



Drumbeat: March 17, 2009

Posted by [Gail the Actuary](#) on March 17, 2009 - 9:02am

Topic: [Miscellaneous](#)

[China Gains Key Assets In Spate of Purchases](#)

Oil, Minerals Are Among Acquisitions Worldwide

Chinese companies have been on a shopping spree in the past month, snapping up tens of billions of dollars' worth of key assets in Iran, Brazil, Russia, Venezuela, Australia and France in a global fire sale set off by the financial crisis. . .

Even as global financial flows have slowed sharply overall, China has dramatically stepped up its outbound investment. In 2008, its overseas mergers and acquisitions were worth \$52.1 billion -- a record, according to the research firm Dealogic. In January and February of this year, Chinese companies invested \$16.3 billion abroad, meaning that if the pace holds, the total for 2009 could be nearly double last year's. . .

China's state-run media outlets are calling the acquisition spree an opportunity that comes once in a hundred years, and analysts are drawing parallels to 1980s Japan.

[FACTBOX-Nigeria's oil production outages](#)

LONDON, March 17 (Reuters) - Nigeria has about 606,500 barrels per day of oil shut in due to sabotage to oil facilities, according to oil companies and trading sources.

* The outage volume represents about 25 percent of the West African country's installed output capacity of around 3 million bpd. [ID:nLG632483]

[Lights out, Britons told - we're running out of power](#)

Carbon quango The Energy Saving Trust has come up with a new reason for Britons to save energy in the home. Our power stations will soon close, and you'll need to do your bit.

That's what one Reg reader discovered, after enquiring about the Trust's calculations on the effectiveness of new low-energy bulbs.

"A reduction in electricity consumption will be essential over the coming decade as a large number of power stations are being withdrawn from service, and as a result there is a gap looming between supply and demand," Graham Crocker was told. "More efficient lighting (which accounts for nearly 20 per cent of domestic electricity consumption) will go some way to alleviating these demand pressures." The answer came from Alex Stuart, assistant manager of services of development at the quango.

[MIT breakthrough promises lighter, fast-charging batteries](#)

Scientists at the Massachusetts Institute of Technology (MIT) have developed a way to charge lithium ion batteries in seconds, instead of hours, that could open the door to smaller, faster-charging batteries for cell phones and other devices.

Lithium ion batteries are used widely in portable electronics because they can store large amounts of energy. The tradeoff is that the batteries can take hours to recharge, which can be an inconvenience for users who are constantly on the move. A team of MIT scientists, led by Professor Gerbrand Cedar, discovered that lithium ions, which carry electricity in the battery, can move much faster if they are aligned with tunnels that can be accessed from the surface of the battery, according to an MIT statement.

[Topic Report: E&P Capital Expenditure Cutbacks](#)

New oil-and-gas projects usually take several years of development before starting commercial production. According to Cambridge Energy Research Associates, the scaleback in exploration and production could reduce future global oil supplies by up to 7.6 MMBpd in five years, or 9 percent of current production. If demand suddenly comes back as it did in 2003-2004, there could be a resulting shortfall of production and much higher energy prices. The International Energy Agency (IEA) also warns that the credit crisis and project cancellations will lead to no spare crude oil capacity by 2013.

[The Recession's Green Lining](#)

A global downturn is doing what activists couldn't: closing dirty factories.

It is no coincidence that some of the dirtiest industrial operations are falling victim to the global recession. Over the past two decades, much of the world's manufacturing moved to where pollution standards are little more than mild suggestions. Since small, corner-cutting, inefficient facilities tend to both flout pollution laws and be most vulnerable to a sudden drop in demand, the global recession has hit such operations especially hard. Thousands of factories in China's Pearl River Delta have shut their doors since late last year, for instance; output of autos, electronics and other goods from factories in Mexico's Ciudad Juárez, Monterrey and Toluca has fallen so sharply that the amount of cargo trucked across the U.S. border has dropped 40 percent. In India, enough small steel-rolling mills around Delhi have closed that levels of sulfur dioxide (which forms acid rain)

fell 85 percent in October 2008 compared with a year earlier. The recession is bringing a green dividend in the developed world, too. Reduced economic activity is projected to cut Europe's emissions of carbon dioxide, the chief man-made greenhouse gas, by 100 million tons in 2009, and the United States' by about the same amount.

