



Drumbeat: March 31, 2009

Posted by [Leanan](#) on March 31, 2009 - 9:53am

Topic: [Miscellaneous](#)

[Russia says Ukraine credit tied to gas](#)

Russian President Dmitry Medvedev said today it would be difficult for Moscow to grant Ukraine financial credits to cover its deficit until the two states resolved their gas dispute.

Russia has said the Ukrainian government, seeking to extend credits to help cover its budget deficit, has asked it to secure a \$5 billion loan.

However, the two countries are also locked in a battle over gas supplies.

"Our Ukrainian colleagues ask us to give money. How can we give money if we cannot agree on such a crucial issue," Medvedev told a news conference with German Chancellor Angela Merkel.

[GM, Chrysler may be in fast lane to bankruptcy](#)

Executives at General Motors and Chrysler are speeding to put in place workable plans to restore their faltering businesses. But this may be one race they are unlikely to win.

[Cnooc to Cut Costs, Boost Oil Output to Survive 'Severe Winter'](#)

(Bloomberg) -- Cnooc Ltd., China's biggest offshore energy explorer, will cut costs and boost oil production this year to help cushion a likely slump in profit as the global recession curbs fuel demand.

"In 2009, we continue to feel the pinch of a severe winter," Chairman Fu Chengyu said in his annual earnings statement yesterday. Profit surged 42 percent to a record 44.4 billion yuan (\$6.5 billion) last year, with the bulk of the gains coming in the first half amid record oil prices.

[Mexico's Pemex to sell up to 5 bln pesos debt - IFR](#)

MEXICO CITY (Reuters) - Mexico's state oil company Pemex will sell up to 5 billion pesos in three to seven year debt on the local market on Wednesday, IFR, a Thomson Reuters publication, reported.

[Duck deaths at Syncrude Canada triple initial tally](#)

CALGARY, Alberta (Reuters) - The death toll among ducks that landed on a toxic waste pond at Syncrude Canada Ltd's oil sands operation last spring was 1,606, more than three times higher than previously made public, Syncrude's chief executive said on Tuesday.

[Balkans must cut red tape in power sector-investors](#)

SARAJEVO (Reuters) - Balkan countries need to get rid of red tape to attract more investment in their ailing infrastructure to make their power sector and economies more efficient, an executive of Italian utility Enel said.

Power infrastructure in the region has fallen into disrepair due to a lack of investment over years. Power plants are inefficient and transmission lines are not in a fit condition to absorb new capacities.

[Iran to stop diesel imports from April on higher gas](#)

DUBAI - Iran plans to halt diesel imports from next month as it uses rising gas production to generate more power, a top Iranian official said on Tuesday.

The world's fourth-largest crude exporter had made no allocation for buying diesel in the budget for the calendar year starting on March 21 as Tehran expects new gas output to meet power needs, Ali Asghar Arshi, executive director for international affairs at National Iranian Oil Co (NIOC), told Reuters.

"We will substitute with gas from our network," Arshi told Reuters. "Because we now have new production from South Pars... and other fields."

[Kuwait Targets 450,000 Barrel-a-Day Heavy Oil Output](#)

(Bloomberg) -- Kuwait plans to pump 450,000 barrels a day of heavy oil by 2020, cutting an earlier target agreed on with Exxon Mobil Corp., as part of a new energy strategy that will be completed this year, Kuwait Oil Co. Chairman Sami al-Rushaid said.

"The heavy oil portion is going to be less," al-Rushaid told Bloomberg in an interview today in Kuwait City. "Instead of going for the 750,000 barrels we are going for the 450,000 now."

[India, China will increasingly rely on oil imports by 2030](#)

NEW DELHI: India and China will increasingly rely on oil imports by 2030, according to the International Energy Agency (IEA).

According to a China Daily report, China and India are expected to account for over half of incremental energy demand by 2030, the IEA says, adding that China will account for almost 75 per cent of global total oil consumption.

