



DrumBeat: March 11, 2009

Posted by [Leanan](#) on March 11, 2009 - 9:06am

Topic: [Miscellaneous](#)

[12.5M BARRELS!](#)

RIYADH: State oil giant Saudi Aramco said yesterday it had completed drilling on the largest new field in its plan to raise crude capacity to 12.5 million barrels per day (bpd) by the end of this year.

The \$10 billion (BD3.78bn) Khurais project is one of the largest ever single additions to global oil production capacity and the largest integrated oilfield project taken on by Aramco to date.

Khurais will add 1.2m bpd to Saudi Arabia's capacity, which currently stands at around 11.3m bpd. The field will produce Arab Light crude, valued by refiners as relatively easy to convert to transport fuels.

[Oil slumps below \\$43 with US stocks on the rise](#)

NEW YORK – Oil prices tumbled more than 7 percent Wednesday as U.S. inventories swelled with surplus crude and traders started to doubt whether OPEC would cut production further.

[Platts Survey: February OPEC Oil Output Fell to 28.07 Mil. Barrels Per Day](#)

LONDON /PRNewswire/ -- Platts -- The 12 members of the Organization of the Petroleum Exporting Countries (OPEC) pumped an average 28.07 million barrels per day (b/d) in February, as the oil producer club continued its efforts to slash oversupply and prevent oil prices falling further, according to a Platts survey of OPEC, oil industry officials and analysts just released. This is down 900,000 b/d down from January's 28.97 million b/d.

[Pdvs to make payment of debts to big contractors conditional on rates reduction](#)

The Venezuelan oil industry paid 10 percent of its debts and will pay the remaining debt after a revision of tariffs by suppliers.

[Mexico's Troubles Are Our Troubles](#)

A new contender now tops my long list of worries: Mexico.

[The Crude Oil Deflationary Bear Market](#)

But why did Oil go up to like \$150 last year? One word: Speculation . Speculation that under-production of the commodity was somehow a law of nature; speculation that credit expansion was a permanent reality; speculation that this all-purpose-perpetual-war would someday somehow cut off the supply of Oil to the world.

But I am not just talking about the speculation of the Speculator. The dudes like us who buy and sell futures contracts and other securities with the intent to profit from price fluctuations. Included in the ranks of speculators are the *producers* of the commodity. How adept the Arabians were in their bull operations the last few years! In the first half of this decade a humorous string of pseudoscience started to circulate in environmental and investment cliques. 'Peak Oil'. * So the Arabians thought, why not lead these gullible Westerners to believe there is something valid in their silly science? So they temporarily curtailed production growth, and so grew the Oil bubble. Prices reached a point where they could forward sell production years into the future at ridiculously high prices. And about the same time the Arabians suddenly 'discover' that they can expand production by a good 10 or 20 percent.

[Book Review: Robert Hefner's 'The Grand Energy Transition'](#)

Robert Hefner's new book, *The GET: Grand Energy Transition*, is beautifully simple. Although the book is full of the complexities involved in the history of energy exploration, statistics, logic, and policy, the picture on the book's cover sums up everything quite simply: society is transitioning from an unsustainable past based on solid and liquid energy sources (coal and oil) to a future of sustainable life based on energy gases (natural gas, wind, solar, hydrogen). Having seen the cover and read the book, it seems so obvious to me now. Yet the mindset unveiled in this book is unique, ground breaking, and critically relevant today.

[10 great eco-jobs](#)

Say goodbye to stereotypes: Today's environmental workforce is kicking the granola-crunching cliché into the recycling bin.

[2010 Honda Insight Starts Under \\$20,000; Becomes Most Affordable New Hybrid Available in the U.S.](#)

"The all-new Honda Insight brings the cost of entry for hybrid technology within closer reach of an entirely new car-shopping audience," said Dick Colliver, executive vice president of American Honda. "In addition to making good environmental sense, hybrid technology is now entering a new era where it can also make financial sense for a broader range of customers."

[Kan. oil rigs cut back drilling, lay off workers](#)

WICHITA — Kansas drilling rigs that once could not punch holes fast enough when oil prices hit record highs less than a year ago are now sitting idle, their crews laid off. Tax revenues in oil-rich counties are plummeting. Marginal wells are shutting down.

