



Drumbeat: May 5, 2009

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Topic: [Miscellaneous](#)

[BMI: Norway's oil production to drop by 28.8%](#)

Norwegian oil production will drop by 28.8% by 2018, with output slipping steadily from an estimated 2.44 million b/d in 2008 to 1.82 million b/d within 10 years, said analyst BMI.

With oil consumption forecast to decrease by 0.5%, Norway's exports will slide from an estimated 2.22 million b/d to 1.60 million b/d during the forecast period, BMI said in its latest Norway Oil & Gas Report.

Regarding natural gas, BMI said Norway's production should rise from an estimated 95 billion cu m (bcm) in 2008 to a peak of 120 bcm in 2012-14, before falling to 100 bcm by 2018. Most exports will continue to move through pipelines, with some LNG.

[From Shortage to Glut, and Boom to Bust](#)

In recent decades, technological advances have unlocked huge reserves of unconventional natural gas. Directional drilling and advanced seismic have been important, but many of the most critical advances have occurred in the realm of completion technologies, including hydraulic fracturing. Fracing was used half a century ago, but recent improvements have been stunning, unlocking new tight gas in Colorado and Wyoming, then shale gas in Texas' prolific Barnett play. Shales are the most widespread source rocks on the planet—but historically they have been of little interest since they tend to be very impermeable. Chesapeake's Aubrey McClendon believes that the Marcellus Shale alone, under Pennsylvania and New York, may hold as much gas-in-place as the U.S. has used in its entire history. Hype? Or hope? Time will tell. Certainly, with U.S. drilling down by half since last summer, shale gas may not come to market as quickly as its boosters were touting a few months ago. Nonetheless, the shale gas story is a tribute to human ingenuity, as Randy Udall explains below.

[Oil prices to rise 'only in 2011' due to spare capacity](#)

An abundant spare capacity of oil that has built up across the world will ensure that oil and gas prices will not rise till late in 2010.

A research team headed by Francisco Blanch, the London based analyst says that the prices “may” considerably rise in 2011.

[Chesapeake CEO surprised by furor over \\$75M bonus](#)

Chesapeake Energy Corp. CEO Aubrey McClendon said Tuesday he is surprised by the furor over the \$75 million bonus he received from the company as part of his new contract.

[Sakhalin-1 to sell 20pct of gas to Gazprom-report](#)

MOSCOW (Reuters) - The Sakhalin-1 consortium has agreed to sell 20 percent of the natural gas extracted from the large oil and gas project to Russian gas export monopoly Gazprom, Nikkei reported on Tuesday citing unnamed sources.

The price of the gas, which has been the main sticking point in talks over the sale, is still being negotiated, the Japanese business daily said in its issue due for publication Wednesday.

[The world melts, China grows](#)

Once China became an oil importer in 1993, its imports doubled every three years. This made it vulnerable to the vagaries of the international oil market and led the government to embed energy security in its foreign policy. It decided to participate in hydrocarbon prospecting and energy production projects abroad as well as in transnational pipeline construction. By now, the diversification of China's foreign sources of oil and gas (and their transportation) has become a cardinal principle of its foreign ministry.

Conscious of the volatility of the Middle East, the leading source of oil exports, China has scoured Africa, Australia, and Latin America for petroleum and natural gas deposits, along with other minerals needed for industry and construction. In Africa, it focused on Angola, Congo, Nigeria, and Sudan. By 2004, China's oil imports from these nations were three-fifths those from the Persian Gulf region.

[Hawaiian Electric profits slip 40% in Q1](#)

The Honolulu-based company said the economy, lower electric sales and a higher provision for loan losses at American Savings Bank impacted its earnings.

[Bahrain, Saudi, most vulnerable to oil shock](#)

Bahrain and Saudi Arabia topped the list of rated oil-exporting countries most vulnerable to plummeting crude prices, a leading international ratings agency said Tuesday in a report spotlighting the challenges confronting a region where crude is king.

Along with OPEC powerhouse Saudi Arabia and its tiny neighbor, Bahrain, Azerbaijan was also part of the top three in the vulnerability index list created by Standard & Poor's. Norway, Cameroon and Mexico were the least vulnerable to falling oil prices, according to the report.

[Shell faces revolt on executive pay](#)

LONDON (Reuters) - Royal Dutch Shell faces a possible shareholder revolt over its executive pay policy after the Association of British Insurers (ABI), a large investor and a corporate governance agency expressed concerns about the plan.

