



DrumBeat: June 5, 2009

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Topic: [Miscellaneous](#)

[Mid-term oil production outlook down by 500,000 barrels a day](#)

Over the next 11 years, Canada's oil industry is likely to produce 500,000 barrels a day less than was forecast a year ago, the Canadian Association of Petroleum Producers (CAPP) said Friday.

The forecast for the oilsands has dropped even further, the industry group said in an annual report on expected future production.

[PDVSA set to hire workers](#)

Venezuela state-owned PDVSA will hire all 8000 workers from the more than 70 oil service contractors that the government nationalised last month, President Hugo Chavez said.

[A Green-Powered Trip Through Ecotopia](#)

This free-ranging conversation between Ernest Callenbach, author of the legendary Ecotopia (1974), and Harvey Wasserman, author of SOLARTOPIA! Our Green-Powered Earth, A.D. 2030 (2007), about our green-powered future was filmed by EON and can be viewed here.

[Why This Crisis May Be Our Best Chance to Build a New Economy](#)

Wall Street is bankrupt. Instead of trying to save it, we can build a new economy that puts money and business in the service of people and the planet—not the other way around.

[The Failed Promise of Innovation in the U.S.](#)

"We live in an era of rapid innovation." I'm sure you've heard that phrase, or some

variant, over and over again. The evidence appears to be all around us: Google (GOOG), Facebook, Twitter, smartphones, flat-screen televisions, the Internet itself.

But what if the conventional wisdom is wrong? What if outside of a few high-profile areas, the past decade has seen far too few commercial innovations that can transform lives and move the economy forward? What if, rather than being an era of rapid innovation, this has been an era of innovation interrupted? And if that's true, is there any reason to expect the next decade to be any better?

[Russia warns on output from high loan rates](#)

Russia warned today oil could soar to \$150 a barrel if the global economic crisis continued to curb investment in capacity by top producers.

Moscow's top energy policy official also warned output from Russia could be hit unless borrowing costs fell for its energy giants and called for a move away from trading oil only in US dollars.

Russia, which is currently producing more oil than Saudi Arabia, has refused to cut production with Opec and wants higher prices for the lifeblood of its \$1.7 trillion economy.

[Oil industry seeks to adjust to changing landscape](#)

SINGAPORE (Reuters) - Oil's race towards \$70 a barrel in the last few months has stirred a debate on whether prices have run ahead of fundamentals, or if the market has bottomed and the time is now for a comeback in investments.

Near-term overcapacity, relatively lower oil prices and caution in committing to new large-scale refining and upstream projects have also prompted concerns of under-investment that will lead to future oil price spikes.

"The key issue facing the industry is trying to understand future demand and trying to balance that against investments," Simon Littlewood, president of consultancy Asia Now, said.

[High oil prices may mean more jobs](#)

"The market will tell people, 'See that big honkin' SUV? Ditch it. See that bike? Buy it,' " he says in a boardroom near Toronto's financial district. "No one will have to tell them. They'll figure it out all by themselves, and I think that world is just around the corner."

Rubin's recently published book explains that as the supply of easily accessible oil depletes, the price of oil will continue to rise to the point where high transportation costs

will make it too expensive to import manufactured goods from overseas – or even from another province – forcing cities to start producing goods locally.

Related: Rubin's book is #1 on the [nonfiction bestsellers list in Canada](#).

[Panarchy: Insights Into Our Civilization](#)

As valuable as Dr. Buzz Holling's notion of panarchy theory is in helping us understand the cyclical changes in forests -- the way they move through continuous phases of regeneration, growth, increasing connectivity, and then rigidity, crisis, collapse and regeneration again -- his thinking is much more valuable in helping us identify and correct the same trends occurring in our modern civilization. It, too, is a natural system that has been moving through a growth phase for the last several centuries and is now becoming increasingly interconnected and rigid, conditions that are prelude to a crisis.

[Oil touches \\$70 after jobs report](#)

LONDON (Reuters) -- Oil rose Friday, hovering around \$70 a barrel, after a better-than-expected report on the U.S. labor market.

Government data showed the U.S. economy shed 345,000 jobs in May, below the 520,000 expected by economists and the revised 504,000 jobs lost in April. The jobless rate rose to 9.4%.

