



DrumBeat: May 22, 2009

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Topic: [Miscellaneous](#)

[US natural gas rig count down to near 6-1/2 yr low](#)

NEW YORK (Reuters) - The number of rigs drilling for natural gas in the United States fell by 17 to 711 this week, the lowest level in nearly 6-1/2 years, according to a report issued Friday by oil services firm Baker Hughes in Houston.

U.S. natural gas drilling rigs have been in a steady decline since peaking above 1,600 in September, and now stand at about 782 below the same week last year, the lowest level since Jan. 3, 2003, when there were 706 gas rigs operating.

[Number of active oil rigs falls by 18](#)

HOUSTON (AP) -- The number of rigs actively exploring for oil and natural gas in the United States fell by 18 this week to 900, down more than half from a year ago.

[Ukraine Is Europe's Problem, Too](#)

Russia wants Brussels to pay up and accept the consequences of having an unstable transit route for its gas.

[Calculating the benefits of a green recovery](#)

Can there be a green recovery? Consider that so much of the economy is dependent on fossil fuels. Sprawl has left many Americans without even the option to take transit -- and sprawl housing is a major industry desperately trying to revive.

With oil prices lower -- for now -- the incentives for alt-fuels are disappearing. Much of the Obama stimulus is going to build highways for a 1965 transportation system, as if peak oil and global warming don't matter. Critics of change say even the modest fuel-econ standards of the Obama administration will "wreck the economy."

But that's not the end of the story.

[Experts urge US policymakers to address long-term challenges](#)

WASHINGTON, DC -- Energy policymakers should not waste the opportunity that lower oil prices provide to address US supply concerns, two experts told the congressional Joint Economic Committee on May 20.

"The recent rise in oil prices again underscores the present reality of long-term challenges. Even if we see significant short-term gains in global oil production capabilities, if demand from China and elsewhere returns to its previous rate of growth, it will not be too long before the same calculus that produced the oil price spike of 2007-08 will be back to haunt us again," warned James D. Hamilton, an economics professor at the University of California at San Diego.

"Once global economic growth resumes, so will growth in oil demand. That will once again put energy security, and the relation of energy to economic well-being, back at the top of the agenda. Given the lead times to develop new supplies, policy decisions made today should take into account the likelihood of future cycles, and what they mean to the American economy and to American consumers," added Daniel Yergin, chairman of IHS Cambridge Energy Research Associates.

[\\$60 - oil's sweet spot](#)

There's been talk that these rising oil and gas prices may derail any budding economic recovery, as consumers put more money in their tank and less into their local economy.

But most experts say \$60 oil isn't too much of a burden, and this mid-range price could ultimately prevent future spikes.

"This is a price level the U.S. economy can shoulder," said John Lonski, chief economist at Moody's Analytics. "It will not figure into the timing of the recovery."

[Canadian oil industry costs seen tumbling in '09](#)

CALGARY, Alberta (Reuters) - The costs of exploring for, developing and acquiring oil and gas reserves in Canada could drop by as much as 35 percent this year with drilling activity dwindling as companies cut spending, brokerage FirstEnergy Capital Corp predicted on Friday.

The drop in costs comes just as oil prices are recovering and financial markets are thawing, pointing to a possible increase in merger and acquisition activity, FirstEnergy analyst Darren Engels said.

[Saudis to kick start Khurais field](#)

Saudi Arabia will start production at its 1.2 million barrels per day Khurais oilfield in a few weeks, state oil firm Saudi Aramco said today.

Khurais is the largest of three oilfield projects that would take Saudi total production capacity to 12.5 million bpd by the end of June.

Although it will not immediately add to the sum of Saudi output it is the biggest ever single increment to global production, according to a Reuters report.

[Venezuela's Chavez seeks \\$4.3 bln From Brazil-rpt](#)

SAO PAULO (Reuters) - Venezuelan President Hugo Chavez, whose government is facing cash shortages as oil revenues plunge, is negotiating loans from Brazil's state development bank to fund projects, a Brazilian newspaper reported on Friday.

[Chavez Takes Over Venezuelan Iron, Steel Producers](#)

Bloomberg) -- Venezuelan President Hugo Chavez announced the government will take over the hot-briquetted iron industry and other metal companies, increasing its control over the nation's mineral-wealth industries.

