



DrumBeat: January 29, 2009

Posted by [Leanan](#) on January 29, 2009 - 9:37am

Topic: [Miscellaneous](#)

[The Peak Oil Crisis: The Stimulus](#)

This would seem to leave little doubt that the President understands what could turn out to be the two biggest problems of coming decades - dependence on oil and global warming. There is much in the current stimulus plan and other administration initiatives that seem to make sense - increasing renewable fuels, \$31 billion towards improving the electric grid, \$37 billion to weatherize government buildings and low-income homes, \$10 billion to improve public transit and railroads. All this of course is only a small fraction of the \$900 billion proposal. The rest seems to be directed towards offsetting the effects of the economic down turn, helping the unemployed and hopefully stimulating what some believe will be an economic rebound. Some parts of the bill, however, such as the \$31 billion for repairing and building roads seem downright wasteful given that vehicular traffic has no place to go but down.

[Venezuela's Citgo resumes heating oil donations](#)

Venezuela's Citgo Petroleum Corp. has resumed shipments of free heating oil to poor Americans, making its first delivery since the program's rumored end.

Citgo president Alejandro Granado says the Houston-based company is "making a huge effort" to maintain donations despite falling oil prices and the world economic crisis.

[Imperial Oil boosts spending 60% despite profit fall](#)

CALGARY, Alta. -- Imperial Oil Ltd's fourth-quarter profit fell 26% as crude prices sank, but Canada's biggest oil producer and refiner announced a rare increase in capital spending, partly to advance an oil sands project.

[Clearing the air on California emissions](#)

The president may let the state regulate greenhouse gases - and effectively raise gas mileage standards. Is that the smartest way to go?

[Uncle Sam wants you to buy a car](#)

NEW YORK (CNNMoney.com) -- With auto sales at crisis levels, Washington is trying to figure out how to get Americans buying cars again.

Several ideas are on the table, but two of them are really making the industry pay attention. One plan is to make new car costs tax deductible. The other is to give rebates to Americans with old cars so they can better afford to buy new ones, a program otherwise known as "cash for clunkers."

[H&P idles rigs in PDVSA dispute](#)

US oil driller Helmerich & Payne said Venezuela's state oil company PDVSA owed it nearly \$100 million and that it had begun to idle drilling, sending shares down 10%.

That move comes two days after Venezuela seized a rig owned by EnSCO International after the US company halted operations because of unpaid bills.

So far, two of Helmerich & Payne's 11 rigs in the Opec member's oilfields have ceased operations, and that number would rise to five by the end of February as the current work contracts expire, said a Reuters report.

[Q+A: Bremmer and Roubini on protectionism, oil price](#)

In the short run, the demand destruction in the global demand for oil will keep prices low and hurt a bunch of unstable petro-states. These petro-states should become less aggressive facing fiscal and financial pressures; but some may be tempted to convert the domestic anger triggered by economic malaise into an aggressive foreign policy stance. Over the medium term, oil prices will sharply rise again once the global economy recovers. The return to potential growth will imply rapidly rising demand from urbanizing and industrializing China, India and other emerging markets. Meanwhile, the supply response will be much slower as low prices in the short-run lead to less investment in new capacity. In addition, as peak oil factors take hold, unstable petro-states won't invest enough in new capacity and even Middle East states will decide it is better to keep more of the limited and finite reserves of oil in the ground for future generations. This suggests the importance -- for oil importing countries -- to invest in alternative and renewable technologies as a new oil shock looms.

[Arctic's thaw brings security risks for NATO](#)

REYKJAVIK, Iceland (AP) — NATO will need a military presence in the Arctic as global warming melts frozen sea routes and major powers rush to lay claim to lucrative energy reserves, the military bloc's chief said Thursday.

NATO commanders and lawmakers meeting in Iceland's capital said the Arctic thaw is bringing the prospect of new standoffs between powerful nations.

"I would be the last one to expect military conflict — but there will be a military presence," NATO Secretary-General Jaap de Hoop Scheffer told reporters. "It should be a military presence that is not overdone, and there is a need for political cooperation and economic cooperation."

The opening up of Arctic sea routes once navigable only by icebreakers threatens to complicate delicate relations between countries with competing claims to Arctic territory — particularly as exploration for oil and natural gas becomes possible in once inaccessible areas.

