



DrumBeat: February 10, 2009

Posted by [Gail the Actuary](#) on February 10, 2009 - 10:15am

Topic: [Miscellaneous](#)

[Interior chief cool to offshore drilling, wants wind projects](#)

Salazar on Tuesday criticized the Bush administration's "drill only approach," saying the U.S. needs a comprehensive energy plan that considers all the potential resources in the oceans.

"I intend to do what the prior administration failed to do ... incorporate the great potential for wind, wave and ocean tides," Salazar said.

According to the U.S. Energy Information Administration, the Atlantic coast does not have great potential for either oil or natural gas production.

[Administration delays move toward more offshore drilling](#)

Calling it a "headlong rush of the worst kind," Interior Secretary Ken Salazar today scrapped a Bush administration proposal to open up as many as 300 million acres off the Atlantic and Pacific coasts to oil and gas drilling.

Salazar set aside a March 23 deadline for the public to weigh in on the Bush-era draft plan and said the Obama administration would instead wait until September to decide whether to expand U.S. offshore drilling.

API's reply (excerpt)

Congress made the American people wait nearly 30 years to address our immediate energy challenges. Secretary Salazar today told the American people they must continue to wait – even though more than two-thirds of them want to tap our vast domestic resources for the benefit of all Americans.

[Oil and gas production a major source of Dallas-Fort Worth smog](#)

The first comprehensive analysis of air emissions associated with natural gas and oil production in the Barnett Shale area finds that emissions can be a significant contributor to Dallas-Fort Worth smog formation, comparable to the combined emissions from all Metroplex cars and trucks.

[BP Chief Urges Oilpatch To Keep Investing](#)

HOUSTON--In the opening address today at Houston's biggest annual oil conference, BP Chief Executive Tony Hayward called on the global energy industry to look past the recent plunge in energy prices and "invest through this downturn, knowing that in the long term the fundamentals for energy demand have not changed."

"The world economy will recover. The future is not canceled," said Hayward. To meet an expected doubling of energy demand, he declared that the world would need to invest \$26 trillion over the next 50 years.

[Three New Oil Discoveries to Boost PDO Oil Production](#)

MUSCAT — Oman's oil production has received a boost with the discovery of three new oil fields, two in north west Oman and one in the south east.

Announcing this, the 60 per cent government-owned Petroleum Development Oman (PDO) said additional volumes of hydrocarbons have also been found in existing oil and gas fields, retaining the sultanate's position as an attractive destination for hydrocarbons.

The combined production from the new fields as well as additional volumes from the existing fields is expected to go up from the present 753,000bpd to 805,000bpd.

[Total Accepts Lower Share of Libyan Oil Production \(Update2\)](#)

Total SA, Europe's third-largest oil company, agreed to reduce its share of production from two oil ventures in Libya to take into account last year's surge in crude prices to a record.

"The accord changes the contractual terms in the field of al-Mabrouk and the offshore al-Jurf field to reflect the increase in oil prices that happened between 2006 and 2008," according to the statement. "National Oil will have a bigger share in production and will receive a signing bonus of \$500 million" from Total.

[Chevron, BP Locked in \\$200 Million Wells Amid Slump \(Update1\)](#)

Chevron Corp., BP Plc and other oil producers are locked into drilling offshore wells that cost as much as \$200 million each because of rig contracts that were signed when crude was soaring above \$140 a barrel.

Even as energy companies slash billions of dollars in spending to cope with the lowest prices in five years, deep-sea exploration continues unabated because canceling rig contracts would cost as much as finishing the projects, said Candida Scott, a senior director at Cambridge Energy Research Associates who tracks oil-development costs.

Demand for rigs that can fetch more than \$600,000 a day to rent hasn't diminished amid the \$105-a-barrel tumble in crude from a July record, said Gregory Cauthen, chief financial officer at Transocean Ltd., the world's largest offshore driller.

