



Drumbeat: March 15, 2009

Posted by [Gail the Actuary](#) on March 15, 2009 - 8:09am

Topic: [Miscellaneous](#)

[BP, other oil firms to take on added debt as revenues fall](#)

The world's third-largest oil company [BP], behind Exxon Mobil and Royal Dutch Shell, has reduced its production forecast for the next several years and is reviewing its degree of investment in major projects around the world.

Because of lower oil revenues, all oil firms will need to assume increased debt in coming years to cover their dividends, capital spending and exploration costs, BP Chief Executive Tony Hayward has warned. Natural gas prices also have weakened.

Hayward estimates oil prices must reach \$50 a barrel to cover this year's dividend and \$60 to cover the dividend and investment in projects.

BP will continue to pay a dividend, Hayward has said. Although the firm has a large cash cushion from years of profitability, some analysts question his decision.

[UPDATE 1-Kuwait says to drop \\$15 bln oil refinery plan-paper](#)

Kuwait's government will cancel a \$15 billion oil refinery project, which met opposition in parliament, in its weekly meeting on Monday, the country's prime minister said in remarks published on Sunday. . .

In December, Kuwait scrapped a \$17 billion joint-venture with U.S. firm Dow Chemical (DOW.N) just a month after signing the deal saying it was no longer viable in light of the global crisis after parliament opposed the deal.

[OPEC to keep production levels steady](#)

The Organization of Petroleum Exporting Countries said Sunday it will leave oil-output levels unchanged and will fully comply with production targets the group agreed to late last year. . .

The oil cartel said it will meet again on May 28 and Sept. 9 in Vienna to reassess output. OPEC President and Angolan oil minister Jose Maria Botelho de Vasconcelos hinted that

more tightening may be considered at the group's meeting in May, according to reports.

[Russia to cut oil exports, raise domestic consumption - Sechin](#)

Russia will cut oil exports and increase domestic oil consumption in a bid to stabilize world oil prices amid the ongoing financial crisis, Deputy Prime Minister Igor Sechin said on Sunday.

"We will be cutting oil exports through the expansion of domestic consumption. In particular, we plan to transfer 2 million tons of fuel to agricultural producers and also increase oil refining inside the country," Sechin said.

[Nuclear waste: No solution yet, but expansion continues](#)

The industry, including Georgia Power's nuclear affiliate, Southern Nuclear, says Yucca's demise shouldn't affect plans to build new reactors. . .

A new round of Nuclear Regulatory Commission licensing hearings on its reactor plans begins this week in Augusta and Waynesboro, but the spent-fuel disposal issue will not come up.

Opponents can't raise it, because of a rule the NRC first made in 1984. Called the waste confidence rule, it says the NRC has confidence that a permanent nuclear disposal site would exist by 2025 and that on-site storage will be sufficient in the interim.

But the NRC is considering removing the 2025 date, although it is still expressing confidence a permanent solution will emerge.

[As Oil and Gas Prices Plunge, Drilling Frenzy Ends](#)

One reason companies need to make cuts is that the cost of drilling and servicing operations, while falling, is still roughly double the 2005 level, while the prices oil and gas companies earn from their production are suddenly below the 2005 level. Meanwhile, the cost of borrowing money for exploration and production has soared recently in the credit crisis.

"When everybody sobers up after the first quarter and sees what their real cash flow is going to be," said G. Steven Farris, chairman and chief executive of the energy company Apache, "people are going to be very discouraged about how much capital they have to spend and that will depress the rig count even further."

[Seattle council poised to approve rooftop wind-energy generators](#)

The Seattle City Council is poised to approve small wind-energy generators atop town houses, apartments, condos and commercial buildings.

The devices, which are sustainable, clean and can be cheaper than solar panels, have been installed across the country in the past few years: at the Boston airport, a Texas Air Force base, a potato-chip factory in Wisconsin — even on Jay Leno's private garage.

On Monday, the Seattle City Council will consider allowing windmills 15 feet above the height limit on commercial buildings. Later this spring, the council will consider allowing 10-foot-tall windmills on multifamily homes.

[Drop in cost of refining jet fuel is huge boost to airlines](#)

Last year, the cost of refining jet fuel added about \$25.50 to the price of a barrel of crude oil, on average. So if oil cost \$100 per barrel, the same amount of jet fuel would cost \$125.50.

But the difference between the cost of a barrel of oil and a barrel of jet fuel — dubbed the "crack spread" in industry jargon — has dropped substantially since the end of the year. According to a report by FTN Equity Capital Markets, the spread averaged \$21 in January and \$15 in February.

It dropped even further this month, and Tuesday, the most recent date available, it fell to just \$4 per barrel.

"The crack spread has cracked," declared FTN airline analyst Michael Derchin.

[PetroChina, Venezuela to Build Guangdong Oil Refinery \(Update1\)](#)

PetroChina Co. and Venezuela will build a refinery in Guangdong province that will rival the biggest Chinese oil-processing plant by capacity as the two nations reinforce their energy ties.

PetroChina, the country's largest oil company, will "further realize" the agreements with Venezuela on the 400,000 barrel-a-day refinery when energy officials from the South American nation visit Beijing this month, Chairman Jiang Jiemin told reporters today. The capacity will match the size of China Petroleum & Chemical Corp.'s plant in Zhejiang province.

Venezuela, the world's fifth-biggest oil exporter, and China plan to boost oil production from their joint ventures in the South American nation by more than 10-fold in the next six years to 1 million barrels a day.