[Mexico Consumer Prices Fell 0.34% in May's First Half](#)

(Bloomberg) -- Mexico's consumer prices fell in the first half of May, in line with economists' forecasts, as costs declined for electricity, telephone service and air transport.

Consumer prices decreased 0.34 percent in the first two weeks of the month, the central bank said today. Economists expected prices to fall 0.33 percent, according to the median estimate of 18 analysts surveyed by Bloomberg.

[IEA: investment cut could mean higher oil](#)

Oil prices may return to "significantly higher" levels because companies have cut investment in the new production needed to match demand from fast-growing China and India, the International Energy Agency's chief economist said Friday.

IEA chief economist Fatih Birol told The Associated Press that oil companies have canceled at least \$170 billion of planned investments -- including \$100 billion this year - - as they seek to save money amid the financial and economic crisis.

[FACTBOX - Global oil, gas projects delayed in 2009](#)

Following is a list of oil and gas projects and oil refinery expansion plans that have been delayed or cancelled so far in 2009.

The global financial crisis, falling oil demand, a slide in prices and poor general market conditions have prompted many in the industry to scale back spending and delay projects.

[Humanity at a crossroads](#)

The evidence is gaining increasing clarity: We've reached a crossroads unlike any other in human history. One path leads to despair for *Homo industrialis*. The other leads to extinction, for *Homo sapiens* and the millions of species we are taking with us into the abyss. I'll take door number one.

[David Attenborough: Our planet is overcrowded](#)

The latest venture for this veteran of wildlife documentaries is as controversial as anything he has done in his long career. He has become a patron of the Optimum Population Trust, a think tank on population growth and environment with a scary website showing the global population as it grows. "For the past 20 years I've never had any doubt that the source of the Earth's ills is overpopulation. I can't go on saying this sort of thing and then fail to put my head above the parapet."

There are nearly three times as many people on the planet as when Attenborough started making television programmes in the 1950s - a fact that has convinced him that if we don't find a solution to our population problems, nature will. "Other horrible factors will come along and fix it, like mass starvation."

[Looking at 'spoiled' Americans through an energy lens](#)

In 1968, the United States was exporting oil. A decade later, given massive increases in domestic demand, it was importing half of this coveted fuel.

By June 1979 this dramatic change — from supplier to buyer — created an oil shock that rolled across the nation.

By the Fourth of July, high prices and low supplies had spawned a national disaster. Members of Congress, facing long gas lines and short tempers, were afraid to go home.

Historian Meg Jacobs, a Radcliffe Fellow this year, is using the lens of this energy crisis to examine governance in a conservative era. In particular, she is looking at how leaders from Ronald Reagan to George W. Bush have reconciled their anti-government

ideologies with the demands of actually governing.

[Tanzania: Imperial Projects And the Food Crisis in the Periphery](#)

Last year the world's attention was focused on food and fuel, the prices of which were both soaring with no sign of any reprieve. Fuel prices have gone down since, coinciding with the global financial meltdown, but food prices have not. It was these prices together with food shortages in some countries around the world which received critical attention. There the people were hit hard. They could not take it anymore and took to the streets. Food-triggered demonstrations and riots occurred in countries such as Mexico, Indonesia, Yemen, the Philippines, Cambodia, Morocco, Senegal, Uzbekistan, Guinea, Mauritania, Egypt, Cameroon, Bangladesh, Burkina Faso, Ivory Coast, Peru, Bolivia and Haiti. In Haiti demonstrators carried empty plates to demonstrate the depth of their plight. Governments around the world responded to the crisis in different ways. In Haiti the prime minister resigned due to popular pressure. In Egypt the government resorted to subsidising food prices. This was an attempt to avert the violence and crime associated with food shortages. Countries such as Indonesia imposed a general ban on food exports, a solution which was seen as compounding global food problems.

[Vietnam: Economy puts aviation in a spin](#)

A series of solutions have been drawn up to help the aviation industry offset losses incurred as a result of the economic crisis. At a seminar in Ha Noi on Wednesday, Dang Ngoc Minh, vice head of the Tax Policy Department at the Finance Ministry, said airlines would receive income tax reductions, which could be deferred for a period of time, and preferential tax levels on imports of equipment and new technologies.