[EIA Report: Light-Duty Diesel Vehicles: Efficiency and Emissions Attributes and Market Issues](#)

Diesel-fueled vehicles generally are more fuel-efficient than comparable gasoline-fueled vehicles. In fuel economy (miles per gallon) ratings published by the U.S. Environmental Protection Agency (EPA), diesel vehicles show a fuel economy advantage of 20 to 40 percent over gasoline vehicles, depending on the size and duty requirements of the vehicles. The EPA fuel economy ratings also suggest that diesel vehicles are somewhat less fuel-efficient than the most comparable gasoline-powered hybrid-electric vehicles; however, comparisons are difficult, because differences in performance characteristics, such as torque, may force consumers to balance fuel economy against other desired performance attributes. Additionally, on-road driving experience appears to suggest that, under some circumstances, diesel vehicles can achieve higher fuel efficiencies than comparable gasoline-powered hybrids. . .

Taken together, increased vehicle costs and higher prices for diesel fuel currently provide an economic disincentive for purchases of diesel vehicles by U.S. consumers. For those who do purchase diesel vehicles, other vehicle attributes, including durability, longevity, and power output, are likely to be important considerations. Finally, in addition to the issues raised above, there are other consumer preference factors at work in the U.S. vehicle market. For example, unsatisfactory consumer experience with domestic diesel cars during the early 1980s may have reduced the number of people who would consider purchasing a diesel-powered car today (although the impact of the 1980s experience on consumer acceptance is likely to attenuate over time).

[Pemex May Weather Crisis By Avoiding Marginal Projects: CEO](#)

Petroleos Mexicanos, the state-owned oil company, is in better shape to weather the global financial crisis because it avoids "marginal" projects such as oil sands, Chief Executive Officer Jesus Reyes Heroles said.

While demand for crude and refined products from the company known as Pemex has fallen, the company is committed to spend at least \$2 billion in exploration a year to find new deposits to offset declining output, Reyes Heroles said in prepared comments for a speech today at an energy conference in Houston.

No company can escape the consequences of the global financial crisis, Reyes Heroles said in today's statement.

[EIA Conference in Washington DC, April 7-8](#)

Energy Information Administration 2009 Energy Conference: A New Climate for Energy

I received an e-mail about this conference, saying that registration would be open soon. When I tried to register, I found registration is in fact open now. Registration is free, so it fills up quickly. The agenda looks less ambitious than last year, but it is likely to still be a good conference, especially for the price (forgetting hotel and airfare). If you want to register, now is the time to do so.-Gail

[Munich and the Continuity Between the Bush and Obama Foreign Policies](#)

While the Munich Security Conference brought together senior leaders from most major countries and many minor ones last weekend, none was more significant than U.S. Vice President Joe Biden. This is because Biden provided the first glimpse of U.S. foreign policy under President Barack Obama. Most conference attendees were looking forward to a dramatic shift in U.S. foreign policy under the Obama administration. What was interesting about Biden's speech was how little change there has been in the U.S. position and how much the attendees and the media were cheered by it. . .

What can't be achieved is a fundamental transformation of the geopolitical realities of the world. No matter how Obama campaigned, it is clear he knows that. Apart from his preoccupation with economic matters, Obama understands that foreign policy is governed by impersonal forces and is not amenable to rhetoric, although rhetoric might make things somewhat easier. No nation gives up its fundamental interests because someone is willing to talk.

[ITC's Green Power Express Would Carry U.S. Wind Power \(Update2\)](#)

ITC Holdings Corp. said it wants to build the world's largest renewable-energy transmission system, a \$12 billion project to bring electricity from wind farms in the Dakotas to Chicago.

The Michigan power transmission company's proposal, known as the Green Power Express, calls for about 3,000 miles of new lines that could move 12,000 megawatts of power from the upper Midwest to cities where there's demand for the electricity. The project, announced today, would cross portions of North and South Dakota, Minnesota, Iowa, Wisconsin, Illinois and Indiana, according to the company. . .

"What we really need is the federal government to start to make some needed rule

changes or modifications,” said Welch.

Under current regulations, the project wouldn't meet requirements to pay back the needed investment soon enough.”

[Sustainable Energy Week Conference in Europe](#)

As in previous years, a number of events from the 2009 EU Sustainable Energy Week will be broadcast live on the internet at www.managenergy.tv

[European Wind Power: The unbearable lightness of wind](#)

But as capacity grows, it may be wind's impact on electricity prices that presents the most immediate problem.

Wind's intermittency cannot be wished away, even if it can be ameliorated, and the development of the infrastructure needed to deal with it is lagging the installation of wind power itself. . .