With the world awash in oil supplies and oil prices down, states like Kansas are among the first to feel the economic aftershocks in its oil industry. Nearly 80 percent of the state's oil production comes from small wells averaging slightly more than two barrels of oil per day — making them more vulnerable to steep fluctuations in oil prices.

[Global energy expert Matthew Simmons comes to Lafayette in April](#)

Acadiana Business co-publisher Cherry Fisher May says Simmons' appearance has been a five-year goal for the series. May was finally able to make a personal connection with the respected expert through his friend, MidSouth Bank board member Paul Hilliard, who has followed Simmons' career for decades.

Hilliard, a local oil and gas veteran, came to know of Simmons when they were both young up-and-comers in the industry. "Matt is a veteran banker, author, lecturer, financial adviser and petroleum analyst. His most recent notoriety results from his best-selling book *Twilight in the Desert* and the 'peak oil' theory it explores," Hilliard says. "The book reveals many interesting and heretofore unrecognized details about Middle East oil and its alleged reserves of this crucial commodity," Hilliard adds. "To the Saudis, the book was much more irritating than interesting, but you should read the book to understand the reasons for their displeasure. Matt has the habit of annoying many of the world's self-proclaimed petroleum 'experts' by puncturing their opinions with those inconvenient things called 'facts.' Those facts are prepared and presented with such vivid clarity that his audiences never leave without a heavy load of food for thought.

"I have never read a Simmons' prediction that didn't come true," Hilliard continues. "I paid close attention to what he had to say and began to realize that he can read the mind of the industry — assuming there is a mind of the industry."

[Crude Oil: Changing Expectations](#)

A lot has changed over the last several months, here in Washington with the new Administration, and across the U.S. and the rest of the world as economic conditions

continue to deteriorate. It has been the latter change that has impacted EIA's short-term global oil market forecast. In the latest Short-Term Energy Outlook (STEO), just released yesterday, EIA is projecting 2009 global oil demand to be 3 million barrels per day lower than we projected as recently as six months ago, in our September 2008 STEO. Why have we changed our view of 2009 so dramatically in such a short time?

[Iran says Total will have no 'active role' in gas project](#)

TEHRAN (AFP) – A top Iranian official said on Wednesday that French energy giant Total will have no "active role" in developing a huge gas field in Iran and that a new partner had been found for the project.

Total and Iran's National Iranian Oil Company (NIOC) were to develop phase 11 of the offshore South Pars gas field in the Gulf.

[Suncor, contractors face 90 charges over waste water dumping](#)

Oilsands giant Suncor and two of its contractors have been charged with 90 counts of dumping undertreated waste water into the Athabasca River and providing false or misleading information to the province about it, CBC News has learned.

The charges, which were laid more than a year ago in February 2008 under Alberta's Environmental Protection and Enhancement Act, relate to the monitoring of waste water from a Suncor-owned work camp that houses up to 3,500 people at the company's operations north of Fort McMurray, Alta.

[AT&T to put 8,000 natural-gas vehicles on road](#)

NEW YORK—AT&T Inc. said Wednesday it will spend up to \$350 million over five years to buy more than 8,000 Ford Motor Co. vans and trucks, then convert them to run on compressed natural gas.

It is the largest commitment by a U.S. corporation to vehicles using alternative fuels, the phone company said.

[Will the Economy Be Ahmadinejad's Downfall?](#)

President Mahmoud Ahmadinejad appears to believe that only desperate measures on the economy can save his presidency when Iranians go to the polls in June, but he suffered a shocking setback on Monday when the legislature dominated by like-minded conservatives blocked his key initiative. Ahmadinejad had proposed legislation in the Majles, Iran's parliament, that would have summarily withdrawn government subsidies

on oil, gasoline and electricity, freeing up about \$20 billion in government funds, of which he planned to transfer more than half in direct cash handouts to middle- and lower-income households. But the move would have sent energy prices skyrocketing in Iran, and the Majles was having none of it — despite the vote being widely viewed as a test of conservative loyalty ahead of the June poll.

