



Drumbeat: March 18, 2009

Posted by [Gail the Actuary](#) on March 18, 2009 - 9:21am

Topic: [Miscellaneous](#)

[Shell dumps wind, solar and hydro power in favour of biofuels](#)

Shell will no longer invest in renewable technologies such as wind, solar and hydro power because they are not economic, the Anglo-Dutch oil company said today. It plans to invest more in biofuels which environmental groups blame for driving up food prices and deforestation.

Executives at its annual strategy presentation said Shell, already the world's largest buyer and blender of crop-based biofuels, would also invest an unspecified amount in developing a new generation of biofuels which do not use food-based crops and are less harmful to the environment.

[Shell 'set to double debt load'](#)

Anglo-Dutch supermajor Shell is to scrap its share buyback programme and more than double its debt this year as it attempts to maintain its spending commitments in the face of a collapse in the price of crude, analysts have warned. . .

He predicted that Shell's net debt would rise from \$8 billion in 2008 to as much as \$23.9 billion this year - from a gearing level of about 6% of its equity to nearly 17%.

He projected that Shell's net debt could peak next year at more than \$30 billion, depending on how long oil prices remained depressed. . .

Shell matched almost all its production with new finds in 2008, with a reserves replacement rate of 98% when measured according to Securities & Exchange Commission rules, the spokesman said.

[Russians line up for western cash](#)

Gazprom Neft, the oil arm of Russia's gas export monopoly Gazprom, is sounding out banks over a \$1 billion loan, while mid-sized oil company Tatneft wants up to \$600 million, the sources told Reuters.

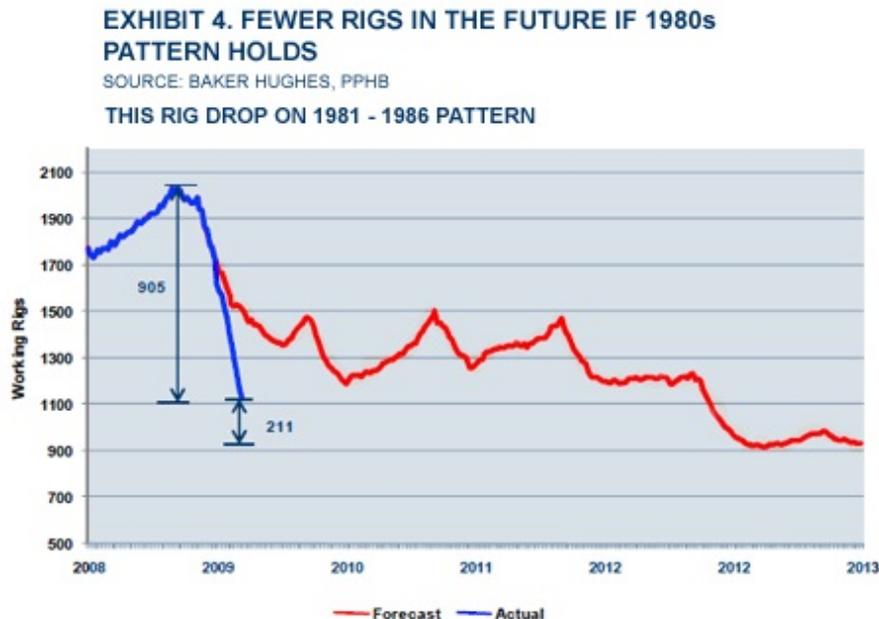
In addition, state-controlled oil company Rosneft is having preliminary talks with its lenders over refinancing a \$1.35 billion, 15-month loan the company signed in January, the bankers said. . .

The companies join oil giant Lukoil, which has been in talks with banks for a loan worth \$1 billion to \$1.5 billion.

In addition, Russia's third largest oil producer TNK-BP is already in the loan market via arrangers Calyon and Deutsche Bank in order to increase a \$150 million facility.

[Rig Count Downturn Moves into Uncharted Water](#)

We have taken the pattern of this extended 1980s rig downturn and applied it to the current rig decline to see where we might wind up if that earlier cycle were to be followed. It suggests that while we have already surpassed the bottom of the first phase of the 1980s' cycle downturn, from the 1,126 working rigs at March 13th we could see the industry needing to shut down another 211 rigs. Added to the current 905 rig decline, the domestic rig count would fall by 1,116 rigs or a 55% decline from the September peak of 2,031 working rigs.



The complete 1980s rig cycle spanned 246 weeks from peak to trough. At the average rate the rig count is dropping, we would reach the comparable 1980s correction low in another eight weeks, or by May 1st. If achieved, the low would have been reached in 40% of the time of the 1997-1999 cycle, five weeks short of the entire 2001-2002 cycle and in 13% of the time of the 1980s cycle. The speed of this cycle's decent, assuming that was the bottom, is astounding. It suggests that other factors are at work in the oil and gas business than merely commodity prices and the recessionary impact on oil and gas demand. We would suggest that the industry variable analysts and corporate

executives have underestimated is the workings of the global credit crisis on business spending and confidence.