[The Oil Card](#)

Norman's theory is that the U.S. government, via its various levers in both public and private sectors, does, indeed, set, or at least strongly influence, oil prices. Why would Uncle Sam do this? Because, Norman believes, it is economic muscle that can either punish, or reward, Russia and China, who are, of course, the main strategic rivals to the U.S.

As a major oil exporter, Russia benefits from high prices. China, on the other hand, which imports oil to feed its thirsty industrial machine, is hurt by high oil prices.

[Exxon Mobil Net Tumbles as Tillerson Plans \\$30 Billion Spending](#)

(Bloomberg) -- Exxon Mobil Corp., coming off its worst share drop in 27 years, may be heading for its steepest profit decline since the 1999 merger that created the company. For Chief Executive Officer Rex Tillerson, it's time to expand.

Tillerson, starting his fourth year leading the world's largest company by market value, said last month that he may increase capital spending by 20 percent this year to \$30 billion. The increase will mark his biggest push to discover oil fields and boost fuel and chemicals production.

[Petro-Canada "hunkers down" as oil sector sags](#)

CALGARY, Alberta (Reuters) - Petro-Canada will keep its multibillion-dollar oil sands venture and other major projects on ice until oil and financial markets improve, its chief executive said on Thursday after the company reported a fourth-quarter loss.

Canada's No. 4 oil producer and refiner also reduced its 2009 production target and warned that weak oil and gas prices could force it to cut spending more than it already has.

[Shell Says Canadian Oil-Sands Production Costs Rise](#)

(Bloomberg) -- Royal Dutch Shell Plc, Europe's largest oil company, said the cost of producing Canadian oil sands rose to about \$38 a barrel last year, including fuel expenses.

Shell's oil-sands production in Canada last year was 80,000 barrels a day, Chief Financial Officer Peter Voser said today on an analyst call. Costs averaged \$29 a barrel in 2007, when Shell produced 87,000 barrels a day, he said.

[Shell Declines to Comment on Reports of Possible Bid for Nexus](#)

(Bloomberg) -- Royal Dutch Shell Plc Chief Financial Officer Peter Voser declined to comment on reports of a possible bid for Nexus Energy Ltd., the developer of the proposed Crux natural gas liquids venture off northern Australia.

"We do not comment on any M&A transactions," Voser told reporters today on a conference call. "We do also not comment on what discussions or negotiations we have with a very specific company."

[Piracy off Nigeria delays oil projects](#)

ABUJA (Reuters) - A wave of piracy off Nigeria's southern coast is delaying offshore energy projects in the world's eighth-biggest oil exporter, industry and security officials said.

Piracy and kidnappings in the waterways of the Niger Delta, one of the most dangerous areas for shipping in the world, have spiked in recent weeks with at least 10 attacks on vessels reported this year.

[Steelworkers to Reject Shell Offer, Strike Looms](#)

(Bloomberg) -- The United Steelworkers union said it plans to reject the third contract offer from Royal Dutch Shell Plc covering workers at refineries with about two-thirds of the country's capacity. The current agreement expires Feb. 1.

[Massive Corporate Layoffs Announced - Where Will New Jobs Come From?](#)

As more and more workers fill the unemployment rolls, it's time to ask: where will

future jobs come from? While government and corporate bigshots plan yet another “economic stimulus” and bailout of the banks, what long-term jobs can we realistically create right now?

Lots of answers present themselves if we look through the lens of peak oil, and start replacing our oil-based economy with a people-based economy. Instead of relying on greenhouse gas-producing fossil fuels, we can tap into the power of human labor, which happens to be our greatest renewable resource.

[Florida stores zero natural gas, yet critically depends on it](#)

The fact that Florida imports nearly 100 percent of its natural gas isn't helping matters, either. Add to that the constant threat of hurricanes shutting down production and damaging transportation pipelines, and not only are Floridians paying a lot for their natural gas, we've also become increasingly vulnerable to the risk of running out of fuel. That's especially true on summer days, when the pipelines are full and cannot meet the peak demand.