[Enbridge to retire some aging tanks at Cushing hub](#)

CALGARY, Alberta (Reuters) - Enbridge Inc (ENB.TO) said on Tuesday it plans to retire 500,000 barrels of oil storage capacity as it looks to close some aging tanks at the Cushing, Oklahoma, hub.

[Power generation in China down 3.55% in April](#)

China has seen year-on-year declines in power generation since October last year, when a four percent fall was recorded, as the global economic downturn started to hurt the economy.

The decline grew to 9.6 percent in November and 7.9 percent in December.

Wang Yonggan, secretary-general of the China Electricity Council, said the first and the second quarters would be the toughest period when power generation would continue to fall. He expected an increase in the fourth quarter.

[A Battle to Preserve a Visionary's Bold Failure](#)

In 1901, Nikola Tesla began work on a global system of giant towers meant to relay through the air not only news, stock reports and even pictures but also, unbeknown to investors such as J. Pierpont Morgan, free electricity for one and all.

[Richard Heinberg: Somebody's Gotta Do It](#)

If all of us world-savers can't get on the same page about what's wrong, our efforts are likely to lack coherence, or might even cancel one another out. There are no doubt full-time humanitarians who believe that the world needs to be saved from people like me!—from people, that is, who are non-believers and who insist that the size of the human population has to be reduced.

Moreover, if we professional world-savers can't agree on what the problem is, how do we know there is a problem in the first place? Might the world be better off if we spent our personal energies elsewhere—figuring out how to get rich, or teaching elementary school, or inventing the next generation of social networking software?

[Economic casualties pile into tent cities](#)

For the economic homeless, the American ideal that education and hard work lead to a comfortable middle-class life has slipped out of reach. They're packing into motels, parking lots and tent cities, alternately distressed and hopeful, searching for work and praying their fortunes will change.

"My parents always taught me to work hard in school, graduate high school, go to college, get a degree and you'll do fine. You'll do better than your parents' generation," Marshall says. "I did all those things. ... For a while, I did have that good life, but nowadays that's not the reality."

[Surge in renewable power fuels fears of energy crisis](#)

BRITAIN is facing an energy crisis as a rise in renewable power is pushing the "outdated" National Grid to breaking point, experts warned yesterday.

Analysts say the network cannot cope with the extra electricity generated by wind, wave and solar sources.

They fear the increase in renewables will overload a system that was not designed to accept so much incoming power.

[Duke Profit Falls 25% as Industry Slows](#)

COLUMBUS, Ohio (AP) -- Power generator Duke Energy said Tuesday that its first quarter earnings fell 26 percent as the deep recession cut demand for electricity among its industrial customers. The company also cited expenses from damage caused by winter storms for the decline.

[MMS Releases Latest GOM Energy Forecast, Deepwater Report](#)

In a press conference today at the 2009 Offshore Technology Conference the Minerals Management Service (MMS) announced the release of the Gulf of Mexico Oil and Gas Production Forecast: 2009-2018 and the Deepwater Gulf of Mexico 2009: Interim Report of 2008 Highlights.

In the forecast report, Gulf of Mexico (GOM) oil production is forecasted to increase substantially over the next several years, possibly reaching 1.8 million barrels of oil per day. GOM gas production is forecasted to continue its decline over the next four years due to aging projects in shallow water. Future increases depend on the successful development of undiscovered resources in the Gulf.

[The Potential for Energy Industry Takeover Activity](#)

Between 2004 and 2008, data from SharkRepellent.com shows that there has been roughly a tripling in the number of unsolicited/hostile takeover transactions and an equally large increase in the number of proxy fights.

According to the FactSet MergerMetrics report for 2008, unfriendly transactions represented 23% of all announced deals involving full acquisitions of U.S. public companies. This was well above the percentage of unfriendly deals witnessed in the past five years where 2006 saw the next highest percentage of just 14%.

[Nigeria: Averting disasters during fuel scarcity](#)



Lining up for fuel in Lagos

This is another season of fuel scarcity. Indeed, it is a return of agony and hardships. Although Nigeria is an oil producing nation, the sixth largest in the world; its citizens have had the misfortune of frequently being exposed to the hazards of acute shortage of petroleum products.

[Two New Projects Revving Up in Alaska's Oilpatch](#)

Oil prices are down and some oil-patch work is being throttled back, but North Slope producers are going full steam ahead on two large projects. Several hundred people have

been put to work and the numbers will increase as the work continues, the companies involved say.