Proponents of wind power dislike the negative connotations of the word 'unreliable', pointing out that on average the amount of power supplied by a given capacity of wind turbines is reasonably predictable. But, according to the EWEA, wind turbines produce no electricity at all between 15% and 30% of the time.

[Grigory Pasko: Looking a gift horse in the mouth, Part 7 \(Nord Stream Pipeline\)](#)

The newspaper «Die Zeit» reported not that long ago that the Baltic “pipeline of Gerhard Schroeder” (with the same success the newspaper could have written “pipeline of Vladimir Putin”), most likely, will not happen due to the ecological concerns of neighboring countries. In accordance with an analysis conducted for the European Commission by Alan Riley – a lawyer from London, it is possible that they won't be able to transport the gas any earlier than 2015. Riley adds that the cost of the pipeline will exceed \$19.1 billion US dollars.

As they say in Russia, the deeper in the woods, the thicker the partisans. The closer the period of the commencement of construction of the Nord Stream pipeline – and this is September of the year 2009 – the less likelihood that this construction will commence.

Now all the cards have fallen into the hands of the Swedes. On them depends to a large degree whether the pipeline will be or not be, and if it is to be, then when and what will it be like.

[NuStar Says Venezuela Cancels Oil Shipments as Part of OPEC Cut](#)

Feb. 9 (Bloomberg) -- NuStar Energy LP said Venezuela canceled four shipments of crude oil after trimming output to comply with reduced quotas from the Organization of Petroleum Exporting Countries.

Venezuela said it has cut daily output by 364,000 barrels since September to 3.01 million barrels, putting it in full compliance with the OPEC cuts. Bloomberg estimates that Venezuela reduced output by 210,000 barrels a day in the period to 2.15 million barrels.

[Florida Renewable Energy Conference](#)

The Florida Alliance for Renewable Energy (FARE) held its conference 'Effective Renewable Energy Policies' for a standing room only crowd of more than 250 people on February 3rd in Tallahassee. The conference focused on which policies were most cost effective to the ratepayer and would result in the most jobs created to keep Florida dollars in state. Seven delegate members from the European Photovoltaic Industry Association (EPIA) were present. Members of the EPIA account for 80% of the world's solar power production. . .

"The Florida economy needs new engines of growth; renewables can add hundreds of thousands of jobs here; the catalyst will be energy policies such as Gainesville's solar feed in tariff that lead to long term investment security. We are delighted that the world's largest solar companies spent time in Gainesville and Tallahassee to see first hand the investment opportunity in the Sunshine state" says John Burges of the Florida Alliance for Renewable Energy.

Presentations available [here](#), including one from Jerome a Paris

[Time to buy oil stocks?](#)

As the IEA plays catch-up to the economic fallout, OPEC is doing the same. The energy cartel has announced a total of 4.2 million barrels per day in cuts to supply, and oil prices are stabilizing as a result. Oil prices could rise over the next year or two on the perhaps generous assumption that all and sundry in OPEC comply. Now that oil stocks are firmly out of favour, it is generally the best time to buy.

[OPEC delays 35 drilling projects due to falling prices](#)

LOS ANGELES, Feb. 9 -- Members of the Organization of Petroleum Exporting Countries, their economies battered by falling oil prices, have delayed 35 of 150 planned oil drilling projects by at least 4 years.

"Current prices threaten the very sustainability of planned investment," said OPEC Sec.

Gen. Abdalla Salem El-Badri in a speech at London's Royal Institute for International Affairs (RIIA).

"These projects are on hold...and will continue to be until the [oil] price recovers," El-Badri said, adding that of the 150 projects due to come on line in the next few years, 35 had been set back to after 2013.

"The start-up dates of many other projects are still expected to slip," said El-Badri, who noted that that oil has fallen to \$40/bbl from a record near \$150/bbl in July, resulting in a loss to OPEC of some \$356 billion.

[CERAWeek: Opening shots](#)

U.S. Rep. Edward Markey (D-Mass), a long-time member of Congress and stern critic of Big Oil, kicked off CERAWeek by telling a packed ballroom at the Westin Galleria Hotel that \$147 oil, along with sub-prime mortgages and lax regulation of financial institutions, caused the current global recession.