The import taxes levied on fuels were reduced several times earlier this year from 40 per cent to 20 per cent to follow the fluctuations in the global price of aviation fuel.

[China plastic bag ban 'has saved 1.6m tonnes of oil'](#)

Banning flimsy plastic bags has been dismissed as a drop in the ocean when it comes to dealing with the world's environment problems, but multiplied on a China scale, it appears to have made a big difference.

A new report suggests restrictions on bag usage in the world's most populous nation have saved the equivalent of 1.6 million tonnes of oil, in the year since it was introduced.

[Mexico oil exports plummet](#)

Mexican oil exports plunged 18.2% in April to levels unseen since 1990 outside

hurricane seasons, in more grim news for a key economic motor relied on for a major chunk of government revenues.

Crude export volumes tumbled to 1.177 million barrels per day as yields at Mexico's aging Cantarell field continued to plummet, state oil monopoly Pemex said today.

Oil production declined 4.2% year-on-year to 2.642 million bpd in April, the fourth month in a row that it has been below a targeted level of 2.7 million bpd, according to a Reuters report.

[Pemex Is 'Too Optimistic' About Chicontepec, Board Member Says](#)

(Bloomberg) -- Petroleos Mexicanos, the state- owned oil company, should reevaluate its investment plan for the onshore Chicontepec project after oil prices plunged from last year's record, said newly appointed board member Fluvio Ruiz.

"I believe Pemex is being too optimistic about Chicontepec," Ruiz said in an interview yesterday in Mexico City. "The current price conditions may be a bit too onerous."

[Giants go shale shopping worldwide](#)

Norwegian state-run StatoilHydro and US gas giant Chesapeake Energy are looking at more than a dozen shale formations in Europe and Asia to find where they should invest together in unconventional natural-gas projects.

The plan is to decide by the middle of next year on where the companies can team up, a StatoilHydro official said.

"At this point in time, we are looking at 14 different plays all over the world together with them to try to narrow it down," Oivind Reinertsen, president of StatoilHydro's US and Mexico operations, said told Bloomberg today.

[Statoil Sees Oil Near \\$50 in Second Half, No OPEC Cut](#)

(Bloomberg) -- StatoilHydro ASA, the world's largest offshore oil and gas operator, expects the price of oil to be "around" \$50 a barrel in the second half, with further OPEC supply cuts unlikely as the economic crisis continues.

"We think it's premature to declare the global economy healthy again," Sandrine Toerstad, head of market analysis at the Norwegian company, said today at a briefing in Oslo. "What has driven the oil market up lately is the financial market. The possibility for a downward correction is there."

[OPEC to Maintain Oil Output After Price Recovery, Survey Shows](#)

(Bloomberg) -- The Organization of Petroleum Exporting Countries is likely to keep output quotas unchanged for a second time this year as recovering oil prices forestall the need for new supply cuts, according to a Bloomberg survey.

Oil has climbed 86 percent from a four-year low at the end of last year, after OPEC announced record supply reductions to adjust to lower demand and rising stockpiles. The group will maintain a production target of 24.845 million barrels a day when it meets May 28, according to 25 of 27 analysts surveyed.

[Petrobras could get more funding from China - CEO](#)

NEW YORK (Reuters) - The China Development Bank may offer more financing to Petrobras SA, adding to the \$10 billion, 10-year loan it gave the Brazilian state-run oil company this week, Petrobras Chief Executive Jose Sergio Gabrielli said on Thursday.

"We have discussed with the bank the possibility of another loan, which could be large, denominated in (renminbi)," Gabrielli told a press conference.

[Chavez formalizes seizure of Williams Cos.' assets](#)

President Hugo Chavez has formalized the takeover of two gas compression facilities belonging to Williams Companies Inc.

Chavez said Thursday that the seizure of the Tulsa, Oklahoma-based company's assets is expected to save Venezuela \$564 million in the coming decade.

[Venezuela Oil Keeps Luring Bidders in Bets Chavez Isn't Forever](#)

(Bloomberg) -- Chevron Corp. and Total SA are pursuing new Venezuelan oil projects after President Hugo Chavez tore up past agreements, seized assets of contractors and expelled producers that wouldn't accept new terms.

The strategy, producers and analysts say, is to tap crude reserves that Chavez touts as the world's largest. Decisions to push ahead under a regime whose leader vows to "bury capitalism" are bets that the companies can buy enough time to outlast Chavez, said Peter Zeihan, a vice president at Stratfor, a geopolitical consulting firm in Austin, Texas.