[Despite Slump, Major US Oil Cos Forge Ahead with Investment](#)

The weak quarterly results of major U.S. oil companies show they are not immune to lower oil and gas prices and the economic downturn. But their decision to keep investing billions in capital projects reflects optimism about an eventual rebound in energy markets.

[Iran to Inaugurate New Rig to Explore for More Caspian Oil](#)

Iran plans to launch a domestically-built 14,000 ton offshore platform in its territorial waters of the Caspian Sea to increase its oil output.

Iranian Oil Minister Gholamhoseyn Nowzari says President Mahmud Ahmadinezhad is scheduled to inaugurate the Iran-Alborz semisubmersible drilling rig in "the coming weeks."

['Two-year delay on Hormuz bypass pipe'](#)

The United Arab Emirates will complete a pipeline for oil exports to bypass the Strait of Hormuz around two years later than initially scheduled, the project's director Dieter Baluberg said today.

The pipeline would allow the world's third-largest oil exporter to pump around 60% of its crude exports to a port on the Gulf of Oman, avoiding the strategic shipping chokepoint at the Strait of Hormuz.

[Hamm, Producers Try to Combat a New Concern in Oil Industry](#)

The United States has been concerned for many years about the influx of foreign oil, mostly from the Middle East into the United States. But now, a new concern from Canada is beginning to worry some oil producers, and, led by Enid's Harold Hamm, they are taking steps to fight it.

The Domestic Energy Partnership Alliance is an organization created three months ago as a vehicle for oil and gas companies to combat the arrival of millions of barrels of foreign oil through pipelines into Cushing, which has the largest storage capacity in the world.

[People of Plenty](#)

In my book, *Terrestrial Energy*, I talk about historian David Potter's 1956 book, *People of Plenty*, which redefined Frederick Jackson Turner's "Frontier Thesis." Whereas Turner said that an abundance of *land* had been the defining experience in the American character, Potter argued it was actually an abundance of natural *resources*.

Following this line of thought, I argued that since our domestic oil production went into decline in 1970 we had entered a new era of American history where we became a "people of scarcity." It was a pretty good argument at the time, but I think now I'm going to have to revise it for the next edition. Once again we have become a People of Plenty -- this time in natural gas.

[Workers like staying home](#)

The concept of telecommuting — employees working from home or another remote location instead of the office — has been around for decades. It was touted as an answer to the energy crisis in the 1970s, heralded in the 1980s as a way to balance work and family, and now is being lauded as a way to boost productivity and trim facilities costs.

Telecommuting isn't as popular as '70s futurists predicted. But its use is on the rise, and many predict that it will become more widespread as employers overcome concerns about how to keep information secure and monitor remote workers' productivity.

[Winds need time to mature](#)

Blade cracks suffered by Suzlon, Clipper Windpower and others are just indications of the immaturity of the wind power business. The steam turbine industry went through similar teething problems when power levels were increased during the late sixties and during the seventieth energy crisis. Companies like Clipper, Suzlon and others just do not have the depth of complex rotating machinery test facilities and sophisticated and proven system vibration analysis tools. GE and Siemens have the tools and offer the most reliable wind turbines, as well as Vesta having developed their expertise over a very long time span with continuous government support. For now 2 MW is the best power level for the selection of a reliable wind turbine. Higher power levels increase blade vibration forces and gear wear of the present wind turbine configurations and need time to prove new designs.

[Study Sees 'Alarming' Use of Energy, Materials in Newer Manufacturing Processes: Making manhole covers is more efficient than making microchips](#)

According to a recent study, new manufacturing systems are anywhere from 1,000 to 1 million times bigger consumers of energy than more-traditional industries. In short, pound for pound, making microchips uses up considerably more energy than making

manhole covers, for example.

Manufacturers have usually been more concerned about factors like price, quality, or cycle time, and not as concerned about how much energy their manufacturing processes use, said Timothy Gutowski, a professor in the Massachusetts Institute of Technology's department of mechanical engineering, who led the analysis. If energy prices rise again or if a carbon tax is adopted, energy use will become more important as the new industries scale up, Gutowski said.

New processes will be optimized and improved over time. But over the past several decades as traditional processes such as machining and casting have increasingly given way to newer ones for producing semiconductors, MEMS and nano-materials and devices, energy and materials consumption has increased dramatically.