[Sinopec Wins Order to Build Oil, Gas Rigs in Kuwait](#)

(Bloomberg) -- China Petroleum & Chemical Corp., the oil company known as Sinopec, won a contract to build five oil and gas rigs in Kuwait, according to the nation's state crude producer.

"Last year we tendered the biggest tender, probably regionally, for 27 rigs," Kuwait Oil Co. Chairman Sami al- Rushaid said today in an interview in Kuwait City. The contract with Sinopec will be signed tomorrow, he said.

[Exxon eyes big savings on UAE oilfield development](#)

KUWAIT (Reuters) - Exxon Mobil Corp (XOM.N) aims to chop billions of dollars from the cost of increasing output capacity at the world's fourth-largest oilfield in the United Arab Emirates, a senior executive said on Tuesday.

The capacity rise at Upper Zakum accounts for about a third of the UAE's planned boost to total capacity of 3.5 million barrels per day (bpd) in 2018 from around 2.8 million bpd.

[Iraq's faltering oil revenues hurt public services](#)

BAGHDAD - Iraq's falling oil income will force it to cut spending on basic services that its war-weary citizens crave, such as sewage treatment and power supply, officials say.

The authorities have already cancelled around \$600 million in electricity contracts with U.S. company General Electric, French heavy engineering group Alstom, German conglomerate MAN AG and South Korean firm Hyundai, said deputy electricity minister Raad al-Haris.

[Norway oil industry checks impact of pipes defect](#)

OSLO (Reuters) - Companies operating oil and gas fields offshore Norway are checking the scope and impact of sub-quality metal components found in pipe fittings, the Norwegian oil industry association (OLF) said on Tuesday.

"The involved operating companies are already working to determine the scope of the problem, and to repair the weaknesses," the OLF said in a statement. "The quality discrepancies have not led to incidents on facilities."

[Venezuela to Sell 2.7 Billion Bolivars in Local Bonds](#)

(Bloomberg) -- Venezuela will sell 2.68 billion bolivars (\$1.2 billion) of bonds in the local market as part of an effort to finance a budget gap that has widened as oil prices tumbled.

[Australia: Electricity network upgrades put on hold](#)

ELECTRICITY upgrades that had been planned to prevent power blackouts from spreading across the city were put on hold by the Energy Minister, Ian Macdonald, two years ago.

[Power struggle: Colorado's largest electric co-op split over renewable energy](#)

A coup attempt by radical greenies or a long-overdue transition to a more environmentally balanced, 21st-century energy policy?

[Concrete Is Remixed With Environment in Mind](#)

All that concrete may seem the same. And the basic product did remain relatively unchanged since the invention of Portland cement in the early 1800s. (The ancient Romans made concrete, too, but from volcanic ash.) Producers have always tinkered with the mix to find the right proportions of concrete's basic ingredients, but the recipe never varied much.

Now the experimentation is more elaborate, designed to tailor the concrete to the need. Increasingly, that need includes the environment. Aesthetic considerations aside, concrete is environmentally ugly. The manufacturing of Portland cement is responsible for about 5 percent of human-caused emissions of the greenhouse gas carbon dioxide.

[Revenge at sea - How passengers are getting even with cruise lines](#)

We should have seen this coming. In addition to the epidemic of fees and surcharges, cruise lines have more or less had it their way for years. After the fire sales that followed 9/11, cruise prices rose like the tide, and passengers were slammed with more than just onboard fees. Their vacations were often held hostage to illegal, mandatory fuel surcharges that were imposed even after they had paid for their vacation in full.

“Payback is a funny concept,” cruise expert Paul Motter told me, adding that there’s some evidence that passenger discontent has been bubbling up, including a recent class-action lawsuit against Park West Gallery, which offers onboard art auctions, and a \$40 million settlement in last year’s fuel-surcharge scandal.

[U.S. power use tumbling with recession](#)

NEW YORK/HOUSTON (Reuters) - U.S. electricity demand will continue to shrink in 2009 as the economic meltdown hits industrial power consumption, but a rebound could come in 2010.

