The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

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Refineries will have to cut production, says Merrill

> Refineries will have to substantially under utilise their capacity in 2009 as demand for petrol, diesel and other refined product subsides, Bank of America subsidiary Merrill Lynch has said in its new report.
>
> Interestingly, the countries that will suffer due to this are not the oil producing states.
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> Merrill Lynch said the refineries in countries like India, China, the United States and Vietnam in 2009, many of them government run, will bear the brunt of low profits on refined crude.

GOP alternative budget includes energy steps

> US House Republicans included an "all of the above" energy strategy in their alternative federal budget, according to the Natural Resources Committee's ranking minority member.
>
> The approach represents a dramatic contrast to the new oil and gas and other taxes and fees in the Obama administration's fiscal 2010 budget request, Doc Hastings (R-Wash.) maintained.

Australia: Big Oil under attack in parliamentary push to cut petrol costs

> TWO renegade senators are drafting laws that will guarantee cheaper petrol prices and allow smaller chains to compete with the big oil companies.
>
> Queensland senator Barnaby Joyce and South Australian Independent Nick Xenophon will introduce a Bill next month that outlaws geographic price discrimination - whereby big oil companies undersell petrol to drive out independents.

Caribbean Ship Rates Fall 43% in Week on Low Demand

(Bloomberg) -- The cost to transport crude oil from the Caribbean on Aframax tankers fell 43 percent this week as the supply of ships available for charter exceeded demand.

[Saudi foreign assets dip by SR59bn]

Saudi Arabia's foreign assets plunged by around SR59 billion (Dh58.4bn) in the first two months of this year to reverse a rapid growth during the oil boom of the last seven years, official figures showed yesterday.

Although the world's oil powerhouse recorded its highest budget surplus in 2008, the foreign assets of its central bank plunged to nearly SR16,50.58bn at the end of February from SR1,709.99bn at the end of December, showed the figures by the Saudi Arabian Monetary Agency (Sama), which controls those assets.

[Is White the New Green?]

Three California energy experts make a convincing — and sincere — case that painting roofs white in the hot parts of the planet could offset the greenhouse gas woes caused by the world's cars.

[Americans Support Wide Array of Proposed Energy Policies, but Not Yet Ready to Make Tradeoffs]

NEW YORK – Despite partisan debate, the American people find common ground on their support for a number of measures to address the nation's energy problems. At least 10 major energy proposals that would provide incentives for energy efficiency, reduce gasoline usage and support alternative energy have widespread support. But the public may not yet be prepared for the tradeoffs and challenges needed to make these proposals a reality, according to a new survey, "The Energy Learning CurveTM," released today by Public Agenda, the nonpartisan opinion research and citizen engagement organization.

The study, based on an in-depth national survey of 1,001 Americans, is being released in conjunction with "Planet Forward," an innovative web-to-television-to-web initiative produced by the Public Affairs Project of The George Washington University, designed to advance the discussion on energy and climate change with both citizens and leaders submitting their ideas. Additional findings from the survey will be released on the Planet Forward television premiere, scheduled for 8 p.m. on April 15 on PBS (check local listings for exact show times in your area).

[U.S. Backing Of Auto Warranties May Hinder Push For EPA To Back E15]

> The Obama administration's pledge to back warranties for new General Motors and Chrysler vehicles if the companies go bankrupt may hinder a pending petition asking EPA to raise the level of ethanol in gasoline from 10 percent (E10) to E15 because it could increase potential liabilities stemming from engine damage due to the new fuel blend, opponents of the E15 effort say.

Behind the Climate Skepticism Curtain: The Koch Family and the Cato Institute

> The name of huge oil conglomerate Koch Industries didn't appear anywhere on the ad the Cato Institute placed in the *The Washington Post* and other major papers Monday and over the weekend. But the ad — which questioned existing science on climate change — has Koch's imprint all over it.

Kjell Aleklett: Not enough oil for the G20 package

> The world's wealthiest nations, the G20 group, have decided to light a fire but have forgotten a very important detail – to check whether there is sufficient fuel to enable the fire to burn. Historically we have never had global economic growth without a simultaneous increase in the use of energy. This means, primarily, an increase in the use of fossil fuels. For a few nations – China, USA, Russia, India, Australia and South Africa – coal is a very important fuel. However, the most important fuel for the world economy is oil. All nations of the world use oil.

George Monbiot: G20 forgets the environment

> Climate breakdown, peak oil and resource depletion all dwarf the financial crisis in financial and humanitarian terms.