[Peak Middle Class](#)

If you believe Sharon Astyk, the middle class bears on a substantial economic foundation of newly-industrialized third world workers. Some of the middle class live off the rich or other middle class workers, but by and large it is the huge numbers of new buyers at the bottom that raise the pyramid of wealth for everyone. If enough of those workers lose their jobs, return to subsistence agriculture, or fall prey to some political disaster, there will be fewer customers to support the global middle class.

So the paradox is that a large middle class is a contented, reliable population for a nation, but a danger to the entire planet's health and prosperity. Even more than general population reduction, I expect to see a reduction in middle class populations worldwide.

[Over the Cliff for Natural Gas in North America?](#)

The recent crash in North American natural gas prices has been welcome news for industrial, commercial and residential gas consumers. The reason behind the decline in prices, however, is not so welcome, namely, an economy fallen into a deep and still developing recession, one that some believe will ultimately fit the frightening, but rather vague definition of an economic depression.

But there is reason for North American natural gas consumers to fear the bargain basement prices they are now getting. For the time being, demand is plummeting while supply remains more than ample. New supply is still streaming in due to increased drilling activity in the wake of the fantastic runup in natural gas prices last year to around \$14 per thousand cubic feet. But today's low price of around \$4.75 is causing drillers increasingly to lay down their drills and await higher prices. Just last year at this

time combined natural gas rig counts for Canada and the United States were 1,753 for the week ending January 18, 2008. Today, the comparable count is 1,472, a decline of 16 percent.

[Saudi could pump less oil despite budget, gas issues](#)

DUBAI (Reuters) - Top oil exporter Saudi Arabia may cut output more, as it seeks to put a floor under oil prices, in spite of the challenges that would pose to domestic energy supply and to its budget. The kingdom plans to pump in February below its OPEC target of 8.05 million barrels per day (bpd), undershooting what was already a record OPEC supply cut agreed in December.

"The Saudis know that extraordinary times require extraordinary measures," said David Kirsch of Washington-based PFC Energy.

[Vital to have stronger Arab voice in America – official](#)

KUWAIT CITY: There must be a stronger Arab voice in America for there to be a better informed electorate who can influence American foreign policies, says a former senior US army official. The official, along with a former American diplomat, was talking to the Arab Times Wednesday, during a business visit to Kuwait. The official was answering a question on the influences of Israeli lobby on US policies, saying there are many lobbies and interest groups in America, all of who have their own sphere of influence. The former diplomat denied that America's foreign policies are a result of lobbying in the corridors of power. "If that was true, America wouldn't be having any relations with Turkey, because there are many groups that are against Turkey in America.

[Total Meets An Alberta Clipper](#)

CALGARY, TORONTO, ROME -- Energy giant Total SA has stirred up Alberta's oil patch with its hostile bid for UTS Energy Corp., moving to boost its growing presence in the oil sands in the belief crude prices will recover and allow it to profit from projects now stalled.

Observers called French company's late Tuesday bid for the junior oil player a lowball offer that could need to be raised or stoke a bidding war.

[Five Facts about Canada's Oil Sands](#)

Total SA launched a C\$617 million (\$510 million) unsolicited takeover bid late Tuesday for UTS Energy Corp, a Canadian oil sands firm whose major asset is a 20 percent stake

in Petro-Canada's planned Fort Hills project.

Following are five facts about Canada's oil sands:

[Calderon to Meet Oil Companies as Mexico Revises Industry](#)

(Bloomberg) -- Mexican President Felipe Calderon said he will meet with the heads of major energy companies at the World Economic Forum in Davos, as Mexico prepares to offer the first oil exploration contracts to foreign companies in 70 years.

[China Oil Giant to Spend \\$7B on E&P with Focus on Offshore Pipelines](#)

The China National Offshore Oil Corp. plans this year to invest US \$6.76 billion, or about 610 billion yen, in oil field development and exploration for securing rights to crude oil and natural gas.

The figure is up 18.9% from the 2008 estimate. Seeing a long-term increase in Chinese demand, the state-owned entity will continue with investment aimed at boosting its production capacity at a time when the OPEC has reduced its own output.