[Peak oil and the end of economic growth?](#)

"American Scientist" has a provocative article on peak oil and what that means for the chimera of unending economic growth. The authors remind us that population growth and increased food production have both literally been fuelled by ever more energy use, much of it wood or fossil fuel. This is not sustainable.

The authors are Hall and Day, and here's how "American Scientist" describes their thesis, "They have re-examined some of the data that led to the discrediting of the 'limits to growth' theory and have shown that both resource use and costs have only risen, and are no longer being mitigated by market forces. Although new sources of energy have been found, they are much more expensive to extract, a declining return on investment that Hall and Day think could lead to large societal problems in the near future."

[When The Economy Starts Whirring, We'll Get Another Big Oil Spike](#)

Below is a chart, via a paper (.pdf) from Boston College economist Eyal Dvir and Harvard economist, Kenneth Rogoff that shows three separate oil price spikes in the past century and a half. In each case they found that there was industrial growth coupled with uncertainty about oil supplies.

[A new phase in the Gulf: Gulf of Mexico oil production could peak in 2013](#)

Oil production in the Gulf of Mexico could peak at more than 1.8 million barrels per day by 2013 under the industry's best-case scenario, but natural gas production will likely continue its decadelong decline, according to a government study released Monday at the Offshore Technology Conference.

[Chesapeake 1st-qtr loss widens, shares drop 7.5 pct](#)

HOUSTON (Reuters) - Chesapeake Energy Corp reported a larger first-quarter loss on Monday as the natural gas company took a \$6.02 billion charge to write down the value of its oil and gas properties and said it may cut spending more.

The U.S. recession has cut into industrial demand for natural gas, causing supplies to swell.

[Oil Traders Are Likely to Start Selling Stored Crude, JBC Says](#)

(Bloomberg) -- Oil traders who have been keeping as much as 100 million barrels of crude on tankers to profit from forward prices are likely to start selling the cargoes as the incentive to store wanes, consultant JBC Energy said today.

BP Plc, Royal Dutch Shell Plc and Hess Corp. are among oil companies whose first-quarter earnings were boosted by storing crude in tankers. By anchoring laden vessels offshore, companies were able to profit from the so-called contango, where crude contracts for delivery in the future are more expensive than near-term supply.

[Oil May Break Resistance, Rise to \\$71.55: Technical Analysis](#)

(Bloomberg) -- Crude oil may be headed for \$71.55 a barrel after breaking through \$56.10 a barrel, according to Barclays Capital.

Should the June crude oil contract push through the high of \$56.10 a barrel reached on March 26, futures may climb past the Jan. 6 intraday high of \$59.66 to \$62 a barrel, Barclays Capital analysts, led by Jordan Kotick, said in a May 4 report.

Oil could jump to \$71.55 a barrel as traders attempt to exit the large number of short positions, or bets that prices will fall, creating a so-called short squeeze, the analysts said. This is equal to the upward moves oil has made from a so-called head-and-shoulders bottom pattern starting in December.

[Action on peak oil essential for business survival, say UK transport chiefs](#)

If you're fighting to stay afloat in the teeth of a recession, you're not going to worry about distant threats like peak oil and climate change, right? Wrong, say Brian Souter, Moir Lockhead, Will Whitehorn and Richard Brown. The UK's leading transport chiefs tell Martin Wright why action now is essential for their business survival.

[Web providers must limit internet's carbon footprint, say experts](#)

The internet's increasing appetite for electricity poses a major threat to companies such as Google, according to scientists and industry executives.

Leading figures have told the Guardian that many internet companies are struggling to manage the costs of delivering billions of web pages, videos and files online – in a "perfect storm" that could even threaten the future of the internet itself.

"In an energy-constrained world, we cannot continue to grow the footprint of the internet ... we need to rein in the energy consumption," said Subodh Bapat, vice-president at Sun Microsystems, one of the world's largest manufacturers of web servers.

[EDF mulls sale of British power grid - report](#)

PARIS (Reuters) - French utility EDF is considering selling its British power grid to help it pay for takeovers and new power plants, the Financial Times reported on Monday, citing sources close to EDF's board.

EDF is considering a sale of the grid, estimated to be worth some 3 billion pounds (\$4.46 billion), after debt rose to nearly 25 billion euros and as it plans billions of euros of investments in costly nuclear power plants, the paper said.