Climate change the biggest loser of G20 summit, warn environmental groups

> The $1.1 trillion stimulus package agreed by G20 leaders yesterday risks locking the world into a high-carbon economy in which greenhouse gas emissions continue to rise, environmental groups have warned.

Closing the Straits of Hormuz and the Effects on Oil Prices

> For many years, we in the West have worried about Iran closing the Straits of Hormuz to oil tanker traffic. An abrupt closure would instantly spike oil prices well into three-digits, and immediately change the energy equation of the world. Indeed, many geostrategic scholars believe that closing the Straits of Hormuz would be tantamount to an act of war.
>
> But what if it was the US that closed the Straits of Hormuz? What would the world think

> if the US directly precipitated the end of ship traffic in the Straits, or at least severe restrictions on transit and passage?

Barnett Shale Impact Forecast to Be 40% Lower in 2009

> The economic impact of the Barnett Shale on the Tarrant-area economy is expected to drop about 40 percent in 2009 compared with 2008 but will still be big, according to a new study.

An oil town up close

> As the price of oil falls, small town producers have been forced to cut back their operations. The effects go far beyond the well head.

Pemex Awards Contracts Worth Almost $5.4B Thus Far in 2009

> Pemex expects average output this year of 2.75 million barrels per day of crude and 6.45 billion cubic feet per day of natural gas; crude production fell 9.2 percent in 2008 compared to the previous year, coming in at just under 2.8 million barrels per day.
>
> Pemex is making a big effort to develop Chicontepec to offset declining production at aging projects such as the offshore Cantarell Field, once Mexico's crown jewel.

Will Mexico Start Sending Natural Gas North?

> In the North American energy business, the words “gas exports” do not usually appear in the same sentence as “from Mexico.” But get ready, because Mexico has recently increased its production and LNG imports, slashed pipeline imports to a trickle, and looks poised to start shipping gas north this year.

Qatar braces for $1.6bn deficit in 2009-10 budget

> Qatar is bracing for a QR5.8 billion ($1.6 billion) deficit in its budget for 2009-2010, the country's first since 2001, owing to a slump in oil prices, said a report.
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> The budget is based on an oil price of $40 per barrel, the Qatar News Agency (QNA) said giving details of the new budgetary estimates for the fiscal year 2009/2010.

Colombian Oil Revenue Predicted to Drop by Half

> Colombia's revenue from exports of crude and derivatives in 2009 will be roughly half last year's total of $12 billion, the Colombian Oil Association, or ACP, forecast Thursday.

Can Petrobras Prop Up Deepwater Drilling Industry?

> Life's not too rosy for the oil and gas drilling industry these days. The plummeting price of oil and gas as well as the credit crunch has idled onshore and shallow water drilling rigs as oil explorers and producers postpone projects, or cancel them altogether.
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> In the U.S. alone, the number of rigs actively exploring for oil and natural gas is down nearly 50 percent since the end of August to 1,043. Although, I should mention the rig count did rise by four this week, the first time this year the weekly count, conducted by Baker-Hughes, has increased.
>
> There is a bright spot among all the doom and gloom: the deepwater and ultra-deepwater drilling industry.

Brazil Minister Says Oil Industry Still Profitable

> Brazil's energy and mines minister said here that the scale of his country's current oil production and its expected future output are large enough to make the industry profitable even at current prices.

230,000 electric cars by 2020, says Ryan

> MORE THAN 200,000 Irish motorists will be driving electric cars in just over a decade, according to the Minister for Communications, Energy and Natural Resources.
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> Eamon Ryan said it was his department's aim to have 10 per cent of the vehicles on the roads – or 230,000 – running on electricity by 2020.

Greening Korea

> Unlike its neighbor Japan, South Korea is rarely associated with environmentalism. But without fanfare, some of Korea's leading corporations are embracing renewable energy technologies.

Detroit's Critics Just Don't Get It

> The Detroit that Washington loves to hate, the one that policy wonks and politicians

think they can run better than industry professionals, stopped existing at least 15 years ago. It faded because executives at GM, Ford and Chrysler reached a consensus not fully embraced by Congress or the American consumer. To wit: Oil will not last forever.

Detroit's executives aren't stupid. Nor are they arrogant fools who care more for their own paychecks than they do for the their industry's or their country's future. They know that the car of the future will have to be powered by something other than gasoline or diesel -- or else there is no future.