[Baker Hughes Waiting On Rig To Start \\$460 Million Pemex Contract](#)

MEXICO CITY -(Dow Jones)- Baker Hughes Inc. (BHI) and BJ Services Co. (BJS) are waiting for Petroleos Mexicanos (PEM.YY) to secure an offshore oil rig to begin a \$460 million drilling services contract with Petroleos Mexicanos, said Baker Hughes Chief Executive Chad Deaton in a Wednesday conference call.

Baker Hughes and BJ Services originally won two-year contract last May, but Pemex has delayed drilling has due to the lack of equipment. Baker Hughes controls two-thirds of the contract, while BJ Services is responsible for the rest.

[FACTBOX - Global energy investment hit by financial crisis](#)

Reuters) - The deepening of the global financial crisis and the sharp drop in energy prices have forced companies to scale back spending and delay projects, with expensive ventures in the Canadian oil sands hardest hit.

Below is a list of projects that have been delayed or scaled back in recent months, as well as other related news.

[Obama's Interior Secretary Voices Openness for Offshore Drilling](#)

Interior Secretary Ken Salazar indicated Tuesday that the Obama Administration could be open to expanded offshore drilling and is considering doing away with a controversial program that allows oil companies to pay in kind for oil and natural gas taken from public lands.

[First Offshore Fabrication Facility Opened](#)

Dammam, Saudi Arabia -- A major new development is taking shape at Dammam's King Abdulaziz Port. Saudi Aramco's Offshore Projects Division recently celebrated the beginning of fabrication activities for four offshore platforms at the newly constructed STAR Fabrication Facility.

It is Saudi Arabia's first in Kingdom's offshore facilities fabrication yard and the centerpiece of the new long-term agreement (LTA) contract awarded to a consortium between Snamprogetti Saudi Arabia Ltd.; and Saipem, TAQA Al-Rushaid Fabrications Company Ltd. (STAR).

[ExxonMobil Gets Go-Ahead for Point Thomson Drilling Campaign](#)

The Alaska Department of Natural Resources recently reversed its previous ruling, allowing ExxonMobil to drill two wells on two permits in the Point Thomson, North Slope area of Alaska.

In a release from the governmental office on Jan. 27, 2009, Commissioner Tim Irwin "conditionally reinstated" two leases, reserving his rulings on the remaining leases. The reinstatement of the leases is dependent on ExxonMobil commencing drilling operations during the winter season, completing the wells by 2010 and starting up production on the project by 2014.

[Chile electric sector profits surge in 2008](#)

SANTIAGO (Reuters) - Profits soared for Chilean power companies in 2008 as higher electricity prices helped offset the building global financial crisis and oil prices that spiked for much of the year.

Leading electricity generator Endesa Chile END.SN saw profit double in 2008 from 2007 and Enersis ENE.SN, the Chile-based, Latin American arm of Endesa Spain, saw its profit nearly triple.

[The perils of interconnectedness](#)

The report, entitled "Severe Space Weather Events -- Understanding Societal and Economic Impacts," details concerns about what might happen to our modern, high-tech society if the sun burps one of its "super solar flares," followed by an extreme geomagnetic storm.

And the problem begins with the electric power grid and its growing interconnectedness.

[The Ultimate Alternative Energy](#)

Nuclear power as we know it today is obsolete. Current light water reactors use uranium-235. This fuel is not only expensive, but its byproducts create problems. They are difficult politically to handle and can be used to create nuclear weapons.

Those byproducts are, ironically, the reason we initially adopted uranium-235. America needed the materials for nuclear weapons. Power plants using uranium-235 provided them. Regulators, naturally, favored the technology despite the fact that there were superior fuels - especially thorium.

Thorium is not only far more abundant than uranium-235, but thorium reactors do not produce waste materials useful in nuclear weapons. In fact, the wastes are far less hazardous and much cheaper to deal with. Thorium reactors are safer in general to operate, producing little radioactive threat outside their shielding. They cannot, in fact, experience a catastrophic meltdown.

[Nations turn to barter deals to secure food](#)

Countries struggling to secure credit have resorted to barter and secretive government-to-government deals to buy food, with some contracts worth hundreds of millions of dollars.

In a striking example of how the global financial crisis and high food prices have strained the finances of poor and middle-income nations, countries including Russia, Malaysia, Vietnam and Morocco say they have signed or are discussing inter-government and barter deals to import commodities from rice to vegetable oil.

