



DrumBeat: February 11, 2009

Posted by [Gail the Actuary](#) on February 11, 2009 - 10:16am

Topic: [Miscellaneous](#)

[Commentary: Redefining “peak oil” for the USA](#)

The next steps involve determining how much of this world net production might be available to the US. (Again, Aussies, Chinese, and others would ask the same questions about their situations.) The US will produce about 5 million barrels of oil per day this year, the lowest level since 1948, and only a quarter of what we want. We have to get the balance from the global export pool. Jeffrey Brown has shown, with his extensive analysis of net exports, that when producing nations try to satisfy their own demand first, export levels drop faster than overall production. Since the rate of oil usage is growing faster in the OPEC countries and Russia than in other parts of the world, the outlook for the export pool is not good.

The “export pool” is not a simple concept, either. The top five sources Americans rely on for oil imports include only one of the top five global exporters. Canada’s growth in production is based on the tar sands, where production costs for new projects far exceed current oil prices. Mexico’s production is in sharp decline, and some forecast that the 1.4 million bpd it exports could fall to zero within a few years. Venezuela and Nigeria are both facing major domestic challenges that question their reliability as sources. Saudi Arabia has some excess capacity. However, where are we going to get the oil to replace what we import from Mexico and Venezuela, as well as to supplement our continuing declining production?

Russia, Norway, the UAE, and Iran all have existing relationships and infrastructures sending their oil to Europe, China, Japan, and other destinations. Brazil and West Africa have potential to increase their production, but Brazil has indicated that it may want to keep much of its oil for domestic use.

[MMS: Gulf of Mexico energy production should be fully restored by late March](#)

Oil and gas production in the Gulf of Mexico should be fully restored after last year's hurricanes by late March, the Minerals Management Service said this afternoon. . .

More than 9 percent of all Gulf of Mexico oil production still remains shut down in the aftermath of the storms. Roughly 13 percent of the Gulf's gas production also remains shuttered, the MMS said.

[Wind Turbines in Europe Do Nothing for Emissions-Reduction Goals](#)

Even more surprising, the European Union's own climate change policies, touted as the most progressive in the world, are to blame. The EU-wide emissions trading system determines the total amount of CO₂ that can be emitted by power companies and industries. And this amount doesn't change -- no matter how many wind turbines are erected. . .

In the worst case scenario, sustainable energy plants might even have a detrimental effect on the climate. As more wind turbines go online, coal plants will be able to reduce their output. This in itself is desirable -- but the problem is that the total number of available CO₂ emission certificates remains the same. In other words, there will suddenly be more certificates per kilowatt of coal energy. That means the price per ton of CO₂ emitted will fall.

That is exactly what happened in recent trading. A certificate to emit a ton of CO₂ cost almost nothing. As a result, there was very little incentive for big energy companies to invest in climate friendly technologies.

On the contrary. Germany was able to sell unused certificates across Europe -- to coal companies in countries like Poland or Slovakia, for example. Thanks to Germany's wind turbines, these companies were then able to emit more greenhouse gases than originally planned. Given the often lower efficiency of Eastern European power plants, this is anything but environmentally beneficial.

[The Geopolitics of Food Scarcity \(Lester Brown\)](#)

In some countries social order has already begun to break down in the face of soaring food prices and spreading hunger. Could the worldwide food crisis portend the collapse of global civilization?

One of the toughest things for us to do is to anticipate discontinuity. Whether on a personal level or on a global economic level, we typically project the future by extrapolating from the past. Most of the time this works well, but occasionally we experience a discontinuity that we failed to anticipate. The collapse of civilization is such a case. It is no surprise that many past civilizations failed to grasp the forces and recognize signs that heralded their undoing. More than once it was shrinking food supplies that brought about their downfall.

Does our civilization face a similar fate? Until recently it did not seem possible, but our failure to deal with the environmental trends that are undermining the world food economy -- most importantly falling water tables, eroding soils, and rising temperatures -- forces the conclusion that such a collapse is possible.

[Catastrophic Fall in 2009 Global Food Production](#) *(Hyped title but a lot of interesting research)*

After reading about the droughts in two major agricultural countries, China and Argentina, I decided to research the extent other food producing nations were also experiencing droughts. This project ended up taking a lot longer than I thought. 2009 looks to be a humanitarian disaster around much of the world.

[China's Net Crude Imports Decline to Lowest in a Year \(Update1\)](#)

China's net crude-oil imports declined to the lowest level in more than a year as a slowdown in the world's third-largest economy cut demand.