[Bullish Goldman Sachs Predicts Price Hike in 2009, 2010 Forecast](#)

Bullish analysts at Goldman Sachs have raised their oil price forecast for 2009 and 2010, on confidence that a new and sustained upturn is underway.

The global investment bank and securities firm said on Friday that it has raised its 2009 forecast to a \$59 a barrel average, up from an earlier prediction \$50. For 2010 the broker lifted its forecast to \$80 a barrel, up from \$70 a barrel as previously predicted.

['Tax breaks still on agenda'](#)

Russia will return to the idea of granting new tax breaks to oil firms as soon as the acute phase of the financial crisis is over, Russia's President Dmitry Medvedev said today.

[Ukraine President Pledges Loan to Avert New Russian Gas Crisis](#)

(Bloomberg) -- Ukraine President Viktor Yushchenko, trying to avert a repeat of the dispute that froze gas shipments to Europe earlier this year, said the state energy company will receive the funds it needs today to pay for Russia imports.

[Waiting for the Blow: GOM Rig Fleet Preps for Hurricane Season](#)

Hurricane season 2009 officially begins this week and lasts through Nov. 30. Despite the fact that two respected hurricane forecasting groups have predicted an average season, the high winds and waves from one hurricane could wreak havoc on the offshore oil and gas industry operating in the Gulf of Mexico.

[Shale Drillers Push Back Against Calls for More Oversight](#)

The oil and gas industry's trade group says increased federal regulation of a method to crack underground shale rock to release natural gas could increase costs and chill production.

"Drilling operations today are being effectively regulated by the different states," said Richard Ranger, a senior policy adviser for the American Petroleum Institute.

[Rio Tinto scraps Chinalco deal](#)

MELBOURNE (Reuters) -- Miner Rio Tinto scrapped a planned \$19.5 billion tie-up with China's Chinalco struck at the height of a global financial crisis, turning instead to an iron ore joint venture with rival BHP Billiton and a share sale to slash its debts.

The collapse of the Chinalco deal, put together in February in a bid to halve Rio's \$38 billion of debt, leaves the world's biggest steel making nation vulnerable to just two suppliers -- a Rio/BHP combination and Brazil's Vale -- controlling 70% of global iron ore trade.

[Africa: Biofuels And Neo-Colonialism](#)

We are currently witnessing a new and massive land-grabbing scramble in Africa, unprecedented since the fall of colonialism. The 'justification' for this land-grabbing is supposedly that global climate change is threatening the entire world and that therefore huge tracts of land are required for the planting of biological crops which produce 'biofuels' which should replace 'fossil fuels' so as not to add net carbon dioxide to the atmosphere.

But this ignores the underlying fact that the vast majority of carbon dioxide is being produced by rich countries in the North who do not want to reduce their excessive fuel consumption and wastage levels. It is postulated by the proponents of 'biofuels' that

enormous areas of unused (or under-used) land supposedly exist in Africa, which can be bought (cheaply) by commercial enterprises from the rich countries in the North. The logic is that rich countries can thus 'buy' their way out of a situation wherein they would otherwise have to drastically reduce their carbon dioxide production if indeed they really are serious about the threats posed by such emissions.

[UAE to award nuclear project contract in H2'09-Total](#)

The UAE will likely award a contract for the construction of two nuclear reactors in the second half of 2009, a senior executive at French oil major Total said on Thursday.

[Oil Stored On Tankers Is Up 71% Since April](#)

The volume of refined fuel stored on ships floating at sea has jumped nearly 71 percent since early April, industry sources said on Thursday.

About 41 million barrels of gas oil and jet fuel were being stored in tankers mostly off Europe's coast, up from around 24 million barrels in April, sources said.

Crude has rallied to a seventh-month high on optimism the economy would soon improve, despite the continued build in storage.

[Crude Oil Floating Storage Falls As Crude Rallies](#)

LONDON -(Dow Jones)- The number of supertankers used to store crude oil worldwide dropped last month after a rally in crude oil prices lured barrels onshore, shipping data suggested Thursday.

A total of 34 very large crude carriers were in use for storage purposes at the end of May, down from 53 a month earlier, according to preliminary data from shipbroker Simpson Spence & Young Ltd.

The number of very large crude carriers - which typically hold about 2 million barrels of crude each - employed in U.S. Gulf of Mexico crude oil storage dropped to 16 from 24 over that period, said analysts at SSY, the world's largest independent shipbroking group.