[OPEC warns of further oil cuts: sec gen](#)

DAVOS, Switzerland (AFP) – OPEC members need an oil price above 50 dollars a barrel to make exports worthwhile, the head of the cartel said Thursday, adding that more production cuts were possible later this year.

"We are not happy with 40 even 50 dollars a barrel," OPEC Secretary General Abdallah Salem El-Badri told a panel discussing energy security at the World Economic Forum in

Davos.

Even 50 dollars did not guarantee a "decent income for our countries," he said, adding: "I hope that the price will pick up... a 50-dollar price will not permit us to invest."

[Ruble takes a big hit as oil slides below \\$42](#)

MOSCOW – The ruble dropped sharply in early afternoon trading Thursday as oil prices dipped below \$42 a barrel and officials forecast a further devaluation of the Russian currency.

[Saudi Arabia Seeks New Role in Global Economy, More Foreign Investment](#)

DAVOS, Switzerland -- Saudi Arabia's business and political elite have come to the World Economic Forum on a mission to drum up investor interest, as the kingdom feels the strain from falling oil prices and the global financial crisis.

They also hope to gain a greater understanding of the impact the downturn will have at home -- and of what role Saudi Arabia can play in any possible solution.

[Shell posts \\$2.8 bln loss on tumbling oil prices](#)

LONDON (AFP) – Anglo-Dutch energy giant Royal Dutch Shell said Thursday it made a net loss of 2.81 billion dollars (2.15 billion euros) in the final quarter of 2008 as plunging oil prices slashed the value of inventories.

The loss compared with a net profit of 8.47 billion dollars during the fourth quarter of 2007 when crude prices were far higher, Europe's largest oil company said in a statement.

[Shell remains bullish on long-term energy prices](#)

LONDON (Reuters) - Royal Dutch Shell Plc (RDSa.L) expects energy to be expensive in the long term as the world tries to meet growing demand without harming the environment, its chief executive said on Thursday.

[Shell says all major projects on track](#)

LONDON (Reuters) - Oil major Royal Dutch Shell Plc (RDSa.L) said all its major projects currently under construction were on track, despite concerns its U.S. refinery expansion

programme was losing steam.

[Occidental profit falls 69 percent on lower prices](#)

Occidental Petroleum says its fourth-quarter profit fell 69 percent from a year ago as results were hammered by lower oil and gas prices.

The Los Angeles-based oil and gas producer said Thursday net income in the October-December period amounted to \$443 million, or 55 cents a share, versus \$1.45 billion, or \$1.74 a share, a year ago.

[Petro-Canada posts full-year profit](#)

CALGARY—Petro-Canada said Thursday that its fiscal 2008 profits rose 15 per cent from year-earlier levels despite reporting a \$691 million loss in the fourth quarter.

[Ford reports \\$5.9 billion fourth-quarter loss](#)

DEARBORN, Mich. - Ford Motor Co. said Thursday it lost \$5.9 billion in the fourth quarter as auto sales slumped, but it has no plans to seek federal aid unless economic conditions worsen.

The second-largest U.S. automaker said it burned through \$5.5 billion in the quarter, less than the \$7.7 billion it used in the third quarter.

[Jim Puplava - Oil Rises, Oil Falls: The History of Oil Meets the Perfect Energy Trifecta](#)

We began 2008 with oil prices close to \$100 a barrel. Oil prices rose rapidly during the first half of last year eventually setting a record high at \$147 a barrel during the first week of July, a price very few thought was possible. In a single year the price of energy rose nearly 50%, then collapsed by 74% during the final quarter of the year. From reaching a low of \$10 a barrel in 1998 until the apex in July of 2008, oil prices rose nearly fifteen-fold in only 10 years. From a record low to a record high, oil's price advance continued to confound the experts throughout its historic price run. A litany of excuses and scapegoats were given to explain its meteoric ascent. They ranged from the second Gulf War, to terrorist attacks, to weather, to the falling value of the dollar, to everyone's favorite—"speculators." The most common explanation given for oil's thespian rise was that it was due to speculators entering the market and driving the price up. Six months later, this still seems to be the common perception held by today's mainstream media from CBS's *60 Minutes* to FoxNews' *The O'Reilly Factor*.