Net imports dropped by 10 percent to 12.37 million metric tons in January, about 2.9 million barrels a day, the lowest since December 2007, according to calculations based on data posted on the Web site of the Beijing-based Customs General Administration of China. . .

Crude-oil imports dropped by 8 percent to 12.82 million tons from a year earlier while overseas shipments of the fuel more than doubled, rising 156 percent to 450,000 tons, the customs said today.

China, the world's second-biggest oil consumer, may face an energy oversupply within the next two years as the global recession slows the country's economy, Wang Siqiang, a deputy director at the National Energy Administration, said on Dec. 12.

[Rio Tinto, Chinalco clinch \\$19.5 billion deal: report](#)

LONDON (Reuters) - Rio Tinto Ltd/Plc (RIO.L) (RIO.AX) has agreed to a \$19.5 billion cash injection from Chinese state-owned Chinalco under a deal to be unveiled on Thursday, the Financial Times said on its website.

Such an agreement had been widely expected after Rio's chairman-designate Jim Leng quit the mining group two days ago because of objections to a tie-up with the state-run Chinese aluminum maker, which is Rio's top shareholder.

A spokesman for Rio in London declined to comment on the report when contacted by Reuters.

Under the terms of the deal, Chinalco will increase its stake in Rio to 18 percent from 9 percent. It will buy \$7.2 billion in convertible bonds that will convert into Rio shares at a later date, the FT reported, without saying how it had obtained the information.

[OPEC crude output falls to 29 million b/d in January: IEA](#)

OPEC's crude production fell to 29.03 million b/d in January, down 950,000 b/d from 29.98 million b/d in December, the International Energy Agency said Wednesday.

Excluding Iraq, the 11 OPEC members bound by the group's crude production targets pumped some 1.81 million b/d above their combined target for the month of 24.85 million b/d, the IEA said.

By far the biggest single fall in output came from the group's biggest producer, Saudi Arabia, which cut supply to 8.1 million b/d from 8.4 million b/d in December, the IEA said.

At a meeting in December, the OPEC-11 agreed a new collective target of 24.8 million b/d to come into effect from the start of this year.

[Anadarko lays out spending plans](#)

US independent Anadarko Petroleum today announced said it would cut its 2009 capital spending to between \$4 billion and \$4.5 billion, but would increase oil and gas output from 2008.

Total 2009 sales volume is projected to be between 208 million and 212 million barrels of oil equivalent, up from the 206 million boe the company produced in 2008.

[Canada goes into minus after 33 years](#)

Canada posted its first trade deficit in almost 33 years in December on plunging exports and weakness in the crucial US market, prompting analysts to predict the days of regular multibillion dollar surpluses were over for the time being. . .

The figures demonstrate just how seriously the global crisis is hurting Canada, a leading commodity producer which relies very heavily on trade with the US.

They also reflect the impact of lower energy prices.

[Sandstorm halts Kuwait oil exports](#)

State-owned Kuwait National Petroleum Company (KNPC) has temporarily halted oil exports because of a sandstorm that has been sweeping the desert country.

KNPC spokesman Ahmed al-Mezaiel told the Associated Press this morning that no tankers have been loaded since last night. He added that operations at ports are expected to resume Thursday morning after the storm clears. . .

Opec member Kuwait pumps about 2.4 million barrels per day.

[The US Utility-scale Solar Picture](#)

While the pace of installations of distributed solar systems for homes and businesses has steadily risen over the past few years, utilities have mostly stayed out of the picture. However that appears to be changing now as more and more utilities are looking at solar energy as major contributor to their current and future renewable energy portfolios. . .

"2008 was a foundational step for utility-scale project announcements," said Julia Hamm, executive director of the Solar Electric Power Association (SEPA), whose aim is to help the solar industry work with the utility sector.

"SEPA is aware of contracts totaling over 1500 MW of PV and 4000 MW of concentrating solar thermal. However, very few are digging dirt or hoisting onto roofs yet and there is a high level of uncertainty for some projects," said Hamm.

[Central Asia's Great Water Game](#)

Tajik officials blame Uzbekistan for their energy crisis, saying the neighboring country impeded the supply of imported Turkmen electricity that travels long power lines that run across Uzbek territory.

Seeking to take advantage of ample water supplies and mountainous terrain, Tajikistan hopes to complete construction of its Roghun hydropower plant and become an electricity exporter. . .

It is unlikely that Uzbekistan, Tajikistan, and Kyrgyzstan will resolve their water issues in Moscow this week.