[A 'robust' new fuel supply for nuclear power plants is emerging](#)

PIKETON, Ohio -- A group of U.S. engineers and technicians sat down one day in 2001 to figure out where the nation's future nuclear power plant fuel was going to come from. Their decision was to leap backward 30 years and re-engineer an idea perfected during the Cold War and then abandoned here in 1985.

[Obama to form interagency biofuels group](#)

NEW YORK (Reuters) - President Barack Obama will direct the heads of three U.S. agencies to make the biofuels industry cleaner and encourage output of ethanol made from non-food crops, according to a draft memo obtained by Reuters on Monday.

The Biofuels Interagency Working Group, to be headed by the secretaries of the Environmental Protection Agency, the Department of Energy and the Department of Agriculture, will be asked to identify policies that would make biofuels more environmentally sound and encourage production of "flex-fuel" cars that can run on either gasoline or fuel that is mostly ethanol, according to the memo.

[EU bioethanol producers see rising output to 2020](#)

BRUSSELS (Reuters) - Europe is likely to pump out increasing amounts of bioethanol over the next 10 years, posting gradual annual output rises as an EU-imposed deadline nears for boosting renewable energy, an industry official said on Monday.

While wide discrepancies remain among the European Union's 27 countries in terms of their bioethanol industries, overall production has jumped exponentially since the EU launched its first biofuels directive with renewables targets in 2003.

[U.S. biodiesel output falls sharply in March: group](#)

WASHINGTON (Reuters) - U.S. biodiesel output is down sharply, an industry group said on Monday, and it called for release of federal regulations to require use of advanced biofuels.

The National Biodiesel Board said production fell in March to 30 million gallons, compared with 49 million gallons in March 2008, according to U.S. Energy Information Administration.

If the trend continues, U.S. output would be half of the 700 million gallons produced last year, the NBB said.

[Yes One Can: Prince Charles Hires Obama's Web Wizards](#)

He doesn't write e-mails or - perish the thought - use a BlackBerry or iPhone. Indeed, the Prince of Wales still deploys a fountain pen to scratch out letters and instructions of such calligraphic idiosyncrasy that they are collectively known in the royal household as "black spider memos." Yet despite appearances, the heir to Britain's throne is not insensible to the power of technology. A campaign to save the rain forests launched by the Prince today is based around a 90-second film that he hopes will go "viral", and relies on state-of-the-art software and Internet strategy honed during Barack Obama's election campaign.

[U.S. House climate control negotiations intensify](#)

WASHINGTON (Reuters) - Negotiations in the U.S. House of Representatives on how to cut industrial pollutants that cause global warming reach a critical stage this week as President Barack Obama huddles with key lawmakers on Tuesday and Republicans ready for a fight.

A House Energy and Commerce panel hopes to fill in details later this week on a bill that aims to cut emissions of carbon dioxide and other greenhouse gases 20 percent by 2020 and 83 percent by 2050 -- using 2005 as a base year.

[Climate change 'cultural genocide' for Aborigines](#)

SYDNEY (AFP) – Climate change would force Australia's Aborigines off their traditional lands, resulting in "cultural genocide" and environmental degradation, a human rights watchdog warned on Monday.

Australia's original inhabitants, whose cultures stretch back many thousands of years, Aborigines would be deeply affected by the impact of global warming, the government-funded Human Rights Commission said.

[Oil Little Changed, Paring Earlier Losses as Equities Advance](#)

(Bloomberg) -- Crude oil traded little changed, paring earlier losses as advancing equity prices in Europe improved investor sentiment toward commodity markets.

An Energy Department report tomorrow is forecast to show that crude stockpiles climbed from the highest level since September 1990. Inventories increased 2.55 million barrels in the week ended May 1 from 374.7 million the previous week, according to a Bloomberg survey before the report.

[Possible Outcomes of Copenhagen Climate Change Talks](#)

The most anticipated climate meeting in years will be held in the Danish capital in December. Out of those talks a broader climate pact to replace the Kyoto Protocol is expected to emerge.

But the negotiations leading up to Copenhagen are fraught with risks and pit the ambitions of rich nations against those of the developing countries, whose emissions now comprise more than half of mankind's greenhouse gas pollution.

[Nicholas Stern and Haruhiko Kuroda: Why global warming could make or break south-east Asia](#)

South-east Asia has the most to lose from global warming but could gain much by developing a low-carbon future



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