Bigger houses, a myriad of electric devices and an expanding economy have kept U.S. power use on a nearly uninterrupted climb for 25 years - until the recession put the brakes on industrial demand in 2008.

Electricity sales to industrial customers are expected to shrink 6.4 percent this year, leading to an expected 1.7 percent drop in overall power consumption in 2009, the U.S. Energy Information Administration said in its most recent outlook.

EIA, which provides data and analysis for the U.S. Department of Energy, said in another report industrial consumers bought 11.4 percent less power in January 2009 compared with the same time last year.

[Chavez to seek Arab backing for 'petro-currency'](#)

DOHA, Qatar (AP) -- Venezuelan President Hugo Chavez sought Arab support Tuesday for his idea of a new oil-backed currency to challenge the U.S. dollar at a twin-region summit whose agenda focuses on trade issue but also touches on Arab worries about rival Iran's growing influence in Latin America.

It's highly unlikely Chavez will gain any serious momentum for his "petro-currency" proposals from key oil-producing members of the Arab League such as Saudi Arabia and Gulf states, which have close ties to Washington.

But the summit between Arab and South American leaders kicks off another high-profile foreign trip for Chavez that includes stops in Iran and China in his efforts to build economic and diplomatic links to confront the United States.

[Oil May Fall to \\$28 a Barrel, SocGen Says: Technical Analysis](#)

(Bloomberg) -- Crude oil is set to drop to \$28 a barrel in New York in the second quarter, according to technical analysis by Societe Generale SA.

Prices may rally until meeting resistance at \$71 a barrel and then plunge to their lowest since 2003, Societe Generale analyst Stephanie Aymes said, using charts that make use of Elliott Wave theory.

“The market can continue to bounce, but in the next month the bear-trend will resume,” Aymes said in a telephone interview from London yesterday. Her prediction that oil will fall to \$28 was made in the Paris-based bank’s technical analysis for commodities in the second quarter.

[OPEC president eyes \\$75 oil this year](#)

LUANDA (Reuters) - Oil prices could reach \$75 per barrel in 2009 despite a the economic crisis, OPEC president Angola said on Monday, adding that compliance by the 12-member group with the agreed cuts remained at around 80 percent.

[Bernstein Says Oil Will Be \\$50 in 2009, \\$80 in 2010](#)

(Bloomberg) -- Crude oil is likely to be \$50 in 2009 before falling supply causes prices to increase to \$80 next year, Sanford C. Bernstein & Co. analysts said.

“The combination of reduced OPEC volumes and non-OPEC production shut-ins and declines will result in a larger than anticipated reduction in global supply,” Bernstein analysts including Ben Dell said in a report today. That “should help to tighten the oil market in late 2009 and early 2010.”

[Brace Yourself \(and Your Portfolio\) for an Oil Price Shock by 2012 Or Sooner \(Part 1 of 2\)](#)

How ironic that, even as President Obama fights an uphill battle to convince Congress to accelerate alternative energy development despite widening budget deficits, it looks like it’s already too late to avoid a new oil price shock.

[Commodities Head for Worst Slump Since 2001 as Demand Shrinks](#)

(Bloomberg) -- Commodities headed for a third quarterly drop, the longest losing streak since 2001, as demand for raw materials from crude oil to nickel shrank and producers failed to cut output fast enough.

The Reuters/Jefferies CRB Index of 19 commodities fell 6.3 percent this quarter, adding

to a 50 percent drop in the second half of 2008. Natural gas, nickel and wheat led the declines, overwhelming advances in gasoline, copper and hogs.

[Opec stares into the abyss](#)

FACED WITH a depression in oil prices, Opec's strategy has always been to cut production. But the cartel's ability to effect a supply side rescue has, this time, been overwhelmed by the fundamental shifts under way in the global economy. Demand rules the game, and Opec's cards are suddenly very weak.

[The end of cheap energy will change us](#)

The fact is, we have three serious problems that are going to bring about radical change in our lifestyles: the current financial crisis, the peaking of world oil production, and the eventual issue of global warming. In earlier columns, I dealt with the causes and ramifications of the global credit crunch, but it is the second issue that worries me far more: the end of cheap energy.