[Cedar Rapids Still Reeling From Last Year's Flood](#)

Economic Slump Has Exacerbated Struggle to Rebuild Wrecked Neighborhoods and Deliver Aid to Homeowners

CEDAR RAPIDS, Iowa -- Eight months after being hit by a flood expected to come along less than once every 500 years, this city of 120,000 is still struggling to get its head above water.

About 10 square miles of flood-wrecked neighborhoods are largely abandoned, with thousands of boarded-up houses and businesses lining debris-dotted streets. A steam and electricity generating station that served some of the city's biggest employers is still inoperable. More than 300 municipal buildings are in need of repair, along with roads and bridges.

[EPA reconsiders Bush rule on air pollution permits](#)

WASHINGTON (AP) — The Obama administration is delaying a rule issued in the final days of President George W. Bush's presidency that would have let some industrial facilities avoid having to install pollution controls when they expand.

The Environmental Protection Agency announced Tuesday that the rule would be delayed 90 days so it could be re-evaluated.

Environmentalists had complained that the rule would have let power plants, factories and other industrial facilities increase emissions that cause soot and smog.

[Venture Confirms Cygnus as Major Undeveloped Gas Field in North Sea](#)

Venture has successfully tested well 44/12a-3 to appraise the Cygnus gas field. Venture has a 48.75% interest in the field. The Cygnus field lies within UKCS blocks 44/12a and 44/11a near to the Caister Murdoch System (CMS) area in the southern North Sea (SNS) and is operated by GDF Suez.

The appraisal well was drilled by the Noble Ronald Hoopie jackup drilling rig and had three primary objectives: to prove the presence of the Lemman reservoir in the eastern part of the field, to assess reservoir quality and fluid content of the primary Lemman reservoir and to test the deeper Carboniferous reservoir as a secondary target. The well tested the Carboniferous reservoir at equipment constrained flow rates of 32 million standard cubic feet per day (MMscfpd) gross. A well test was also performed on the Lemman reservoir which flowed at low rates in line with pre-drill expectations.

The well has successfully confirmed the presence of gas in both the primary Lemman and secondary Carboniferous reservoir intervals, and encountered a gas water contact consistent with Fault Block 1 thereby confirming pre-drill estimates of gas in place volumes. The quality of the Lemman reservoir was as per pre-drill expectations while the Carboniferous reservoir interval substantially exceeded expectations.

The likely gross incremental reserves in the Carboniferous section of this fault block are expected to be in excess of 100 billion cubic feet (Bcf) (16.6 million barrels of oil equivalent (MMboe)). A further appraisal well to test another fault block in the north eastern part of the field is due to be drilled immediately following completion of this well.

[Energy Fuel Policy and Supply Summit: Renewable Fuels and the Future of the Hydrocarbon Barrel April 5-7: Washington DC](#)

Agenda found [here](#).

[Economist: Washington, Not Wall St., to Blame for Energy Chaos](#)

Breckenridge, Colo. -- Don't blame speculators for the huge run-up and then precipitous collapse in crude oil prices of the last eight months. Instead, it was federal policy-makers

passing ill-thought-out environmental regulation that caused the super-spike and are likely to make the current recession even worse, said economist Phil Verleger presenting at SIGMA's executive leadership conference here today.

Regulations limiting sulfur in diesel and mandating biofuels did more to run up crude oil prices to a June 2008 high of \$147/bbl than did speculators, Verleger said. Last spring and summer, record-breaking open interest on the NYMEX at times exceeded the world's crude capacity. But Verleger lays the blame for chaos in the energy markets on ethanol and ultra-low-sulfur diesel regulations.

Those same regulations are likely to deepen the recession and make refining margins miserable for years to come, perhaps forcing more independent refiners to declare bankruptcy, he said. . .

Because of the Renewable Fuels Standard (RFS), which mandates certain percentages of biofuels be blended into the motor gasoline pool, gasoline production now at 8.5 million b/d could drop to 6.5-7 million b/d by 2014 and go lower, Verleger said. "Refiners are going to be losing money and two to three may face extinction, particularly those independent refiners who arose from the mergers of the late 1990s," he said.

[BP boss calls for cooperation](#)

Tony Hayward said there is a need for genuine cooperation between oil companies and governments at the CERA Week conference in Houston today.

"If we want more investment, then businesses and governments must act together. We need fiscal, regulatory and climate change regimes that are stable and enduring," he said. . .

"The key is to frame regulation so the incentives encourage the outcomes we all want," he said.