[Oil Drops as U.S. Unemployment Expected to Rise to 25-Year High](#)

(Bloomberg) -- Crude oil dropped before a report today forecast to show that unemployment rose to a 25-year high in the U.S., sowing doubts about the global recovery.

The International Energy Agency's executive director, Nobuo Tanaka, said today that oil demand may not return quickly even after economic activity picks up. Yesterday, crude rose to a seven-month high as Goldman Sachs Group Inc. increased its year-end forecast to \$85 a barrel from \$65.

[Crude Oil May Fall as U.S. Fuel Demand Declines, Survey Shows](#)

(Bloomberg) -- Crude oil futures may fall from a seven-month high on speculation U.S. stockpiles will increase as consumption tumbles.

Twenty-three of 34 analysts surveyed by Bloomberg News, or 68 percent, said futures will fall through June 12. It's the most bearish response since February 2008. Seven respondents, or 21 percent, forecast that oil prices will rise and four said the market will be little changed. Last week, 50 percent of analysts said prices would decline.

[Shell's Van der Veer sees global oil demand now stabilized](#)

St Petersburg, Russia (Platts) - Shell's outgoing CEO Jeroen van der Veer said Friday he believes that global oil demand has now stabilized, but warned that industry costs must fall further in order for Shell to revive its delayed oil sands projects in Canada.

"So far we saw a decline in demand in Europe and the US, especially in the fourth quarter of 2008," he said in an interview Friday.

[BlackRock's Rice Says Oil Shares May Double as Crude Climbs](#)

(Bloomberg) -- Daniel Rice, whose BlackRock Energy & Resources Fund rose more than any U.S. equity mutual fund in the past decade, said oil-company stocks may double within three years as crude prices climb toward \$90 a barrel.

The global recession didn't fundamentally change the demand for energy or affect long-term supply constraints, Rice said in a June 2 interview at his Boston office. Coal stocks may triple, he said.

[Byron King: Heavy Oil Starts Looking a Lot More Enticing](#)

But now conventional oil resources are drying up. The reasons have to do with geology, politics, macroeconomics and the investment cycle. Boiled down, it's the Peak Oil argument, which focuses on the worldwide decline in output of light, easy-to-get oil. And Peak Oil is a serious matter. As light oil gets scarce, however, a lot of new heavy oil plays are coming out of the industrial shadows.

Indeed, with the breakout of heavy oil into the marketplace, the world energy business is about to change dramatically.

[Sell the Banks, Buy Oil Stocks](#)

I'd also point out that natural gas in particular sure looks cheap. Over the weekend, I was reading over some recent research from Matt Simmons, the famed energy analyst. He points out how we are running out of the sweet, dry gas and how more and more supply comes from unconventional sources. These sources have huge decline rates. As he puts it: "Deep-water gas declines fast. Conventional declines fast. Tight rocks [or shale gas] decline super fast."

People focus a lot on the sluggish demand, but the drop-off in supply is going to be a bigger issue. The industry has to run pretty hard to keep the gas flowing. He also produces a number of charts that show how drilling-intensive these basins are. These production declines occur even in the face of increased drilling of wells.

[Russia says \\$75 per barrel reasonable price for oil](#)

ST. PETERSBURG (RIA Novosti) - A reasonable price for oil is at least \$75 per barrel, Russia's first deputy prime minister said on Friday adding that production could drop in Russia if the credit crisis persists.

Speaking on the sidelines of the International Economic Forum in St. Petersburg, Igor Sechin said: "We need at least \$75 per barrel."

[Russia launches second train of Sakhalin 2 LNG plant](#)

St Petersburg (Platts) - The 9.6 million mt/year Sakhalin 2 project in Russia's Far East has begun commissioning the second train at its LNG plant, an official with Gazprom told Platts Friday.

"Yes, we have launched the second train," Gazprom's head of foreign operations, Stanislav Tsygankov, said in St. Petersburg.

[Gas Supplies to Bulgaria to be Cut on Sunday, Russian Ambassador Warns](#)

Russia might cut the gas supplies for South-Eastern Europe, Bulgaria included, if Ukraine fails to pay its debts to Gazprom, the Russian ambassador to Bulgaria Yuri Isakov warned on Friday.

Isakov sent a notice to Bulgarian Energy Minister Petar Dimitrov, saying that Sunday, June 7th, is the deadline for Ukraine. This is the same day Bulgarians vote for members of the European Parliament.