[Crude Oil Falls on U.S. Inventory Gain, Japan's Refining Cuts](#)

Oil fell from a three-month high after U.S. inventories posted a larger-than-expected gain and Japanese refiners processed less crude.

U.S. oil stockpiles increased 4.66 million barrels to 349.9 million barrels last week, the most in almost two years, the Washington-based American Petroleum Institute said in a report after the close of trading yesterday. Japanese refiners operated plants at 78.4 percent of capacity last week, down 3.8 percentage points from the previous week, according to data released today by the Petroleum Association of Japan.

"Without a substantial recovery in the U.S. economy, crude prices won't gain momentum to lift them to as high as \$60 a barrel," said Masahiko Sato, a senior analyst at OvalNext Corp. in Tokyo. "Clearly, languishing petroleum demand in Japan led refiners to cutting back on plant operations."

[Upset over oil leases, Utah senator seeks to block Interior nominee](#)

Sen. Bob Bennett (R-Utah) will attempt to block the nomination of David Hayes as Interior deputy secretary, he announced yesterday. . .

The Utah senator said he has received inadequate responses to questions regarding Utah oil and gas leases the Obama administration canceled, which he submitted following Hayes' confirmation hearing last week. "I am incredibly disappointed in what appears to be political posturing by the Department of the Interior," Bennett said in a statement. "The department has not only failed to address my concerns, but also included information in their response that is simply not true."

In response to one of the questions, Hayes said he was told the Bureau of Land Management had not coordinated with the National Park Service on the Dec. 19 lease sale. But Bennett noted a Nov. 28, 2008, press release from Utah's BLM office citing "two days of extremely productive discussions" between agency officials. . .

Interior cannot do its job without senior leadership, Salazar said.

[Low energy prices cut offshore bids sharply](#)

NEW ORLEANS — With energy prices a fraction of those from last year, bids for Wednesday's federal sale of offshore tracts in the central Gulf of Mexico fell by more than half, the Minerals Management Service said Tuesday.

Fifty-six companies submitted 476 bids on 348 tracts in federal waters off the coasts of

Louisiana, Mississippi and Alabama — a key energy producing region for the United States. The bids will be opened in New Orleans.

Last year's sale in the central Gulf attracted 78 companies that put up 1,057 bids on 615 tracts. The sale tallied up a record \$3.67 billion in winning bids. Then, oil prices were tapping \$110 per barrel on the way to nearly \$150 in July.

[Energy Chief Says U.S. Is Open to Carbon Tariff](#)

Energy Secretary Steven Chu on Tuesday advocated adjusting trade duties as a "weapon" to protect U.S. manufacturing, just a day after one of China's top climate envoys warned of a trade war if developed countries impose tariffs on carbon-intensive imports.

Mr. Chu, speaking before a House science panel, said establishing a carbon tariff would help "level the playing field" if other countries haven't imposed greenhouse-gas-reduction mandates similar to the one President Barack Obama plans to implement over the next couple of years. It is the first time the Obama administration has made public its view on the issue.

[A setback for wave power technology](#)

Costing about €9 million, or \$11.5 million, the three machines were the first phase of a plan intended ultimately to be expanded to 28 units, with a total generating capacity of 21 megawatts — enough to power more than 15,000 homes and save more than 60,000 tons a year of carbon dioxide from being spewed into the skies by conventional power plants.

In mid-November all three were disconnected and towed back to land, where they now lie in Leixões harbor, near the city of Porto, with no date set for their return to operation.

So what went wrong?

First, there was a buoyancy problem, said Max Carcas, a spokesman for Pelamis Wave Power, the British company that designed and built the units and retained a 23 percent stake in the project. According to a report on ocean energy systems published by the International Energy Agency, foam-filled buoyancy tanks for the mooring installation leaked and needed to be replaced, delaying startup.

The buoyancy problem was resolved, Mr. Carcas said during a telephone interview this month, but other technical issues emerged, as could be expected in a prototype project. "Like all things new, you have niggles to work through, and we continue to do that."

Then, the financial crisis kicked in.

[Mickey Fulp: "Expect New Uranium Production out of Wyoming in Next Two Years"](#)

Several juniors have projects in the permit stage right now. The ISR deposits are basically solution mining. They establish well fields, inject oxygen, baking soda, and club soda down the holes, dissolve the uranium and then recover it in small extraction plants. In some ways—in that you're developing well fields—it's analogous to coal-bed methane. It's relatively cheap to do and environmentally benign. So yes, I'm bullish on uranium in the mid-term, for say, the next 10 years. I see a supply crunch in the uranium business.