[Decisive Action Needed to Address U.S. Oil Dependence, According to Stanford Business School Research](#)

STANFORD, Calif. (AScribe Newswire) -- Reported in this month's Stanford Knowledgebase, Stanford Graduate School of Business researchers examine the strategic, economic, and military implications of U.S. dependence on oil. The longer the delay in taking decisive action, the more difficult it becomes to reverse the nation's dependence, they warn.

In 2007 and 2008, the price of oil skyrocketed, hitting historic highs. The corresponding increase in gas price was felt sharply in the United States by ordinary people, industries, the military and the government. Citizens were spending more and more of their paychecks to fill their gas tanks, airlines grounded planes to avoid the high cost of fuel, and the military saw its daily price tag for the wars in Afghanistan and Iraq increase due to fuel costs. The U.S. military depended almost exclusively on oil to power its weapons and vehicles.

Economists the world over debated whether this sudden price jump was caused by supply and demand dynamics, market "speculation," or the weak dollar. In addition, debate intensified over whether the world was hitting "peak oil," a time when global oil production capacity would plateau.

[Beyond the Credit Crunch, An Oil Crunch](#)

In the last few days and weeks a few fringe bloggers and Jeremiahs (myself included)

have prognosticated that oil prices are about to surge again, and in the last week we have seen prices breach \$50.

Oil prices will rise again in 2009 to last year's record \$150 and surpass this record. It may go beyond \$200 or even \$250 before we see another collapse, in a cycle of convulsions. It is for this reason (severe supply constrictions) that talk of recovery is nonsensical, foolish and shortsighted. A real recovery is impossible. The pretense of a recovery (that is a very short term return to "growth") is possible, but to base our faith and hopes in this is unwise.

[After the bird strike](#)

In hindsight, last summer was a moment of "peak leverage," when the global economy broke apart under unanticipated G-forces like the space shuttle Columbia re-entering the atmosphere. For bloggers and experts and prognosticators, the astonishing events of the last 9 months are a cautionary tale. A large dose of humble pie seems in order. Last summer, as oil touched \$145 a barrel, some experts were predicting a super-spike to \$200. The F150 lost its place as the most popular "car" in America. Vehicle-miles traveled fell at the steepest rate since World War II. The cost of jet fuel caused air travel to plummet, and articles about "peak oil" were ubiquitous.

Now we find ourselves in a strange new universe of unsustainably low energy prices, where both oil production and credit seem to have peaked. Once-shunned super-bears like Roubini have been elevated to the priesthood. Jon Stewart skewers CNBC's Jim Cramer. Oil is trading for \$40-50 a barrel and drilling rigs are being mothballed at the fastest rate in American history. A simultaneous collapse has occurred in US natural gas prices. Unable to obtain credit, E&P companies are slashing their budgets; drill, baby, drill has given way to chill, baby, chill. In Venezuela and Russia, Chavez and Putin are also being forced to rethink their grandiose plans.

[Saudis stop swinging](#)

Saudi Arabia has long been the swing producer within the Organization of the Petroleum Exporting Countries cartel. When crude oil prices have been too low, the Saudis have cut more than their fair share to help increase prices. When oil prices have been too high, Saudi Arabia has filled the gap to help bring prices down. But at OPEC's most recent meeting on March 15, Saudi Arabia appears to have abdicated its role as swing producer, at least for this downturn.

[China oil cache boosted in 2008](#)

China found more oil in 2008 than a year earlier, but discoveries of natural gas resources declined, data from the government showed today.

[Sinopec considers adding commercial fuel stockpiling](#)

BEIJING (Reuters) - Asia's top refiner, Sinopec, is considering adding four large commercial storage facilities capable of holding a total of 8 million tonnes of refined oil products, to boost its supply capacity.

The volume would equal more than half of China's production of gasoline, diesel and kerosene in February, or meet nearly 10 days of domestic demand at current rates.