[Kremlin Woos Foreign Investors as Putin Slams Corporate 'Greed'](#)

(Bloomberg) -- The Kremlin touted the resilience of the economy at yesterday's opening of the "Russian Davos" in St. Petersburg. BP Plc, Citigroup Inc. and Royal Dutch Shell executives and 2,000 guests heard little of nearby protests against what Premier Vladimir Putin called corporate greed.

[Baker Hughes Announces May 2009 Rig Counts](#)

HOUSTON /PRNewswire-FirstCall/ -- Baker Hughes Incorporated announced today that the international rig count for May 2009 was 993, up 7 from the 986 counted in April 2009, and down 82 from the 1,075 counted in May 2008. The international offshore rig count for May 2009 was 272, down 1 from the 273 counted in April 2009 and down 33 from the 305 counted in May 2008.

[Nigeria: Fuel Scarcity Imminent](#)

Nigeria may face another round of fuel scarcity if the marketers' subsidy claims are not paid on time, Independent Petroleum Marketers Association of Nigeria (IPMAN) has warned.

IPMAN said the Nigeria National Petroleum Corporation (NNPC) is yet to pay the Petroleum Equalisation Fund (PEF) their claims.

[Current Market Strategy? Invest in Resource-Rich Countries](#)

The US Treasury, Federal Reserve and Congress are attempting to re-inflate the US economy by working in concert to pump massive amounts of US dollar liquidity into the system. Although their policies have been successful in averting a complete financial meltdown, and stability has returned to US equity markets, the questions still remain: can US policymakers solve a commodity problem (oil) with financial policies? Can the US ever again attain financial solvency and economic security without first solving their addiction to foreign oil by adopting a strategic long-term comprehensive energy policy? If you're an American investor and believe the answers to these questions are "No", how should you position your investment portfolio to protect your assets and prosper in a future when America's star is likely to dim?

[Mitsubishi Motors to Preempt Rivals' Electric Cars](#)

(Bloomberg) -- Mitsubishi Motors Corp., the maker of the i MiEV electric car, will begin selling the model to corporate and government customers in Japan next month before Toyota Motor Corp. and Nissan Motor Co. introduce rival versions.

[World oil supply has peaked: expert](#)

Professor Aleklatt says all governments must act now to reduce the world's energy consumption.

"If we don't have the energy, society will crack, so there is not one solution," he said.

[Walking Around the World: Innovation and inspiration for Designing, Engineering and Planning our Cities](#)

The obesity epidemic, congestion, pollution, peak oil and climate change are just five of the imperatives that demand we walk more — and walk more often. Yet the barriers to walking have intensified in recent years. This presentation will show how streets around the world are being opened up again to people on foot, with spectacular benefits for our personal health, and the health of our cities, our communities and our children. Walk 21 is a global partnership of experts who raise international awareness of walking issues and support development of best practice.

Attend a free lecture on this subject by Dr. Rodney Tolley with Bronwen Thornton of Walk 21 on Monday, June 8th at 7:00pm at UBC Robson Square, located at 800 Robson Street in Vancouver. Reservations are required, so please call 778.782.5100 or e-mail cstudies@sfu.ca.

[On American sustainability: anatomy of societal collapse](#)

"The extent to which we are overextended is appalling. Under the best case scenario, the US can support sustainably less than 20% of our existing population living at less than 20% of our current average living standard," Clugston said.

[High Population Density Triggers Cultural Explosions](#)

ScienceDaily — Increasing population density, rather than boosts in human brain power, appears to have catalysed the emergence of modern human behaviour, according to a new study by UCL (University College London) scientists published in the journal *Science*.

High population density leads to greater exchange of ideas and skills and prevents the

loss of new innovations. It is this skill maintenance, combined with a greater probability of useful innovations, that led to modern human behaviour appearing at different times in different parts of the world.

[Gas companies threaten city water supply – NYH2O](#)

Water, water everywhere, but not a drop to drink.

That's the doomsday scenario being presented by an environmental group that wants the city to ban a certain type of drilling process to acquire natural gas, buried near the city's supply of drinking water.

[China Rejects \\$21.5 Billion of Polluting Projects](#)

(Bloomberg) -- China, the world's second-biggest energy user, rejected 147 billion yuan (\$21.5 billion) of project proposals in the past seven months because of concern they will worsen pollution.