[To feel lucky as collapse progresses / Tom Friedman's awakening](#)

Slow collapse is what we need, if possible. As bad as this seems, "So far so good." The kind of fast collapse from a massive interruption in oil supplies is much harder to handle.

The system is teetering on many levels, and there are uncertainties, but fall it will.

[Conoco still mulling Yanbu, German refinery spending](#)

NEW YORK (Reuters) - ConocoPhillips expects to decide early next year whether to proceed with the Yanbu joint venture refinery in Saudi Arabia, Willie Chiang, the company's head of refining, said Wednesday.

Conoco and Saudi Aramco halted bidding on the construction of the planned 400,000 barrel per day Yanbu refinery in November, citing uncertainties in the financial markets.

[Iran says OPEC could accept Russia as member](#)

TEHRAN - Iran's oil minister suggested OPEC would accept Russia as a member if Moscow wanted to join the 12-member oil producers' group, the semi-official Fars News Agency reported.

[Ford, UAW deal saves \\$500M annually](#)

DETROIT (Reuters) -- Ford Motor Co said Wednesday that it expected operating savings of \$500 million per year from an agreement with the United Auto Workers that will push hourly wage rates into the "ballpark" of foreign-based rivals.

[Ethanol: Not dead yet](#)

NEW YORK (CNMoney.com) -- The old kings of ethanol are struggling for survival but a new crop of companies are poised to ascend to the throne and hope to offer a superior product.

[Canals and rivers to lead micro-hydropower revolution](#)

Britain's canals and rivers have already been heralded as a low-carbon way to transport Tesco groceries, a test-bed for hydrogen boats and a opportunity to build more wind turbines. Now they're being billed as a chance for micro hydropower to flourish under new plans unveiled today by British Waterways, which maintains 2,200 miles of the country's canals and rivers.

[EIA lowers oil demand forecast in latest short-term outlook](#)

HOUSTON -- In its latest Short-Term Energy Outlook (STEO), the Energy Information Administration has lowered its projections for oil demand in 2009-10 as the global economic contraction continues to depress energy demand.

EIA now expects US real gross domestic product (GDP) to decline 2.8% in 2009, leading to a reduction in energy consumption for all major fuels. EIA forecasts that an economic rebound will begin in 2010, with 1.9% year-over-year growth in US real GDP.

Average annual world oil consumption is projected to decline almost 1.4 million b/d in 2009, with consumption in Organization for Economic Cooperation and Development countries falling 1.6 million b/d. This expected decline is 200,000 b/d larger than in last month's STEO, reflecting lower expectations of global economic activity this year.

[Oil falls on lower demand forecast](#)

COLUMBUS, Ohio – Crude, gasoline and other fuel prices tumbled Tuesday after the government again lowered its forecast for global energy demand and said average oil prices for this year will likely be below current levels.

[China's Grab for Resources](#)

The United States consumes 25 barrels of oil per capita, Japan consumes 16, and Korea 15. Interestingly, they all followed a very similar pattern of development. As their economies grew, oil consumption per capita expanded until it found a plateau. Developed economies ultimately become more service-oriented, so it's natural for oil consumption per capita to stop growing with GDP.

How far are China and India from stopping to grow oil consumption per capita? China consumes roughly two barrels of oil per capita. India consumes 0.9.

This would be fine and dandy if China and India did not each contain more than a billion people. But their oil consumption will grow many times in the next 20 years, assuming the global economy does not sink into a black hole. (Let's hope not!) Given this future demand, I don't think we've yet seen oil prices hit their peak. While \$150 a barrel may

remain the record for a while, one day it, too, could topple. The Chinese know this -- and they're taking action now.

[Pemex Awards \\$492 Million in Contracts for 4 Rigs](#)

(Bloomberg) -- Petroleos Mexicanos, the state-owned oil company, awarded \$492 million in contracts to lease four oil rigs in the Gulf of Mexico as it seeks to boost slowing output.

[Oilsands dreams in jeopardy in northern Sask. town](#)

A Saskatchewan town that hoped to cash in on the oilsands boom is getting hit hard by the economic downturn.