Recession is not exactly a long-term environmental strategy, obviously.

[Interior Secretary Salazar to Meet With Top Oil Executives](#)

Interior Secretary Ken Salazar said Monday he plans to meet with top executives of the major oil companies this week to show them he's just as interested in their views as all those wind and solar companies the administration is keen to help.

But Salazar says the administration hasn't changed its mind about proposing billions of dollars in tax increases on the industry or about opposing drilling in the Arctic National Wildlife Refuge.

"Things are not being done in Washington the same way they have been," Salazar told reporters during a teleconference Monday when asked about the administration's proposed tax increases on the industry. "Not everyone's going to be happy."

[Turf battle over offshore wind energy is resolved](#)

WASHINGTON (AP) — A two-year interagency squabble appears to be resolved, clearing the way for development of rules for offshore wind energy projects.

Interior Secretary Ken Salazar says the Interior Department and the Federal Energy Regulatory Commission have reached general agreement resolving the problem that dates back to 2007. Under the agreement, Interior's Minerals Management Service has jurisdiction over offshore wind projects, while the commission has the "primary responsibility" on licensing wave and ocean current projects to make electricity.

[Salazar opens door to ANWR drilling](#)

WASHINGTON — Interior Secretary Ken Salazar said Monday he would consider allowing oil to be taken from Alaska's Arctic National Wildlife Refuge by way of drilling from outside its boundaries if proponents can show wildlife and the environment will not be disturbed. But Salazar emphasized the Obama administration views the refuge as "a very special place" that must be protected. Salazar said he is not yet convinced directional drilling, despite recent advances in technology, would meet the test. Sen. Lisa Murkowski, R-Alaska, has introduced legislation to allow oil companies to drill from platforms outside the refuge. She contends such drilling would leave the refuge surface land undisturbed, protecting wildlife.

[Russia II: Opec's dirty neighbour](#)

Perhaps Europe can now stop worrying quite so much about Russia and Algeria, its two biggest natural gas suppliers, becoming too chummy. When it comes to oil at least, Chakib Khelil, Algeria's energy minister, made clear the two did not see eye to eye. "Of course we are disappointed," he said today about Russia's unwillingness to cut its production voluntarily. "Wouldn't you be with your neighbour if you were cleaning in front of your house and he was pouring down dirt." He dismissed Russia's ideas of closer cooperation through a memorandum of understanding and revealed the true value of an Opec MOU. "We sign MOUs with anyone. In Opec, what counts is membership."

[Accord Opens Door for Rules on Offshore Energy](#)

WASHINGTON -- Backers of offshore wind and tidal farms could get a boost Tuesday with the resolution of a longstanding regulatory dispute between two federal agencies.

Interior Secretary Ken Salazar and Jon Wellinghoff, the acting chairman of the Federal Energy Regulatory Commission, are expected to announce Tuesday that Mr. Salazar's agency will cede primary authority for siting offshore wave energy projects to Mr. Wellinghoff's agency. The agreement clears the way for Interior to establish rules -- now nearly three years overdue -- governing the development of alternative energy projects.

For nearly four years, the Minerals Management Service -- a branch of Interior that manages the nation's offshore energy resources -- and the FERC have been at odds over which agency has primary jurisdiction for projects in the outer continental shelf that seek to harness the power of waves and tides to generate electricity, leaving any rule making in limbo. The FERC for years has claimed jurisdiction over wave, but not wind, projects in federal waters.

[White House, Congress focus on offshore drilling and renewables](#)

Senior Interior Department officials will be on Capitol Hill tomorrow to discuss oil and gas drilling and renewable energy development on land and offshore as momentum builds toward possible comprehensive energy bills in the House and Senate.

In the House, the Energy and Mineral Resources Subcommittee will hold the latest in a series of hearings on petroleum development on the outer continental shelf, or OCS, that will feature an official with the Minerals Management Service, Interior's acting inspector general and a Government Accountability Office expert.

The House hearing is expected to explore allegations that oil companies are failing to produce energy from tens of millions of acres of existing leases on federal lands and waters even as the industry is pressing for new areas to be made available, among other OCS drilling issues.

[NSTAR proposes cut in natural gas rate](#)

NSTAR, the Boston-based utility, said that it is proposing a 70 percent decrease in natural gas prices starting in May and added that if the decrease is approved, it could save many of its gas customers about \$35 a month.