As many as 29 steel, petrochemicals and power projects weren't approved between November last year and May, Zhang Lijun, the deputy head of the Ministry of Environmental Protection, said in a televised press conference today in Beijing. The country's emissions of sulfur dioxide fell by 4.9 percent in the first quarter from a year earlier, he said.

[China considering environmental tax](#)

The Chinese Government says it is considering taxing polluting businesses in a bid to improve the environment in the nation, one of the world's largest emitters of greenhouse gases.

"Collecting environmental taxes from [polluting] companies is one of the directions of China's tax system reform," Zhang Lijun, deputy head of the Environmental Protection Ministry, said.

[Carbon capture no 'silver bullet'](#)

The much-touted carbon capture and storage technology is not the answer to reducing greenhouse gas emissions from oil sands projects in northeastern Alberta, Environment Minister Jim Prentice says.

While Ottawa and Alberta are spending billions of dollars on CCS demonstration

projects, the minister yesterday acknowledged what critics have said all along: The technology has limited application at the energy-intensive mines and in situ projects that extract the bitumen from the ground.

[Nurturing Forests, Peatlands Will Attack Global Warming - UNEP](#)

PARIS (AFP)--Fixing deforestation, preserving peatlands and ending reckless agricultural methods could be a major weapon in tackling climate change, the U.N. Environment Programme said Friday.

Biological systems, if responsibly managed, can absorb billions of tons of the dangerous carbon gases that fuel the greenhouse effect, the agency said in a report coinciding with World Environment Day.

[Forest carbon market already shows cracks](#)

LONDON/NUSA DUA, Indonesia (Reuters) - It could save the rainforests of Borneo, slow climate change and the international community backs it. But a plan to pay tropical countries not to chop down trees risks being discredited by

[Maldives' Disappearing Coast Prompts Appeal to UN Space Agency](#)

(Bloomberg) -- The Maldives, one of the nations most threatened by global warming, is appealing to the United Nations space agency to help the island country plan its defenses against rising sea levels.

"Beach erosion is the No. 1 problem for our country right now," Environment Minister Abdulla Shahid said today in an interview in Vienna. The Indian Ocean nation of 385,000 people has had to relocate the populations of two of its 200 islands because of eroding beaches, he said.

[Captured on camera: 50 years of climate change in the Himalayas](#)

When Fritz Müller and Erwin Schneider battled ice storms, altitude sickness and snow blindness in the 1950s to map, measure and photograph the Imja glacier in the Himalayas, they could never have foreseen that the gigantic tongue of millennia-old glacial ice would be reduced to a lake within 50 years.

But half a century later, American mountain geographer Alton Byers returned to the precise locations of the original pictures and replicated 40 panoramas taken by explorers Müller and Schneider. Placed together, the juxtaposed images are not only visually stunning but also of significant scientific value.

[Study: Climate change altering lake levels](#)

WEST MICHIGAN -- A new study blames a post-1998 plunge in upper Great Lakes water levels on changing climate patterns -- not a manmade "drain hole" sucking lake water out the St. Clair River.

So there's no need to plug the leak ... for now. But global warming might make a St. Clair fix necessary in the future.

[Climate change work 'a game-changer': Pelosi](#)

WASHINGTON (AFP) – US House Speaker Nancy Pelosi said Thursday that the initial progress Congress has made on a climate change bill was a "game-changer" in her recent talks in China ahead of a major UN conference.

"Frankly, it was a game-changer for us in our discussions in China, that the US was ready to do something very substantial, and that, therefore, it was important for China to do so, as well," Pelosi told reporters.

[Global Airline Industry Group Starts Carbon-Offset Program](#)

(Bloomberg) -- The International Air Transport Association began a carbon-offset program so airlines can help passengers compensate for carbon-dioxide emissions by making financial contributions to environmental projects in developing countries.

[The Business Case for Climate Protection](#)

Hunter Lovins, co-author of the acclaimed book *Natural Capitalism: Creating the Next Industrial Revolution* and president and founder of Natural Capitalism Solutions, makes the economic case for moving aggressively to solve such challenges as global warming, peak oil, the vulnerability of our energy infrastructure and others.

The presentation is [here](#) [PDF]. Hunter Lovins is Amory's ex-wife.



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