Oil Going To $200 On Obama's Watch

The saga of North American oil is well underway. The current financial crisis, triggered in part by the global oil crisis, is only serving to mask the decline of oil supply in this region. That the supply of oil would move in reverse to the advance in price over a 6 year period—a sustained period—is a brutal fact that can no longer be denied. Remember, much of this oil is extracted with the benefit of the latest technology and profit-maximizing, “rational” actors. While this is less true in Mexico, I maintain that PEMEX, the state run oil company, while not in the league of Saudi Aramco is no Venezuelan PDVSA. PEMEX avails itself of the latest technology, and Mexico is well explored. While it’s also true that offshore California, offshore Florida, and parts of Alaska are undeveloped, even a Marshall Plan to develop those resources would not result in oil coming on stream until several years from now.

Accordingly, I am calling for substantial new price highs in oil no later than the Presidential Election of November 2012. I expect oil to go above 200.00 dollars per barrel, and to consolidate thereafter between the old price high of 150.00 and 200.00. The seeds for this price spike have been sewn all decade, and are furiously at work right now. We are currently at risk of reaching the old price high of 147 by as early as Spring of 2010. If monetary conditions interfere, this could be sooner. If a global depression develops, obviously, this could be later. A simple progression would take oil towards 75 later this year, then 150 in late 2010, 200 in late 2011, and then the spike above 200 in early 2012.

Newest job numbers portend weak energy demand

COLUMBUS, Ohio – Oil prices dipped Friday after the government reported that the nation's unemployment rate rose to the highest rate since late 1983 as employers eliminated 663,000 jobs.

Benchmark crude for May delivery fell 13 cents to settle at $52.51 barrel on the New York Mercantile Exchange.

With the U.S. and other nations hemorrhaging jobs, demand for gasoline and other fuels has plummeted. The unemployed are not commuting, factories are not producing as many consumer goods, and heat or electricity at millions of homes has been shut off.

[Saudi sees rise in oil demand after crisis]

> The global economic distress and ensuing drop in crude demand have depressed the market share of Saudi Arabia but the world's oil superpower expects a resurgence of that oil after the crisis.
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> The government-owned Saudi Aramco, which runs the kingdom's hydrocarbon industry, said oil would remain the main source of energy and driver of the world economy for the foreseeable future despite global efforts to lessen reliance on crude.

[China Tarim oilfield aims 50m tonnes of output by 2020]

> BEIJING -- The Tarim oilfield in China's western Xinjiang Uygur Autonomous Region expected to see its combined output of crude oil and natural gas reach 50 million tonnes in 2020, China National Petroleum Corporation (CNPC) announced Friday.

[Refiners call for halt to ethanol mandate]

> WASHINGTON - Oil refiners want the government's biofuels mandates suspended, citing the limits on how much ethanol can be blended into gasoline.
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> Charles Drevna, president of the National Petrochemical and Refiners Association, also labeled as unworkable a proposal under consideration by the Environmental Protection Agency to allow newer cars to run on higher amounts of ethanol than is now permitted.
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> "We're using as much corn as this country can for fuel," Drevna said after testifying before a subcommittee of the Senate Environment and Public Works Committee.

[Valero to run new ethanol plants full throttle]

> Valero Energy Corp, the recent buyer of seven ethanol plants, said it will run them at full capacity despite poor average margins.

[Big oil companies, little investment in renewable energy]

> The Center for American Progress released a new report analyzing 2008 oil company profits and lack of investment in renewable energy, even while the companies spend millions of dollars on ad campaigns touting their emphasis on renewable energy.
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> Despite their $656 billion in combined profits from 2001-2008, big oil companies are running ads and lobbying Congress to oppose ending tax breaks worth $30 billion over

ten years.

[California faces greater risk from global warming]

SACRAMENTO — State officials on Wednesday released what they called the most comprehensive and detailed report on the effects of climate change in California — a 40-volume set of scientific studies that shows the state more at risk to global warming than previously believed.

Among the projected effects: a loss of up to $3 billion in agricultural revenues by 2050 resulting from reductions in the water supply, a statewide increase in electricity demand of up to 55 percent because of extended use of air conditioning, and a heightened risk of wildfires that could cause billions of dollars in property damages annually.

[Warming Takes Center Stage As Australian Drought Worsens]

On March 28, for the first time in anybody's memory, the floodlights surrounding the soaring white shells of the Sydney Opera House were temporarily extinguished, part of Earth Hour, an international event spanning 88 countries and 24 time zones to prompt world leaders to take action on global warming.