NSTAR said it has "submitted a proposed summer rate of 38 cents per therm, down from last summer's average cost of \$1.30."

[Downgrades Across Oil and Gas](#)

ON FRIDAY (MARCH 13), we reduced both our oil and U.S. Nymex natural-gas price assumptions for the short and longer terms.

With the recent outperformance of oily exploration and production versus gassy producers (10% outperformance month-to-date) and the more significant changes made to our long-term oil-price forecast, we are lowering ratings from Outperform to Neutral on oil-levered: Occidental Petroleum (ticker: OXY); Plains Exploration & Production (PXP); Denbury Resources (DNR); and Venoco (VQ).

At our reduced \$70-per-barrel long-term oil-price outlook (versus \$100 prior), many oil-producer valuations now look more full while asset growth is likely to be more constrained.

We see long-term value in gas and we have made only a moderate change to our long-term Nymex gas price (to \$8.00 [per million British thermal units, MMBtu] from \$8.50) with the view that the cost curve continues to support a robust price despite falling oilfield inflation and emerging high-quality shale plays.

[Will peak oil mean the end of aviation?](#)

I think a bigger problem for the future of aviation is much simpler: the economy. Convenience, which most forms of aviation deliver the best, could be one of the first "indulgences" given up by a financially squeezed society. Even if the global economy improves in the next year (I'd guess 2 years or more), the inflation (some would argue hyperinflation) sure to follow this unprecedented spending and printing of money will make the kind of aviation we take for granted a distant memory.

I'm not talking about the "weekend warriors" out there tooling around in their private airplanes at the local airport. I'm talking about the end of airfares that are either the same as they were 20 years ago, or even cheaper in some cases. We now take it for granted that we can fly from Denver to Las Vegas for about \$200, or from the west coast to Hawaii for around \$500 – those are prices that were paid in the mid-80's as well. Something's going to give there; supply (of flights) and demand (from strapped

potential travelers) could both go down, and the above prediction of the “super elite” being the only flying travelers may come true – but not because of oil.

[Preparing city for life after oil](#)

SAN FRANCISCO – To avoid “a much darker future” The City should pursue transforming a city golf course into farmland, offer free Muni to low-income residents and quickly turn garages of homes into livable spaces, according to a city task force whose mission is to prepare San Francisco for an oil shortage.

The so-called Peak Oil Preparedness Task Force was created in December 2007 and has spent the last 15 months hammering out a plan that would transform San Francisco into a city with more people riding Muni, chicken coops in backyards, widespread farming on public and private lands, and extensive use of wind, solar and tidal energy.

[Salazar defends higher oil royalties, taxes](#)

Interior Secretary Ken Salazar will meet with major oil company executives to assure them the Obama administration views oil as important to the country's energy future.

But Salazar, in a conference call with reporters Monday, defended proposals to end a manufacturers' tax break for oil companies and higher royalties on oil pumped from federal waters. He said the higher taxes and royalties are simply a matter of fairness.

Salazar said the taxpayer — like a private land owner — should get the maximum return from the federal government's oil and natural gas.

[Canada: Libya May Buy Oil Company](#)

The National Oil Corporation of Libya may exercise its right to buy Canadian-owned Verenex Energy, blocking the China National Petroleum Corporation's deal, the chairman of the Libyan company, Shokri Ghanem, said. Dr. Ghanem said Libya may not waive its right of first refusal on a deal for Verenex and acquire the company itself rather than approve the sale. China National agreed in February to pay \$394 million for Verenex, which operates in Libya's Ghadames basin. Verenex said it still hoped to see Libya approve the sale.

[UPDATE: Colombia's Ecopetrol Buys Stake In Pipeline For \\$418 Million](#)

Colombia's state-controlled oil company Ecopetrol (ECOPETROL.BO) agreed to acquire an additional stake in a Colombian pipeline from Canadian energy transportation company Enbridge Inc. (ENB) for \$418 million.

The transaction, to be concluded Tuesday, will allow Ecopetrol to increase its stake in the Ocesa pipeline from 35.3% to 60%, Ecopetrol said in a statement Monday. . .

The company is probably taking advantage of the low prices of assets because of the economic crisis, Dauder said.



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