[CNOOC says deepwater project not affected by oil prices](#)

HONG KONG (Reuters) - China's top offshore oil and gas producer, CNOOC Ltd, said on Tuesday its deepwater project will not be affected by current oil prices.

[Tupi Oil Imperiled as Price Decline Undermines Lula Energy Plan](#)

In the wake of the discovery, there was euphoria in Brazil. Citizens literally danced in the streets of Rio de Janeiro at 2008's Carnival parades to celebrate the find, with one float named "The Black Gold That Comes From the Sea." President Luiz Inacio Lula da Silva said the flood of oil money would allow the government to attack poverty among Brazil's 191 million people, 24 percent of whom live on less than \$3 a day.

Then the world economy hit a wall, and the price of oil sank to \$32 on Dec. 12 from a peak of \$147 on July 11. Even though prices have recovered somewhat -- they stood at \$48.4 on March 30 -- investors are now wondering whether Tupi will be a bonanza or a case of misguided national celebration.

[Work on abandoned refinery projects to resume](#)

A significant drop in construction cost during the economic downturn has forced oil majors in the Gulf to resume the construction of abandoned refinery projects and take up new ones.

[Little slowdown seen in offshore pipeline construction](#)

The price of oil may not be where many operators would like, but field development plans still must be carried out, including the laying of pipelines, so operators can bring oil and gas to market.

While the offshore pipeline market has not seen any real growth over the last year, it has not experienced a considerable drop either. That said, many of the fields that are being developed now were approved when the price of oil was higher. However, the

offshore construction market in the future may see a downward trend as operators pull the purse strings a bit tighter in these tougher economic times.

[US govt wants court to rehear oil royalty dispute](#)

WASHINGTON (Reuters) - The U.S. Justice Department on Monday asked a federal appeals court to rehear a legal decision over oil royalties between the Interior Department and Anadarko Petroleum Corp (APC.N) which, if allowed to stand, could cost the government billions of dollars in lost royalties from oil companies.

[Market Analysis: Deepwater, Ultra-Deepwater Newbuilds for 2009 and Beyond](#)

An emerging industry trend, many exploration and development projects have been put on the backburner as companies wait out the current economic downturn. Whether oil and gas companies can't get financing due to the credit crisis or the projects are no longer commercially viable because of the lower price per barrel, the immediate result is the same: some projects are being postponed – or even worse – cancelled.

[Gazprom braces for export drop](#)

Russian giant Gazprom expects its gas exports to fall to about 140 billion cubic metres this year, down from last year's 179 Bcm.

[OMV sale fuels fears about Russian influence over gas pipelines](#)

OMV, the Austrian energy company, announced the €1.4bn (£1.3bn) sale of its 21 per cent stake in Hungary's Mol to a Russian oil and gas group yesterday, prompting speculation about Russia's expanding influence in the Balkans.

[Nepal: Crippling fuel crisis across the country](#)

KATHMANDU - The Kathmandu Valley has again been hit by a petroleum shortage due to a strike called by Federation of Petroleum Products Transporters (FPPT) on Sunday.

According to Santosh Basnet, chief of Sajha Petrol Pump in Jawalakhel, the last consignment was delivered to the pump on Friday after which there has not been any inflow of petroleum products. He added that the pump was expecting petroleum products today but had no updates on the delivery so far.

[Dutch, Malay venture to build all-electric cars](#)

The four-door vehicle will roll out of Proton's factory by early next year, Lam told The Associated Press in an interview.

The aim is to produce 40,000 units in the first year, ramping up to 270,000 by 2013, he said. The cars will be priced between \$23,000 and \$33,000, depending on the model and taxation.

[Consumers clutch cars longer, choking March sales](#)

According to J.D. Power and Associates, the average age of vehicles traded in at U.S. car dealerships in February was 6.1 years. That's up from 5.6 years a year earlier. That trend is expected to contribute to another month of depressed auto sales when carmakers report their March results on Wednesday.