[South Africa: Uranium One Writes Down Billions, May Sell Mine](#)

Johannesburg — URANIUM producer Uranium One, which is listed on the JSE and the Toronto Stock Exchange , wrote down its mineral properties and equipment by \$2,4bn after tax offsets in the year to December, including a \$1,8bn write-down on its Dominion mine in SA.

Uranium CEO Jean Nortier yesterday said Dominion could be sold. Potential buyers were looking at it and a due diligence investigation was under way.

The company said in October it would put the Klerksdorp mine on care and maintenance, retrenching more than 1000 workers, because of a drop in the uranium price, cost increases and a slower than expected ramp-up in production.

[Royal Dutch Shell, Oil Prices Weigh On Energy Stocks](#)

Shell (RDSA), in a strategy update, said it replaced 95% of its reserves in 2008 by its own methodology.

Even when including oil sands and year-end price effects, Shell's reserve replacement was 97%, falling below the 100% mark needed to maintain future production and a figure below that of rivals like Exxon Mobil (XOM) and BP (BP).

Still, Shell reiterated that it's aiming for 2% to 3% annual production growth through 2012. BP (BP), by contrast, has a 1% to 2% annual production growth target.

Royal Dutch Shell isn't looking to spend much on new investments for wind and solar energy because of the poor investment returns, according to Linda Cook, executive director for gas and power, Shell Trading, global solutions and technology. During a conference call with the media, she said Shell's alternative energy focus will be on biofuel.

[3 Hurt as Explosion Launches Canister in Pasadena](#)

Three workers were hurt when a compressed gas explosion ripped through a Pasadena business district Monday afternoon.

A linen truck, which ran on compressed natural gas, blew up near the intersection of Fair Oaks Avenue and California Boulevard. One worker was listed in critical, another in serious and a third suffered minor injuries in the blast.

A compressed gas canister rocketed at least 150 feet in the air and landed on the sidewalk along Fair Oaks Avenue. No Pedestrians were hurt.

Firefighters described the gas canister as a missile, since it launched into the air with such force.

[Natural gas organizations band together against proposed taxes](#)

The Obama administration's tax proposal will radically shift investment incentives for developing American natural gas – in some cases changing policies that have been in place since 1913. If American natural gas production decreases, supply will shrink, putting upward pressure on the price of natural gas for the 171 million Americans who rely on it to fuel their homes and businesses. If these taxes are imposed on the industry, not only will prices rise for consumers, but tax and royalty revenues to the federal and state treasuries will diminish and well-paying American jobs will be eliminated.

These results run counter to the Obama administration's agenda of cleaner energy and less dependence on foreign energy resources. We urge you to reject these unjustified changes to energy tax policy. Congress must develop rational national energy strategies – strategies that rely on American energy first, including clean-burning, abundant American natural gas.

[Cuba foresees increase in oil production](#)

HAVANA -- -- The identification of new reserves of Heavy Crudes off the north Matanzas coast, is expected to bring an increase in oil production in Cuba, said Cuban expert at the opening of a national congress on oil being held in Havana. . .

During 2008, four million barrels of oil were produced, said Marrero.

[Oil and gas industry has 'little obligation' to produce on leases, says Interior IG](#)

Oil and gas companies that hold federal leases have "little obligation" to produce energy on those tracts, but "data integrity" issues within the Interior Department prevent evaluations of whether existing leases are underused, Interior's inspector general told a House panel today. . .

In written testimony submitted to the Energy and Mineral Resources Subcommittee,

the IG said oil and gas companies with federal leases "have little obligation to actually produce" while Interior lacks a formal policy that compels companies to bring them into production.

The IG found that Interior's Minerals Management Service and Bureau of Land Management also don't inquire about companies' production strategies and don't enforce performance clauses in the leases.

[Obama Tries to Draw Up an Inclusive Energy Plan](#)

Now, as the Obama administration outlines its energy plans, it is caught between oil companies, who are reminding the president of his campaign pledge, and environmental groups, who are demanding a reinstatement of the drilling ban that Congress lifted in September.

The renewed fight over offshore drilling comes amid efforts by the White House to map out an ambitious new energy policy for the country. For the first time since the Carter administration, an American president is putting energy at the center of his domestic agenda.

[EU excludes Nabucco gas pipeline project from priority list- report](#)

The Nabucco gas pipeline project has been removed from a European Union list of priority projects, RIA Novosti reported citing a source in the EU Council of Ministers on Tuesday.

The 27-nation bloc had initially planned to allocate 250 million euros (\$323 million) to finance the project, which aims to pump natural gas from Central Asia to Europe bypassing Russia, but later cut funds to 50 million euros (\$64.5 million).