[Iran signs \\$3.2-billion natural gas deal with China](#)

China will help in the exploration of the offshore South Pars field, believed to be part of the world's largest natural gas reservoir. The deal points to the limitations of U.S. sanctions.

Under the three-year deal, China will help develop the South Pars field, a sprawling cavity beneath the Persian Gulf seabed that is part of what geologists describe as the world's largest natural gas reservoir.

[Pushing the Gas Pedal: Tehran Makes NGVs Top Priority](#)

Iran is aggressively tackling pollution, costly fuel import dependence and international political pressure by increasing its fleet of natural gas-fueled vehicles (NGVs). In less than two years, the number of cars able to run on compressed natural gas (CNG) has increased more than five-fold, a move that has allowed it to replace about 10% of its aging fuel-guzzling vehicle fleet.

But the government, which owns huge stakes in the country's auto industry, is not stopping there. It has told manufacturers that at least 40 percent of the vehicles made every year must be NGVs. Service stations with natural gas refueling capability are spreading rapidly and mass transportation is being transformed at a record speed.

[North Shore railroad finds upside to down economy](#)

"With the economic slowdown, a lot of coal trains across the country are parking," said Karen Kollman, director of fuels management for Wisconsin Public Service.

Power demand lower than usual this year, Kollman said, as numerous industries dial back their operations in response to cautious consumer spending. As more coal cars are taken off the tracks, it reduces rail system congestion and further lessens the need for coal cars, she said.

[The Next Really Cool Thing](#) (Tom Friedman)

Once the lab proves that it can get energy gain from this laser-driven process, the next step (if it can secure government and private funding) would be to set up a pilot fusion energy power plant that would prove that any local power utility could have its own miniature sun — on a commercial basis. A pilot would cost about \$10 billion — the same as a new nuclear power plant.

I don't know if they can pull this off; some scientists are skeptical. Laboratory-scale nuclear fusion and energy gain is really hard. But here's what I do know: President Obama's stimulus package has given a terrific boost to renewable energy. It will pay lasting benefits. And we need to keep working on all forms of solar, geothermal and wind power. They work. And the more they get deployed, the more their costs will go down.

[Rock of rages: One long, cool look at the history of uranium](#)

Published this month by Viking, Zoellner's latest book, *Uranium*, traces the scientific, political and even cultural odyssey of this most menacing of all elements in just short of 300 pages. Zoellner said he aimed to tell a story of a humble-looking rock that brings out the best and worst of humanity, from its historic role in the manufacture of nuclear weapons to the promise it holds for keeping climate change in check through nuclear energy.

[Europe's Way of Encouraging Solar Power Arrives in the U.S.](#)

Put simply, the idea is to pay homeowners and businesses top dollar for producing green energy. In Germany, for example, a homeowner with a rooftop solar system may be paid four times more to produce electricity than the rate paid to a coal-fired power plant.

This month Gainesville, Fla., became the first city in the United States to introduce higher payments for solar power, which is otherwise too expensive for many families or businesses to install.

[Electric cars charge ahead](#)

But the plug-in dearth seems set to change before long. A combination of unpredictable gasoline prices, prodding activists, unsold SUVs, and hefty government financial incentives for plug-ins have changed the game. After years of foot dragging, major car companies are at last accelerating into a market for electric-powered vehicles of all kinds, analysts say.

"They're making pretty good progress," says David Cole, chairman of the Center for Automotive Research in Ann Arbor, Mich., of GM and other companies' development efforts. "They're doing this for real."

At least nine car companies worldwide say that by 2013 they will offer plug-in vehicles that use electric motors as their primary means of propulsion, according to Plug-in America, an activist group. Some will be all-electric drive vehicles (EV). Most will be plug-in hybrid electric vehicles (PHEV) that use small gasoline engines as a backup.

[Pacific Gas and Electric seeks suppliers for pilot PV power plant](#)

Pacific Gas & Electric is looking for suppliers to bid on a 2-MW pilot photovoltaic power plant--the first step in part of its five-year plan to develop 500 MW of solar in its Northern California coverage area. The utility says it wants to use the pilot project,

which will be completed by the end of 2009, to help develop its processes for building and operating PV facilities while it seeks regulatory approval for the full proposal with the California Public Utilities Commission (CPUC).

[Obama says no quick end to ethanol dispute](#)

Barack Obama on Saturday said there would be no quick resolution to a dispute with Brazil over restricting ethanol imports to the US, following his first meeting with President Luiz Inacio Lula da Silva.

The Brazilian president, in his first visit to Washington since Mr Obama took office, said it was wrong for the US continued to levy import tariffs on Brazilian sugarcane ethanol, which is more environmentally friendly than the maize ethanol produced in the US.

[GERMANY'S LOCAL CURRENCIES: Economic Cure or Fool's Gold?](#)

At some point in the spring of 2004, the money ran out in the village of Gsen in the eastern German state of Saxony-Anhalt. At least, Frank Jansky wasn't receiving any. "People couldn't pay their bills anymore," says Jansky, who runs a lawyer's office in Gsen, where he represents mainly tradesmen and small construction firms.

Around that time, Jansky heard about regional currencies and thought: "That's it." His idea: Instead of using euros, eastern Germany's increasingly pauperized population ought to be able to pay in goods and services. The regional currency would be known as the "Urstromtaler" (the name is a play on words, combining "Urstromtal," the name of a Saxony-Anhalt valley, with "taler," the name of an old German currency -- which incidentally also inspired the name "dollar").



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