Although iconic buildings in Paris, New York, London, and Tokyo were similarly darkened, arguably none of these symbols was as apt as the unnerving black space that suddenly opened on the shores of Sydney's harbor. Perhaps more than any industrialized nation, Australia is contending with the increasingly dangerous effects of hotter, dryer, and more unpredictable weather patterns — changes that many of the country's leading scientists and politicians now attribute to shifting weather patterns, at least in part due to climate change.

[Did the Oil Price Boom of 2008 Cause Crisis?]

Reeling from the housing bust and the banking crisis, it's hard to think that the energy shock — the one that carried the average price of gasoline to a peak of $4.11 a gallon last July — was much more than a minor player in the economic downturn. But there's the uncomfortable fact previous oil shocks, like the ones that came with the 1973 oil embargo, the 1979 Iranian revolution and the 1990 invasion of Kuwait, were also associated with recessions. And the 2001 recession, too, came on the heels of a run-up in oil prices.

In a paper presented at the Brookings Panel on Economic Activity Thursday, University of Calif.-San Diego economist James Hamilton crunched some numbers on how consumer spending responds to rising energy prices and came to a surprising result: Nearly all of last year's economic downturn could be attributed to the oil price shock.

[Managing a finite resource]

> How quickly we have forgotten. Yesterday's banner headline is today's inside page filler, consigned to the back of the book as something more pressing forces its way to page one, above the fold.
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> The subject I'm talking about is oil, the story before all the world's stock markets decided to implode simultaneously. We used to worry about the price of oil, when it would run out and even non-petrochemical engineers understood the concept of "peak oil." But whether alternative energy is still big news or not, this much is clear; the world's oil supply is finite, fossil-fuelled cars pollute and the public desire for an alternative is strong.

[In the Centre of the Storm]

> Stan Odut is one of a growing contingent of oilmen now subscribing to the concept of peak oil – the notion that the planet's maximum rate of oil extraction is at hand. After that point arrives, the rate of production will enter terminal decline. "I believe we probably aren't going to see an increase on the supply side globally," he says. "With the global economic situation there has been (crude oil) demand destruction, but I would add that there has also been supply destruction because drilling has been declining, producers are shutting in supply" and many large projects, world-wide, have gone on hold.
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> Prices are low because "right now oil is overbalanced on the supply side," he says. "When things do recover, I think we are going to be in a really tight situation. The horizon might be shorter than many people predict. I think within the next five years – certainly within the next ten – we will meet a supply crunch probably like we have never seen before."

[Instability & Depletion Add Uncertainty to Energy Sector]

> Matthew Simmons made an excellent new presentation last month on the outlook for the energy sector. He concludes crude oil supply will soon drop sharply as credit and pricing issues slow development to a crawl—and he also contends global demand for energy has not fallen as much as many assume (see chart of U.S. demand at right – the U.S. is the largest global consumer of crude oil).
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> Longer term Simmon's analysis confirms the bullish trends are still in place, global demand will continue to be robust while supply becomes more expensive to develop.

[Simmons strikes again]

> Matt Simmons, head of his eponymous Houston energy investment bank Simmons & Co. International, is always one for controversy. His theory that the world has reached peak oil -- that is, our oil production has hit the highest it ever will and it's downhill from here -- enraged oil company executives and oil-producing nations alike and spawned the 1995 book, "Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy," which became an international bestseller.

The Age of Oil: When Will It End? - *Peak Oil Task Force Prepares for Possible Impact: Q & A With Bloomington City Councilman David Rollo*

> There's only so much oil on our planet, and it is not a renewable resource. The easy-to-reach deposits will be used up first, then it will become more expensive to reach or pump or transport. Production has been increasing on an upward curve since oil's discovery. But that can't continue forever, since supplies are finite.
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> Meanwhile, the Earth's population is growing, as is the demand for creature comforts and development -- all of which depend on oil.
>
> Some fear that the end of cheap oil will bring harsh consequences. That's why the city of Bloomington has established a Peak Oil Task Force, chaired by City Councilman David Rollo.

Abu Dhabi sets its sights on oil sands entry

> In an interview from Abu Dhabi, Mr. Barker-Homek said his company, a petroleum and power producer known as TAQA, would consider an asset purchase, a partnership or an acquisition for portfolio diversification and to deepen its expertise.
>
> "If you are going to get into oil sands, the least-expensive time to do it is while prices are low, so you can actually get into some [good] acreage at low cost," he said, addressing rumours this week that TAQA is assessing multiple targets.