The \$10 billion Nabucco pipeline, backed by the European Union and the United States, planned to carry 30 billion cubic meters (bcm) of Caspian or Middle Eastern gas annually to an Austrian hub via Turkey, is seen as one of Europe's best hopes for limiting its dependence on Russian gas.

[Report: Global Solar Industry Raked In \\$37.1B in 2008](#)

The solar energy industry generated \$37.1 billion in revenues and installed 5.95 gigawatts worth of systems worldwide in 2008, said research firm Solarbuzz Monday.

Generous government subsidies in countries such as Germany and Spain have made installing and operating solar energy systems attractive businesses. In fact, the government program in Spain was so appealing that the country overtook Germany as the largest market in 2008, according to the new Solarbuzz report, which looks at companies that makes various materials and components for producing solar panels. . .

Europe remains the world's largest market, accounting for 82 percent of the demand, Solarbuzz said. The United States is the third largest market (360 megawatts), following Spain (2.46 gigawatts) and Germany (1.86 gigawatts). South Korea ranked No. 4 (280 megawatts), making it the largest market in Asia.

[Applied Materials Delivers Major Advances to Lower Solar Cell Cost with New HCT MaxEdge Wire Saw](#)

Applied Materials, Inc. today released its Applied HCT MaxEdge(TM: 62.4, 1.89, 3.12%) wire saw, a new platform for slicing ingots into ultra-thin wafers that can help customers drive down the cost of manufacturing photovoltaic (PV: undefined, undefined, undefined%) cells by up to \$0.18 per watt.* Key technical advances, including an industry-first dual-wire management system, enable the MaxEdge system to deliver significantly higher throughput and load capacity than competitive systems, while requiring much less factory floor space and fewer operators for equivalent megawatt output.

By making thinner wafers, PV cell manufacturers can reduce the amount of silicon per wafer and lower the cost-per-watt of solar electricity. To produce thinner wafers, traditional wire saws must reduce the ingot length (load) and the cutting speed. The uniquely designed MaxEdge system delivers ultra-thin wafers without sacrificing throughput by enabling larger loads and using thinner wires at higher cutting speeds.

[Surge of cheap gas may put coalmines out of action](#)

Gas prices, already tumbling as a result of the recession, are suffering a triple whammy, according to Cambridge Energy Research Associates (Cera): from recession in the Far East; a long-awaited build-up in new supplies of liquefied natural gas (LNG); and unexpected discoveries of new gas reserves in the United States.

The emerging gas glut could even displace coal in the supply of fuel to power stations in Europe, Michael Stoppard, managing director of Cera, said.

In the teeth of a recession, the LNG industry is about to take a big upward step, Mr Stoppard said. "Over the next 18 to 24 months, LNG capacity will increase by 30 per cent," he said. "Where is the stuff going to go? The answer will be in the Atlantic basin."

Spot prices for LNG – natural gas that has been super-chilled to -160C – have collapsed in the Far East, falling from \$20 per million British thermal units (BTU) to only \$6 per million BTU. Power stations in Japan and South Korea account for almost half the world's LNG consumption, but last week Japan's ten big utilities revealed that their electricity output had plunged by 15.8 per cent in February, compared with a year earlier.

[First LNG tanker to dock at UK's South Hook Friday](#)

LONDON, March 17 (Reuters) - Qatar's Tembek liquefied natural gas tanker is expected to arrive at Britain's South Hook LNG terminal on Friday, according to the website of the Milford Haven Port Authority.

The Q-Flex tanker is due to deliver the first commissioning cargo of super-cooled gas to the terminal in Milford Haven, south Wales.

[Indonesia Offers LNG to Other Countries](#)

Energy and Mineral Resources Minister Purnomo Yusgiantoro has asked the Agency for Upstream Gas & Oil Business Activities (BP Migas) to find buyers for its liquefied natural gas (LNG) other than Japan, Taiwan and Korea. These three countries are reducing imports from Indonesia as much as 600,000 metric tons. "I have asked BP Migas to expand its marketing activities," he said yesterday.

Besides seeking potential buyers overseas, BP Migas is also offering it to local buyers. "The Iskandar Muda Fertilizer said they need gas," Purnomo said. Japan, Taiwan, and Korea are reducing their LNG imports from Indonesia because of reduced domestic consumption due to the economic crisis.

[U.S. LNG March Imports to Rise 35% on Weak Asia, Europe Demand](#)

U.S. imports of liquefied natural gas may rise 35 percent in March as weaker Asian and European demand leads suppliers to send cargoes to U.S. terminals, Pan EurAsian Enterprises Inc. said.

Imports of the cleaner-burning fuel until March 16 were about 400,000 tons, including two cargoes due to arrive next week, Raleigh, North Carolina-based energy consultant Pan EurAsian said. U.S. imports were about 10 percent higher so far this year, it said.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).