Calls for Curbing Oil Speculation, Blames Funds](#)

(Bloomberg) -- OPEC wants U.S. regulators to curtail oil trading by hedge funds and speculators who helped make last year the most volatile in crude oil markets.

Abdalla el-Badri, secretary-general of the Organization of Petroleum Exporting Countries, is seeking rules to “limit the level of speculation” by investors who buy oil without planning to use it. Oil surged 46 percent in the first half of 2008 to a record \$147.27 only to plunge by the end of the year, prompting OPEC to make its biggest ever supply cuts.

“OPEC has repeatedly called for the need to reduce the role of excessive speculative activity in the market,” el-Badri, who will attend this week’s World Economic Forum in Davos, Switzerland, said in an e-mailed response to questions. “Today, it is impossible to know who is actually buying and selling oil futures.”

[Venezuela’s 2008 China Oil Shipments Miss Target, Data Show](#)

(Bloomberg) -- Venezuela petroleum shipments to China fell short of President Hugo Chavez’s target of 400,000 barrels a day in 2008, according to customs data.

December shipments of crude and fuel oil were as much as about 168,000 barrels a day, according to Bloomberg calculations based on Chinese Customs General Administration data.

Venezuela is seeking to boost trade with China to reduce reliance on the U.S. market. Venezuela’s failure to reach its announced goals for shipments to China likely reflect the country’s inability to increase output, said Luisa Palacios, an analyst at Medley Global Advisors in New York.

[Weak fuel demand seen expanding US refinery work](#)

NEW YORK (Reuters) - U.S. refiners are likely to take more processing units down for longer periods during spring maintenance as prolonged economic weakness squelches demand for gasoline and diesel fuel.

Waves of job losses and the housing market meltdown have hit driving and spending habits of Americans, and that is expected to keep a tight lid on once-soaring demand for oil products, prompting refiners to take the extra repair time.

[Baker Hughes hikes profit, paints grim picture for 2009](#)

In a news release before dawn, Baker Hughes Chief Executive Chad Deaton was more focused on a gloomy short-term forecast that prompted the layoffs, including about 200 of the roughly 7,300 local workers.

“Looking forward, the outlook for 2009 has continued to deteriorate,” Deaton said. “The global economic recession, lower oil prices, and reduced access to credit will negatively impact customer spending globally. Many of our international customers are trimming their exploration plans.”

[Exxon Plant Prepares for Possible Strike, Enterprise Reports](#)

(Bloomberg) -- Exxon Mobil Corp., the largest oil company, is preparing to keep its Beaumont, Texas, refinery operating if negotiations with a labor union result in a strike at midnight Jan. 31, the Beaumont Enterprise reported.

Local and national union workers are negotiating with refiners, the newspaper said. One contract is for about 2,400 refinery workers at Exxon, Valero Energy Corp., Total Petrochemicals and Motiva Enterprises LLC, the newspaper reported.

[Total bids \\$500 mln for UTS in oil sands drive](#)

LONDON/CALGARY (Reuters) - French oil major Total SA has made an unsolicited C\$617 million (\$502 million) takeover bid for Canada's UTS Energy Corp, taking advantage of weak asset prices to try and expand in the oil sands industry.

Shares in companies focussed on Canada's oil sands have collapsed in the past year after operating costs soared and oil prices fell, squeezing margins and forcing many companies to delay projects.

[Total says may delay Joslyn oil sands project](#)

LONDON (Reuters) - France's Total said it may delay start-up of its Joslyn oil sands project in Canada, adding to a trend of companies reappraising and delaying plans in the light of lower oil prices and higher costs.

The oil sands industry enjoyed a huge boom on the back of soaring oil prices in recent years, leading to a big hike in operating costs. Even before oil prices fell, some companies began to worry about long-term profitability.

[Petro-Canada Reports Blast, Fire at Edmonton Refinery](#)

(Bloomberg) -- Petro-Canada, the country's second- largest oil refiner, said an explosion and fire occurred at its Edmonton, Alberta, crude oil refinery.

[Shell to help harness Nigerian energy potential](#)

LAGOS (Xinhua) -- Shell Nigeria Exploration and Production Company (SNEPCo) has said it has the technology to develop the integrated offshore and onshore gas projects necessary to harness Nigeria's full energy potential.

Chike Onyejekwe, managing director of SNEPCo, disclosed this in Abuja on Tuesday at the Offshore West Africa Conference taking place at the International Conference Center, reported the News Agency of Nigeria on Wednesday.

['Peak Oil in Latin America: Present and Future Perspectives for the Oil & Gas Markets'](#)

Frost & Sullivan will host a live briefing on Tuesday, February 03, at 3:00 PM EST to provide industry participants an overview of key market trends in the Latin American Oil and Gas Markets.

Since 2003 we observed high oil prices (above USD\$ 100 during 2008), that provide us with an excellent "laboratory" to understand the implications of the Peak Oil in Latin America. This situation obliged Latin American countries to increase investments in exploration and production activities, and also to increase investments in renewable energy and diversify their energy matrixes. Furthermore this scenario pushed towards petro-nationalism in countries such as Venezuela and Bolivia.