[Salazar to revamp US offshore plan](#)

US Interior Secretary Ken Salazar said today his department will revisit a proposal to open up the outer continental shelf, essentially scrapping an eleventh-hour plan put forth by the Bush administration.

Instead, Interior will take four-stage approach to compiling a new plan for the OCS, Salazar told reporters during a press conference in Washington today.

That process will include an extended public comment period, a comprehensive assessment of the resources offshore, a series of four public meetings and development of an offshore plan for renewable resources.

The new process is needed to combat "a headlong rush of the worst kind," as he characterised the process that resulted in the Bush rule, which was implemented on the

administration's last day.

[Denali group awards key contract](#)

The company seeking to build a massive natural gas pipeline on behalf of two of the main North Slope oil producers announced today that it has awarded a key contract for design of the project.

Denali-The Alaska Gas Pipeline, a company formed by UK supermajor BP and US supermajor ConocoPhillips has signed on with Fluor WorleyParsons Arctic Solutions to design and evaluate the North Slope treatment plant that would be needed to process natural gas being fed into the planned natural gas pipeline.

[Shtokman decision a year off](#)

Russian state-run Gazprom said it expected to decide with its partners in the Shtokman gas project, France's Total and Norway's StatoilHydro whether to proceed with the project early next year.

[Petrobras, Mitsubishi team on ship](#)

Japan's Mitsubishi and Brazilian state-run Petrobras will build an \$830 million ship to drill in deep seas for crude oil and natural gas.

The vessel would be capable of drilling in ocean depths of 3000 metres (9843 feet), Mitsubishi said in a statement on its Web site.

A South Korean shipbuilder has been chosen to build the vessel, a Mitsubishi spokesman said, declining to name it.

[Brazil Ethanol Use Should Rise 30% In February On Year](#)

SAO PAULO (Dow Jones)--Brazilians should consume around 1.7 billion liters of ethanol from Brazil's main center-south sugarcane region in February, up 30% from a year ago, said the Sao Paulo Sugarcane Industries Association, or Unica, late Tuesday.

"This (year-on-year) increase in February will be due to the growing fleet of flex-fuel vehicles," Antonio de Padua Rodrigues, crop specialist at Unica, told Dow Jones Newswires. . .

Ethanol exports from the center-south region are likely to dip around 1 billion liters this year from 4.2 billion liters in 2008, he said.

[Oil crosses over into the ethanol business](#)

SIOUX FALLS, S.D. (AP) — If federal renewable fuel mandates require ethanol to be mixed into gasoline, the nation's largest independent oil refiner figures it might as well just do it itself.

The ethanol industry is under duress partly due to overcapacity and biorefineries can now be had for pennies on the dollar.

Valero Energy Corp. became the first conventional energy company to test the waters last week, bidding \$280 million for five ethanol plants owned by VeraSun Energy Corp., which is now under bankruptcy protection.

It would be the largest ethanol buyout in U.S. history in terms of production capacity, according to Raymond James & Associates.

[New study praises corn as source for ethanol](#)

The University of Nebraska research reveals that the latest crop of efficient corn-ethanol refineries has helped cut greenhouse gas emissions to half that of gasoline and the industry now is producing up to 1.8 units of energy through ethanol for every unit of energy used to produce it. That's quite a leap in efficiency for an industry that early on had efficiency ratios that barely exceeded 1 to 1.

[Energy execs: More fuel-efficient cars should be first priority](#)

To cut dependence on oil and pollution, the first thing to do isn't to invest in fancy biofuels or subsidize nifty electric cars, according to oil industry officials.

Tony Hayward, chief executive of BP PLC, said Tuesday the first step is to improve the efficiency of the plain, old gasoline car. After that, people should invest in biofuels, and only then should people focus on developing electric vehicles.

"I have to say, I think — and I probably won't be popular here — I'm quite aligned, I think, with the auto industry, that there's a right sequence to do this," Hayward said following a presentation at the Cambridge Energy Research Associates conference.

[Study delivers blow to urban microwind turbines](#)

But the Encraft study, which came out last month, found that many of the turbines didn't meet manufacturers claims for power generation. Some turbines needed to go offline at times because of technical problems or complaints over noise.

"The gap between average performance (or expectation) and reality is much larger than people could reasonably expect," Encraft managing director Matthew Rhodes said in a summary.

The survey doesn't conclude that small wind turbines, in general, are uneconomical or unsuitable for the U.K. Instead, the data points to the need for accurate wind measurements before installing microturbines, particularly in cities.



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