Even though oil prices peaked at that one-day high last July and have since slumped by \$100 a barrel, Markey said Washington D.C. policy makers are still feeling the ripple of high energy prices from their constituents. Legislators are bent on pushing through greenhouse gas legislation, promoting a cap-and-trade system for limiting carbon dioxide emissions, and looking at ways to diversify away from imported oil wherever possible.

"We see this as an economic opportunity," Markey said. "How do we look at this as a new sector where we can create new jobs? What is it that we can replace?"

Markey said energy efficiency efforts along with renewable energy, such as solar-produced electricity, could create an environmental sector with 2 million to 4 million new jobs in the U.S.

[Blast delays Shanghai LNG start-up](#)

An explosion at China's Shanghai LNG terminal will delay the commissioning of the facilities by about six months, according to industry officials.

It will take time to repair equipment damaged in an explosion last Friday that has killed one worker and injured another 16, said the officials to Upstream.

[Hercules dives on \\$1.3bn charge](#)

Drilling services provider Hercules Offshore swung to a fourth-quarter loss, hurt by a non-cash goodwill and asset impairment charge of \$1.3 billion, and forecast a weakening of drilling activity in 2009.

Hercules Offshore has continued to see a rapid decline in demand for its domestic drilling rigs, hurt by falling commodity prices, reduced credit availability and a weak energy consumption outlook in the short term, chief executive John Rynd said.

[Gazprom puts projects on back burner](#)

Russian gas export monopoly Gazprom may delay some projects in response to weaker demand for gas and the tougher financial climate, the company's chief financial officer said today.

"We have also been prioritising projects in our investment programme ... and this will allow us to see which projects will be financed and which projects are going ahead," Andrey Kruglov said, speaking through an interpreter, wrote Reuters.

[Zappata George interview with Westexas](#)

Jeffrey Brown joins us to take a walk through the oil patch for discussion on his warning since 2006 about an imminent decline in world net oil exports. Jeffrey is an independent petroleum geologist residing in the Dallas, Texas area. Article referred to is this [one](#).

Note:PLAYER INSTRUCTIONS

At the bottom of the February, 2009 program display area you will see text.

O First Segment O Second Segment O Third Segment

- a. Click the dot left of the First Segment
- b. Click Stream Audio button, located on the right side of the program display area and player will appear
- c. Click the play button on the bottom left corner of the player and the audio will play

[Uncertainty on IMF Loan Sends Ukraine to Moscow](#)

The International Monetary Fund is likely to suspend loan payments to Ukraine, a move that would further push the government toward Moscow for aid and exacerbate a feud between top leaders in Kiev.

Ukraine is failing to meet the terms of its loan deal with the IMF, and likely won't get the next installment this month, according to a person close to talks between the fund and the government in Kiev.

Faced with a cash shortage, Kiev is passing the hat around to global powers. Talks were held in Moscow last week over a \$5 billion loan to help plug Ukraine's budget deficit.

[Shrinking Water Supplies Imperil Farmers](#)

MENDOTA, Calif. -- Dwindling water supplies are compounding economic woes in California's Central Valley, causing farmers to leave fields fallow and confront the prospect of going under.

The state's water supply has dropped precipitously of late. California is locked in the third year of one of its worst droughts on record, with reservoirs holding as little as 22% of capacity. On top of that, a federal judge in Fresno last year issued a ruling in an environmental lawsuit that could restrict diversions to farmers by as much as one-third, as part of an effort to save an endangered minnow, the Delta Smelt.

[China Deal Plan Triggers Exit From Rio Tinto](#)

The chairman-designate of Rio Tinto PLC resigned Monday in a heated split that threw the world's third-largest mining company into new turmoil over plans to sell a minority stake in assets to a Chinese company.

Jim Leng's resignation less than a month after he was named to the company's board, exposed sharp disagreements over a management-backed plan to reduce a massive \$39 billion debt, run up while fending off a takeover by BHP Billiton, the largest mining company by production.

The board is expected to deliberate its options Tuesday. It is leaning toward a sale of convertible debt and minority stakes in some mining operations to Aluminum Corp. of China, known as Chinalco, according to a person familiar with the matter. Mr. Leng opposed what a person familiar with the matter called "the Chinese solution," preferring to raise funds by issuing new shares.



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