This analysis focuses on upstream and downstream activities, and how they could be impacted by energy policies in the different Latin American countries, driven by fears of the availability of fossil fuels, in a high price scenario. Highlights of the briefing include an overview on Peak Oil prices, different factors affecting prices, drivers & restraints of these market forecasts and trends.

[South Korea: Refiners report worst sales for 2008](#)

GS Caltex and S-Oil, two of the nation's major oil refiners, have reported some of the worst annual sales figures in their respective corporate histories.

[The Future's So Bright I Gotta Wear Schadenfreude](#)

There are prophets of hope. There are those who try avoid preconceptions, reading events as they happen. And there are the prophets of *schadenfreude*, that joy that only arises when someone else is suffering. These prophets have political handmaidens, too - cynics who would let the country fail to further their own political interests.

Then there's Homer Simpson, who agreed with his daughter Lisa that sometimes events have no point, no "moral," that sometimes they're "just a bunch of stuff that happened." I don't accept the Simpson Model of History, but I prefer it to that of those who seem to

take pleasure in our rising tide of economic misery. Futurist Jamais Cascio calls this perspective "aspirational apocaphilia" and cited James Howard Kunstler as one of its leading proponents.

[Salazar says limits needed on offshore drilling](#)

WASHINGTON – Interior Secretary Ken Salazar said Tuesday the expansion of offshore oil drilling should be worked out with Congress as part of a broad energy blueprint and not independent action by his department.

In an interview with The Associated Press, Salazar indicated the drilling plan the Bush administration left on his desk likely will be scrapped. It would open the entire Atlantic and Pacific coasts for drilling.

[Wind Power hits economic storm](#)

WASHINGTON – Wind power has seen historic growth and the blessing of President Barack Obama – but it's far from recession-proof.

The American Wind Energy Association reported Tuesday that the amount of electricity generated by wind turbines grew by 50 percent last year and 55 new manufacturing facilities were built to make turbine components.

But the association sees storm clouds ahead.

[Hawaii's clean-car bill applauded](#)

The Clean Cars Act, introduced by Sen. Mike Gabbard, chair of the Energy and Environment Committee, would require vehicles sold in Hawaii to dramatically increase the miles that they travel on a gallon of gas.

[EU Proposes Extra EU1.25 Billion for Carbon Capture](#)

(Bloomberg) -- European Union regulators proposed an extra 1.25 billion euros (\$1.7 billion) in aid to companies that store carbon dioxide underground, expanding a push for investment to fight climate change.

[Kerry Seeks Action on Climate Pact](#)

WASHINGTON -- Senate Foreign Relations Committee Chairman John Kerry said

Tuesday that it was "not critical" for the U.S. to begin regulating power-plant emissions in advance of renewed talks toward a global climate-change treaty.

The Massachusetts Democrat will be an influential player in efforts to forge such a treaty and reshape U.S. policy on climate issues.

[Climate change setting penguins on march to extinction: study](#)

WASHINGTON (AFP) – The emperor penguin, the species popularized in modern culture by the 2005 movie "March of the Penguins," are at serious risk of extinction in parts of their range because of climate change, according to a new study published this week.

[Obama's Green Snake Oil: The president continues to ignore the cost of his global warming plan.](#)

The justification for a cap-and-trade system (or a carbon tax, which likewise aims to shift the economy away from fossil fuels by making them more expensive) lies not in the jobs it will "create," which will be more than balanced by the jobs it will destroy or forestall, but in the bad consequences it will prevent. Obama alluded to those in his speech, saying "the long-term threat of climate change...could result in violent conflict, terrible storms, shrinking coastlines, and irreversible catastrophe."

To know whether Obama's cap-and-trade proposal makes sense, we need to know how likely those outcomes are and how costly they would be. We also need to know how likely it is that his plan actually would prevent the dire results of which he warns and, crucially, at what cost.

[Geo-engineering 'useful' against climate change: study](#)

PARIS (AFP) – Massive, futuristic schemes to spur land and sea into sucking up greenhouse gases may help the fight against global warming but are no substitute for reducing the pollution itself, scientists said Wednesday.

Once dismissed as daft or dangerous, some of these "geo-engineering" projects can be of use in fending off the juggernaut of climate change, but only if they go hand-in-hand with cuts in carbon emissions, they warned.

[EU unveils climate change blueprint](#)

BRUSSELS (AFP) – The European Commission Wednesday called for 30 percent cuts in greenhouse gases for developed countries from 1990 among other steps it hopes will

provide a blueprint for global talks in Copenhagen.

The EU executive also proposed 15-30 percent cuts from all but the poorest developing countries below "business as usual levels" as part of international measures it says are vital to combat climate change.

[Top scientists warn of catastrophic rise in sea levels](#)

Dr John Church told the committee a sea level rise of 80 to 90 centimetres by 2100 seems likely.

He says strong action now will not stop significant coastal disruption.

"We cannot prevent all sea level rise. We will have to adapt to some sea level rise," he said.



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