[Nigeria Escalates Fight With Rebels](#)

LAGOS, Nigeria -- A week-long offensive by the Nigerian army to destroy militant camps in the oil-rich Niger Delta continued Wednesday, a day after Italian oil major Eni SpA declared *force majeure* on 52,000 barrels per day of crude production from the country.

[Russia Gazprom output may fall 18 pct in 2009-report](#)

MOSCOW (Reuters) - Russia's Gazprom faces a drop in natural gas output of up to 18 percent this year, or 450 billion cubic metres, the deputy head of the gas export monopoly, Alexander Ananenko, said on Friday, Interfax reported.

[Persistent tension over energy at Russia-EU summit](#)

Russia and the European Union failed to agree Friday on measures to prevent another cutoff of gas supplies to Europe.

EU leaders said their summit with Russian President Dmitry Medvedev improved a relationship severely strained by Russia's war with Georgia last summer and a winter gas cutoff of Russian supplies via Ukraine -- but there were no major breakthroughs.

[Russian protesters storm meeting](#)

Protesters in Russia's Pkalyova angry about living without gas burst into a meeting at the mayor's office.

[Slouching towards balkanization](#)

Happy Days are here again. It's as if the George W Bush years in Afghanistan had never left, with Washington still wallowing in an intelligence-free environment. A surge is coming to town - just like the one General David Petraeus engineered in Iraq. A Bush proconsul (Zalmay Khalilzad) wants to run the show - again. A hardliner (General Stanley McChrystal) is getting ready to terrorize any Pashtun in sight. A new mega-base is sprouting in the "desert of death" in the southern Afghan province of Helmand. And as in Bush time, no one's talking pipeline, or the (invisible) greatest regional prize: Pakistani Balochistan.

Bush's "global war on terror" (GWOT) may have been rebranded, under new management, "overseas contingency operation" (OCO). But history in Afghanistan continues to repeat itself as farce - or as an opium bad trip.

[Of energy security and conducive environment](#)

(MENAFN - Arab News) The issue of energy security and energy independence is creeping up now for serious debate. Major stakeholders are looking it at minutely for it has wider ramifications and long-term implications. What the world was striving for - energy security or energy independence - needs to be sorted out. It cannot be kept lingering any further without serious consequences.

[What U.S. Needs Is Long-Term Comprehensive Energy Policy](#)

Higher fuel-efficiency standards are obviously way overdue considering the economic, environmental, and national security issues facing the US as a result of its 65% dependence on foreign oil in an era of peak oil. However, *the majority of these cars and trucks will still be running on gasoline derived from foreign oil.* Although Obama believes US consumers will pay less for fuel as a result of these changes, he apparently assumes the price of oil (gasoline) won't increase more than enough to wipe out the efficiency gains. By 2016, many oil patch experts are again predicting very tight oil supplies due to the reduction in oil exploration and production budgets as a result of recent economic turmoil (in part brought about by the extremely high oil prices of 2007-2008). If oil prices merely double to \$120/barrel by 2016, consumers will be paying just as much to fill up a 35.5 mpg vehicle as they are now spending to fill up a 24 mpg vehicle today. If the price of oil were to zoom to \$200/barrel, well, church is out regardless. The point is, oil money will continue to pour out of the US at an ever increasing and alarming rate.

[Airlines say they can't afford another huge oil price jump](#)

The 25% run-up in oil prices over the past month that has motorists again scrutinizing gas station price signs heading into the Memorial Day weekend also has U.S. airline managers beginning to worry about another big cost jump on top of double-digit drops in demand and revenue.

The CEOs of both AMR, parent of American Airlines, (AMR) and rival Southwest Airlines(LUV) said Wednesday that market fundamentals — including a glut of crude oil on the world market — don't support prices as high as \$62 a barrel, a six-month high. But both American's Gerard Arpey and Southwest's Gary Kelly conceded that energy prices right now aren't being driven by market fundamentals.

[Social Science Moves from Academia to the Corporation](#)

I hold the current structure of government and corporations in equal regard in terms of how well they adhere to Google's maxim, "Don't be Evil." So in some regard, I shouldn't really be troubled that social science has moved from academia (which has often been a handmaiden of government) to the corporation (which really just wants to understand what moves you to click that "buy" button, or bump up your average order size by \$10, etc.). Except...