Nigeria forced to diversify as oil drops

> ABUJA, Nigeria - The head of a new Nigerian ministry charged with calming the restive petroleum region of Africa's biggest crude oil producer said yesterday that the global economic meltdown may paradoxically be contributing to peace efforts.
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> Even as the oil region's main militant group rejected the government's offer of amnesty to fighters who lay down arms, Ufot Ekaette, the newly installed minister for Niger Delta affairs, said in an interview that the global slump in demand for crude oil had changed the dynamic on the ground.

Russia to Supply China with Significant Portion of Oil Needs

> A global credit crunch is prompting Russia to diversify its energy sales eastwards. In February, Moscow and Beijing signed an agreement, where Russia would supply oil to energy-hungry China for the next 20 years. In exchange China will lend Russia $25 billion, which will help fund an extension of the new Siberian pipeline to the Chinese border. Analysts in Moscow say that while the deal is beneficial for both Russia and China, it might not be all good news for the Western customers of Russian oil.

Marathon cuts Alaska gas drilling

> US oufit Marathon Oil cut its Alaska natural gas production well drilling programme by about 50% this year, according to a company source.

Will Obama's Revolution Deliver Energy Independence?

> Steven Chu, the Nobel Prize-winning physicist who is President Obama's energy secretary, recently gave a speech in which two key words never passed his lips. He talked about energy efficiency, electricity transmission lines and renewable energy sources. He waxed eloquent about technology and the need to fund energy research. But afterward, Chevron vice chairman Peter Robertson noted disconsolately that "it would be nice to hear a bit about oil and gas."
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> Oil and natural gas, however, are not what's lighting up the Obama energy agenda. The new president is setting out to change the very nature of American energy, from the way we use it to the way we generate it. It's a goal that drives his policy on automakers, whom he wants to push to manufacture more fuel-efficient cars. And it's why he inserted a "down payment" of mammoth proportions into the stimulus bill, roughly $70 billion or more in grants, loans and loan guarantees for Chu to hand out for high-tech research and commercial projects for renewable energy such as biofuels and wind, solar and geothermal power. That's nearly three times as much as the baseline Energy Department budget and more than the annual budgets of the Labor and Interior departments combined.

The mouse that roared

> Hermansen made another really interesting point. In Denmark the wind industry developed with many relatively small wind farms, not just a few giant offshore farms. This means that the wind is usually blowing somewhere, so there is a more consistent supply of electric power to the Danish grid. If you think solely in terms of a few giant offshore wind farms in Denmark or Maine, the problem of generating large amounts of intermittent power to the grid means that enormous investments in upgrading transmission lines before large-scale wind farm can proceed. On the other hand, with many small wind farms, grid operators have learned how to balance the load without

imposing huge upfront infrastructure costs.

Report: Wind could supply enough power to meet US electricity needs

Wind turbines off US coastlines could potentially supply more than enough electricity to meet the country's current electricity demand, the US interior department reported today.

Simply harnessing the wind in relatively shallow waters - the most accessible and technically feasible sites for offshore turbines - could produce at least 20% of the power demand for most coastal states, interior secretary Ken Salazar said, unveiling a report by the department's minerals management service that details the potential for oil, gas and renewable development on the Outer Continental Shelf.

Ethanol fight gets revved up

Picture a chain saw calmly idling. But then its blade suddenly starts spinning on its own, as if someone had goosed the throttle.

The power equipment industry warns that such a scenario could happen if the federal government agrees to increase the percentage of ethanol mixed into gasoline. Upping the ethanol content would add more oxygen to the fuel, causing the engine to idle at a higher speed and literally fooling the chain saw into acting as though its clutch were engaged.

US believers going green, hold media fast for Lent

WASHINGTON (AFP) – From giving up their cars to abandoning their Facebook pages, many US Christians are being called on to help reduce global warming and turn their backs on Internet distractions over Lent.

"It's an insult to God, it's a sin to spoil the environment, to hurt creation," said Episcopalian pastor Reverend Sally Bingham, who is coordinating "The Regeneration Project," an interfaith group of some 4,000 congregations looking for a religious response to global warming.

Wordie Ice Shelf has disappeared: scientists

WASHINGTON (Reuters) - One Antarctic ice shelf has quickly vanished, another is disappearing and glaciers are melting faster than anyone thought due to climate change, U.S. and British government researchers reported on Friday.

> They said the Wordie Ice Shelf, which had been disintegrating since the 1960s, is gone and the northern part of the Larsen Ice Shelf no longer exists. More than 3,200 square miles (8,300 square km) have broken off from the Larsen shelf since 1986.