Consumers are starting to see vehicles as long-term investments, said Trevor Traina, founder and chairman of the car ownership Web site DriverSide.com. Automakers for the most part have stopped offering leases, which allowed people to drive a new vehicle for \$200 or \$300 a month and repeat the cycle every few years. People are taking better care of their old wheels instead.

[FAA: Air travel will fall 7.8% in '09](#)

WASHINGTON (CNN) -- The number of travelers boarding U.S. airliners will plunge 7.8% in 2009, a drop matched only in the year following the 2001 terrorist attacks on New York and Washington, according to a U.S. government forecast out Tuesday.

[Council discusses bike-share](#)

Boston City Councilors discussed plans for a new city program at a public hearing Monday night that would potentially provide intra-Boston commuters with a transportation system of shared bike stations throughout the city.

[Trucking jobs: No longer a fall back](#)

The U.S. recession has turned a serious shortage of drivers into a surplus virtually overnight. Disappearing credit has hurt production and shipments of goods of all kinds all at once, idling thousands of trucks.

"When I began trucking two years ago you couldn't throw a dime up in the air without hitting a trucking job," said Brian Short, 26. "Those days are gone."

[Sustainable energy](#)

Everybody knows that the world is running out of oil. The predicted year of the peak varies from 2000 to 2100, but it is generally conceded that it won't last forever. Of course, economists know that when you have a scarce resource, it doesn't just suddenly run out: the price rises, more expensive sources or substitutes come into play, and so forth. So it's unlikely to run out, but rather get more expensive.

I would argue, however, that for most practical purposes peak oil occurred in the 1970s.

[Chu believes FutureGen project has merit](#)

A proposal to build a futuristic coal-burning power plant in central Illinois that languished under the Bush Administration has merit, U.S. Energy Secretary Steven Chu said Monday.

Chu wants to work with FutureGen's developers to chart a path forward, said Department of Energy spokeswoman Stephanie Mueller.

[Obama signs landmark U.S. conservation bill](#)

WASHINGTON (Reuters) – U.S. President Barack Obama signed sweeping land and water conservation rules into law on Monday, setting aside millions of acres as protected areas and delighting environmentalists.

The measure, a package of more than 160 bills, would designate about 2 million acres -- parks, rivers, streams, desert, forest and trails -- in nine states as new wilderness and render them off limits to oil and gas drilling and other development.

[New plan to reduce planes' CO2 emissions](#)

GENEVA – Aviation groups in Europe announced a plan Tuesday to change the way commercial planes land in order to reduce their global-warming emissions of carbon dioxide.

By 2013 some 100 European airports will allow planes to descend all the way from cruising altitude to the runway in one smooth glide, saving up to 450 kilograms (992 pounds) of CO2 per landing, the International Air Transport Association said.

[EPA head announces new port emissions proposal](#)

NEWARK, N.J. – The head of the Environmental Protection Agency wants to limit emissions along the nation's coastline and within its seaports, just as the agency does along highways, with tougher pollution standards on large commercial ships.

EPA Administrator Lisa Jackson said Monday that the United States and Canada have applied to the International Maritime Organization to create a 230-mile emissions control area around much of their coastline.

[Thomas L. Friedman: Mother Nature's Dow](#)

While I'm convinced that our current financial crisis is the product of both The Market and Mother Nature hitting the wall at once – telling us we need to grow in more sustainable ways – some might ask this: We know when the market hits a wall. It shows up in red numbers on the Dow. But Mother Nature doesn't have a Dow. What makes you think she's hitting a wall, too? And even if she is: Who cares? When my 401(k) is collapsing, it's hard to worry about my sea level rising.

It's true, Mother Nature doesn't tell us with one simple number how she's feeling. But if you follow climate science, what has been striking is how insistently some of the world's best scientists have been warning – in just the past few months – that climate change is happening faster and will bring bigger changes quicker than we anticipated just a few years ago. Indeed, if Mother Nature had a Dow, you could say that it, too, has been breaking into new (scientific) lows.



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