However, it is clear from reviewing a chart of oil prices over the last decade (above) that something else was occurring beneath the surface. The real price driver was largely due

to fundamental supply and demand factors. The demand for oil was growing faster than the supply. What was driving demand was that the world economy expanded at its fastest pace in decades, led by explosive growth in emerging market countries. From 2004 to 2007 world economies grew by close to 5% per year with a concomitant growth in oil consumption of 3.9% per year (Interagency Task Force on Commodity Markets, "Interim Report on Crude Oil," July 2008, p 3).

[Petrobras May Have Found More Gas in Bolivia, Valor Reports](#)

(Bloomberg) -- Petroleo Brasileiro SA may have found a "new and large" natural-gas deposit at a depth of 5,100 meters (16,700 feet) in Bolivia, Valor Economico reported, citing a Brazilian government official who refused to be named.

[Energy Loan Program With No Projects May Get More U.S. Funds](#)

(Bloomberg) -- Congress is planning to direct at least \$10 billion in economic stimulus funding to an Energy Department loan guarantee program that hasn't backed any projects since it began in 2005.

[Offshore Calif. drilling deal could be scuttled](#)

LOS ANGELES – An agreement paving the way for the first oil drilling off the California coast in nearly 40 years has run into unexpected opposition that may sink it altogether Thursday.

[Interior secretary to clean up after oil-sex scandal](#)

WASHINGTON (Reuters) – The Obama administration will take action to clean up the Interior Department which was tarnished by sex, drug and gift-taking scandals between some employees and workers at energy companies they regulated, Interior Secretary Ken Salazar said on Wednesday.

Salazar told White House reporters that he will "make sure that scandals that have occurred in the past are properly dealt with and that the problems that we uncover are fixed so that they don't occur again."

[IT industry joins energy efficiency push](#)

LONDON (Reuters) - The IT industry is joining the push toward energy efficiency by developing new power management technology to curb the sector's harmful contribution to climate change, operators say.

The global computing industry has recently been criticized for the high carbon dioxide emissions of its data centers and energy consumption.

The sector contributes 2 percent of global carbon emissions, equaling that of the aviation industry, according to U.S. research firm Gartner.

[Indonesian NGO backs villagers in fight against palm oil](#)

PANGKALAN BUN, Indonesia (AFP) – Deep in the forests of Indonesian Borneo, a small environmental group is using education and common sense to arm villagers against the devastating onslaught of palm plantations.

[Pew: Almost half of Americans want to live somewhere else](#)

Living in Las Vegas appeals more to men than women. Affluent adults are twice as likely as poorer folks to want to live in Boston. Young people like big cities such as New York and Los Angeles. More Americans would rather live in a place with more McDonald's than one with more Starbucks.

Those are some of the findings of a Pew Research Center survey out today on where Americans would most like to live. Whether they favor cities, suburbs or the countryside, almost half wish they lived somewhere else, the report found. City dwellers are more likely to dream of living somewhere else, and men in rural areas are far happier living there than women.

[Grid operator says CO2 controls will cost billions](#)

NEW YORK (Reuters) - PJM, the largest U.S. electricity grid operator, said on Wednesday that a study it commissioned indicates that Congressional proposals to reduce carbon dioxide emissions from power plants could boost power prices in its region by between \$5.9 billion and \$36 billion per year.

[Carbon: a market we can't allow to fail](#)

With market after market going into tailspin as a result of the credit crunch and global recession, it was almost inevitable that the carbon market would follow suit. The EU's emissions trading system, EUETS, is no exception to the trend. The price of EUETS allowances on the European carbon exchange has just sunk below €12, while certified emissions reductions – carbon-based securities that can be used by industrialised countries to meet their emissions reductions targets under the Kyoto protocol – are hovering at a little over €10.

Does this matter? Unfortunately, yes. It may not spoil your day to learn that carbon

traders in the City of London have lost their shirts in recent weeks as their positions have fallen in value by millions of euros (EUETS allowances were at about €16 in November 2008). But rather more serious are the implications for long-term investment in the low-carbon technologies that will enable the world to reduce its emissions of greenhouse gases, and bring about a second – and this time, green – industrial revolution.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](http://creativecommons.org/licenses/by-sa/3.0/).