Except if you believe that consumer culture is wreaking havoc upon the systems that support life and that the application of social science on behalf of the corporation is intended to simply turbo charge the status quo...

[Green gadget promises savings for the power hungry](#)

The gadget, called 100%Off, measures the current being used by an appliance during normal operations and during standby, and cuts the power supply to those detected to be in standby mode. Users reactivate the appliance by pressing a green button. The device could cut 10 per cent from electricity bills and 1 per cent of global carbon dioxide emissions, based on the International Energy Agency's figures on standby power use.

[Will the Nuclear Power "Renaissance" Ever Reach Critical Mass?](#)

Despite an abundance of plans and applications, new nuclear reactors outside of Asia are few and far between, which puts nuclear's contribution to fighting greenhouse gas emissions at risk.

[Did Malaysia cancel plans for palm oil development in the Amazon?](#)

The Malaysian government's federal land agency (FELDA) is now denying its well-documented plan to develop oil palm plantations in the Amazon rainforest, reports Ecological Internet, a forest advocacy group that carried out a campaign against the project.

[The \(not so sweet\) smell of success: *Turning human waste into fertilizer*](#)

But does it smell?

By now, Phillip Abrary is resigned to that nose-wrinkling question when people first find out what his company does, namely turn the liquid goo from sewage treatment plants into a valuable - and soon to be scarce - phosphorous fertilizer. The first, and understandable, reaction is that the product made by Ostara Nutrient Recovery Technologies Inc. must carry some sort of lingering stink. "You tell people, this came from poop, there's always a natural inclination to think so," he says.

[Tread Heavily: China's Tire Demand Rolls over Southeast Asian Forests](#)

Geographer Jefferson Fox thought he was on to something big when the Chinese military stripped his team's weather monitoring equipment from a montane rubber plantation in the run-up to last year's Olympics. How big? In the past 20 years, more

than 1.2 million acres (485,000 hectares) of evergreen broadleaf and secondary forests have been cleared throughout Southeast Asia to make way for rubber plantations to fuel China's growing appetite for automobile tires.

Fox — who is based at the East West Center in Honolulu — warns in Science this week that the environmental consequences of these massive land use changes, particularly on water resources, could be devastating.

[Global warming's impacts on state forests: Burn baby burn!](#)

State Lands Commissioner Peter Goldmark looks out at Washington's unhealthy forests from a pilot's seat, flying his plane from Olympia to his family's ranch in the remote reaches of Okanogan County.

"It is just mind-numbing the damage you see on west facing and south facing slopes . . . an overburden of dead and dying trees," Goldmark said yesterday, referring mainly to predation by pine bark beetles.

Goldmark had just shared his up-close perspective on global warming, and its consequences for trees in the Evergreen State, at a U.S. Environmental Protection Agency hearing here.

The likely future for our forests through the 21st Century: Burn Baby Burn.

[Consumer habits must adapt to cut oil industry carbon](#)

Consumer behaviour must change if British refineries are to meet the national targets of reducing carbon emissions by 80% by 2050.

This was the conclusion of IChemE researcher Dr Philip Holmes who spent two decades working for oil giant ExxonMobil when he spoke at Sustainabilitylive! on Thursday.

Dr Holmes said that the major refineries could probably reduce their emissions by 60% while remaining commercially viable, but further cuts would only be made if demand dropped.

['Why don't we stop hurting the planet?'](#)

Telling our children about climate change could leave them angry, worried or even traumatised. So when and how should we do it?

[Global Warming Bill With Cap-and-Trade Plan Gains Committee Nod](#)

(Bloomberg) -- A House committee passed a climate- change measure that would create a cap-and-trade system to control greenhouse-gas emissions, the most comprehensive effort yet by the U.S. to tackle global warming.

The House Energy and Commerce Committee yesterday approved the bill 33-25, with one Republican joining all but four Democrats in support. It now faces review in as many as eight House committees.

[U.S. Climate Plan Threatens EU Goal for Global Accord](#)

(Bloomberg) -- The European Union may have to scale back its goals to reduce global-warming emissions after a less- ambitious plan won initial approval in U.S. Congress.



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