[Total to cut jobs in France](#)

PARIS - TOTAL SA announced plans on Tuesday to cut 555 jobs in France over the next three years, prompting sharp criticism from the political left and right because the French oil giant recently reported record profits.

Europe's third-largest oil company by revenue said the job cuts at its domestic refining and petrochemical operations were designed to help it adapt production to falling oil consumption.

[Rosneft Considers Laying Off Several Thousand Employees](#)

Rosneft said Tuesday that it may cut several thousand posts to reduce costs after reporting a 64 percent drop in fourth-quarter profit.

Rosneft has already started to lower its head count as a result of a hiring freeze in place since October, company vice president Peter O'Brien said.

[Chevron Cuts Output Forecast As It Waits For Lower Costs](#)

In a sign of how lower oil prices are re-shaping the business strategy of major oil companies, Chevron Corp. (CVX) is cutting its forecast for long-term oil and gas production growth as it slows investment in some areas.

While still spending heavily in the new, complex projects that underpin its long-term growth strategy, Chevron will slash investments in existing fields and certain new

projects such as unconventional natural gas fields in Colorado's Piceance basin.

The company will wait until the overheated operating costs of recent years drop substantially before resuming these investments, executives said at the company's annual meeting with analysts in New York on Tuesday.

[Sinopec to Order Units to Cut Diesel Output by 20%](#)

(Bloomberg) -- China Petroleum & Chemical Corp., Asia's largest refiner, plans to order its refineries to reduce diesel output by 20 percent because of slumping demand for the fuel, said the head of one of the oil-processing plants.

Refineries of Sinopec, as China Petroleum is known, will be told to cut diesel yield from crude oil from year-earlier levels after domestic demand for the product, used to fuel trucks and machines, plunged about 20 percent in the first two months, Zhang Dafu, chairman of the company's Jinling plant, said today.

[Conoco caught out by lower oil prices](#)

When ConocoPhillips became the first of the big oil groups to announce 2008 financial results, it was with a string of bad news.

[Kuwait oil giant planning \\$80bn investment](#)

A top official at the Kuwait Petroleum Corporation announced on Wednesday that the company would invest about \$80 billion over the next five years to increase production and expand refinery capacity.

[Oil-rich nations 'seek majors expertise'](#)

Dave O'Reilly, chief executive of Chevron, said the oil-rich countries that erected barriers to international oil companies amid the run-up in commodity prices were now seeking their expertise in managing the drastic fall.

"They're back now looking for [our] investment," Mr O'Reilly told Chevron's annual analysts' meeting.

[Norway's oil output on the rise](#)

Norway's oil production rose to a preliminary 2.16 million barrels per day on average in

February from about 2.11 million bpd in January, the Norwegian Petroleum Directorate (NPD) said.

Production of natural gas liquids and condensate fell to a preliminary 340,000 bpd in February from 353,000 bpd in January, the directorate said in a statement.

[Norway Oil Fund Drops 23.3% in 2008 on Stock Plunge](#)

(Bloomberg) -- Norway's sovereign wealth fund, the world's third largest, had a record loss of 633 billion kroner (\$90.5 billion) last year as the worst financial crisis since the Great Depression battered markets.

[Opec becomes well-oiled machine](#)

Having headed into 2009 in freefall, the price of crude has defied the pessimists and recently found good support above \$40 per barrel. This is mainly because the Organization of the Petroleum Exporting Countries (Opec) has been much more effective in reducing supply. Even though the demand side of the equation is still declining, there is greater expectations today that Opec can continue to act much more decisively than it has ever done in its history and quickly match eventual demand with supply. Why? The organisation is much more commercially focused than it used be, as most producers find themselves in greater need of higher oil revenues.

[Total sees oil prices rising to \\$60 next year](#)

PARIS (Reuters) - French major Total expects oil prices to average at \$40-\$45 a barrel this year and rise to an average \$60 next year, a senior executive said on Wednesday. The company expected oil prices would rise further to \$80 in 2011, Jean-Jacques Mosconi, Total's vice president of strategy and planning, told reporters.

[Japan's Wholesale Price Declines Accelerate as Slump Deepens](#)

(Bloomberg) -- Japan's wholesale prices fell at a faster pace in February as the global recession cut the cost of energy and commodities.

Producer prices, the costs companies pay for energy and raw materials, sank 1.1 percent in February from a year earlier, after falling a revised 0.3 percent in January, the Bank of Japan said in Tokyo today. That compares with a median estimate of 27 economists surveyed by Bloomberg News for a 1.2 percent decline.

[Putin promises Europe enough oil and gas for 100 years](#)

Russian Premier Vladimir Putin says research shows that Russia has enough oil and gas for itself and for Europe for the next 100 years.

“We have enough energy resources to meet our own growing demands as well as the demands of our European consumers for at least another hundred years. I am saying this with full responsibility based on serious research,” said Russian Prime Minister Vladimir Putin at a news conference following talks with his Hungarian counterpart Ferenc Gyurcsany.

[Ukraine politics may trigger Russia clash](#)

An economic crisis in Ukraine compounded by a power struggle between the president and prime minister could trigger a fresh clash over gas with neighbouring Russia and disrupt supplies to European customers. Tensions rose last week when Ukraine's elite forces raided the headquarters of Naftogaz, the state energy firm that imports Russian gas and that has in the past had problems paying for the commodity, saying they were pursuing a criminal inquiry.

In Kiev, there was no doubt that the raid, days before Naftogaz had to make a crucial payment to Gazprom for February's gas supplies, constituted a fresh battle between President Viktor Yushchenko and Prime Minister Yulia Tymoshenko. Naftogaz had settled the bulk of the bill before Russian Prime Minister Vladimir Putin entered the row by threatening supply cuts, and a row like the three-week stand-off in January that cut gas off to millions in Europe was avoided.

[State, local officials clash over stimulus funds](#)

The Obama administration and some governors such as Perdue want the money spent quickly to create jobs and stimulate moribund local economies. But some local officials say basic repaving and other quick-turn projects will provide only temporary benefits and won't meet long-term transportation needs.

[Urban areas see revival in housing construction](#)

A substantial amount of housing built this decade has shifted from open fields on the edges of suburbia to dense central cities and their nearby suburbs, a new government study suggests.

The change suggests that a much-publicized urban renaissance in the past 15 years is more than an isolated trend, some urban analysts say.

[Ford builds 100,000th hybrid](#)

CLAYCOMO, Mo. - The Ford Motor Co. on Tuesday produced its 100,000th vehicle powered by a combination of gasoline and electricity and said it continues to see alternative power as a big part of its future.

[GM delays innovative new diesel truck engine](#)

General Motors' deteriorating financial situation has caused the company to delay one of the most advanced engines that it has ever designed, a 4.5-liter diesel for light-duty trucks.

"We have to make tough decisions right now," GM Powertrain spokeswoman Susan Garavaglia said.

[Truck, SUV values driving upward](#)

If you've got a pickup or an SUV that you're thinking of selling, this might be a good time.

Two reports out in recent days - one from the Kelley Blue Book and another from Manheim Consulting, the auto auction company based in Atlanta - say values of many used vehicles rose from January to February and again from February to March, with pickup trucks out front, gaining more than 17 percent in value from the beginning of February to the beginning of March.

[American Air to cut capacity](#)

DALLAS - AMERICAN Airlines, which plans to cut US flying by 9 per cent this year, sees bookings for the next four months running behind last year's pace and might be forced to ground more flights.

[Government's cutback on energy, water use is slowing](#)

Many agencies are slowing in their goal of using less energy, raising doubts over whether they can cut energy use 30 percent by 2015.

Chris Tremper, an analyst at the Energy Department's Federal Energy Management Program, said half of agencies reported a smaller reduction in their energy use in 2008 than the previous year.

[Oil scarcity hits Mombasa](#)

A crippling fuel shortage has hit the coastal city of Mombasa with motorists driving around for hours in a desperate search for the commodity.

The city center is the worst hit with a shortage of super and regular petrol being reported.

A spot check by KBC found long queues of angry motorists lining for hours at pump stations where the commodity was available.

[Economy to slow U.S. nuclear power growth: NRC head](#)

LOS ANGELES (Reuters) - An "excessive exuberance" for expansion in the U.S. nuclear power industry has calmed because of the global credit and economic crisis, the head of the U.S. Nuclear Regulatory Commission said on Tuesday.

Separately, a GE Hitachi Nuclear Energy official warned that the lack of credit will slow the pace of U.S. nuclear power development.

[Recession has taken toll on alternative energy](#)

Worldwide sales of solar cells, biofuels and wind turbines soared 53 percent last year to hit \$115.9 billion before the global recession started sapping their strength, according to an annual report issued Tuesday.

[Have we reached peak water?](#)

We all know about peak oil, but peak water? Water expert Peter Gleick of the Pacific Institute poses the possibility that, despite the vast amounts of water on "Planet Ocean," we may be running out of sustainably managed water.

What is sustainably managed water? This term relates to the way we use, manage and abuse the fresh water that is regularly replenished by precipitation. In several places in the world, such as the southwestern United States and China, so much fresh water is withdrawn that rivers have actually dried up before they reach the sea.

[Judge rules against water district on wells](#)

MONTARA — The future growth of the urban Midcoast has been thrown into doubt by a recent federal court ruling that prevented a Coastside water supply agency from taking possession of three groundwater wells on which its customers rely.

The Montara Water and Sanitary District, serving 5,000 residents of Montara and Moss Beach, lost a bid to seize title of the wells under a portion of the Half Moon Bay Airport by eminent domain in a ruling by U.S. District Judge Jeremy Fogel in late February.

[Record dry start to 2009 worries farmers, firefighters](#)

The first two months of 2009 are the driest start of any year since the USA began keeping records over a century ago, leading to severe drought in Texas, dipping reservoir levels in Florida and a surge in wildfires across the nation.

Farmers, cattlemen, firefighters and others worry that the dry start may be a harbinger of a bleak summer that could lead to increasing risk of fire and poor crop conditions.

[Ponzi 2: What Year Will Coastal Property Values Crash?](#)

Coastal property values will crash when a large fraction of the financial community and of opinion-makers -- along with a smaller but substantial fraction of the public -- realize that it is too late for us to stop 4 to 5 feet of sea level rise.

[This climate crunch heralds the end of the end of history](#)

We are on the brink of a major revolution - the demise of the fossil-fuel economy. Now is the time to think through the implications. On the nitty-gritty side, one major concern has to be jobs. A climate change new deal will create new jobs, its proponents argue. I'm not so sure, if by this they mean net jobs - that is to say, larger numbers than existed before. As more energy is produced from low-carbon sources, and energy efficiency increases, some workers in the fossil fuel industries, like coal mining, will be put out of work. Most forms of technological innovation reduce the need for labour power.

[Rising methane levels in Norwegian Arctic](#)

OSLO - Levels of methane in the Norwegian Arctic increased in 2007 possibly because the thawing northern tundra released more of the greenhouse gas into the atmosphere, officials said Monday.

[UN climate chief: US carbon cuts could spark 'revolution'](#)

The head of the UN body charged with leading the fight against climate change has conceded that Barack Obama will face a "revolution" if he commits the US to the deep carbon cuts that scientists and campaigners say are needed.

[EPA Plans U.S. Registry of Greenhouse Gas Emissions](#)

The Environmental Protection Agency plans to establish a nationwide system for reporting greenhouse gas emissions, a program that could serve as the basis for a federal cap on the buildup of carbon and other gases linked to global warming.

[EPA Aims To Declare CO2 Endangerment In Mid-April -Source](#)

WASHINGTON -(Dow Jones)- The U.S. Environmental Protection Agency is considering officially announcing that carbon dioxide is a danger to the public - a finding that would trigger regulation of the greenhouse gas across sectors of the economy - in mid-April, an Obama administration official close to the matter said Tuesday.

By making such a declaration, also known as an "endangerment finding," Clean Air Act laws would force the agency to draft rules for emitters across industry. It could create a legal basis for challenging nearly every emitting source, though EPA chief Lisa Jackson has said the agency would restrict rules to major emitters such as coal generation, cement and chemical plants, refineries and a raft of other energy-intensive industries.



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