



## DrumBeat: June 9, 2009

Posted by [Leanan](#) on June 9, 2009 - 9:55am

Topic: [Miscellaneous](#)

### [\\$70 oil menaces budding recovery](#)

NEW YORK (CNNMoney.com) -- Two weeks change a lot in the oil markets.

At the end of May CNNMoney.com ran a story asking if \$60 oil will kill any economic recovery. "No," most analysts said - consumers could shoulder \$60 crude, and analysts didn't see prices going much higher.

Now oil is touching \$70 a barrel. Goldman Sachs recently said it sees crude at \$85 by the year's end. With the economy still on life support, oil is drifting dangerously close to being the wet blanket at the recovery's party.

### [Gasoline spikes above forecast for summer high](#)

While the summer driving season has been underway for only two weeks, gasoline prices have already blown expert forecasts for highs for the summer.

Average prices at the pump on Monday were \$2.62 a gallon, according to AAA, up 16 percent from just a month ago, and over the \$2.50 a gallon high that AAA had forecast for the entire summer. Last week, AAA spokesman Geoff Sundstrom said the group revised its forecast for the summer high to \$2.75 a gallon.

### [Canada export agency sees \\$70 oil as unsustainable](#)

CALGARY, Alberta, June 9 (Reuters) - Canada's export agency has raised its 2009 oil price forecast, based on recent gains, but its chief economist said on Tuesday he does not believe the fundamentals support current levels just shy of \$70 a barrel.

Export Development Canada, a federal financing agency, now sees an average price for West Texas Intermediate oil of about \$55 a barrel, up from its last forecast of \$47. The higher price would lessen an expected skid in the value of Canada's petroleum exports.

"Clearly, what's happened in the last 20 days has adjusted our thinking a bit," EDC Chief Economist Peter Hall said.

### [Venezuela says will not seize all oil service firms](#)

CARACAS (Reuters) - Venezuela will not nationalize all the oil service companies present in the country, Oil Minister Rafael Ramirez said on Tuesday, adding that gas and water injection units taken over last month were "monopolistic."

Venezuela's state oil company PDVSA has run up large debts with service companies including Halliburton and Schlumberger and is trying to renegotiate tariffs with them.

### [Shell's Odum 'Confident' Brazil Oil Rules Will Lure Investment](#)

(Bloomberg) -- Royal Dutch Shell Plc, Europe's largest oil producer, is "confident" Brazil will establish rules that will attract exploration and production investments to the country's so-called pre-salt area, an executive said.

The Hague-based Shell, which has invested \$2.8 billion in crude exploration and production in Brazil since 1998, will hold off on spending plans for the pre-salt area until rules are clear, said Marvin Odum, head of the company's U.S. operations.

### [Mexico's Pemex to develop new 13,700 bpd oil field](#)

MEXICO CITY (Reuters) - Mexico's state oil company Pemex said Tuesday it was seeking bids to build a production platform at an small offshore field discovered last year.

Pemex said it expected the Kambesah field to produce approximately 13,700 barrels of oil and 9.3 million cubic feet of gas per day when it reached peak production.

### [BG LNG tanker sets sail for Chile](#)

Chile is set to receive its first ever cargo of liquefied natural gas at the end of June after a BG Group cargo set sail from Trinidad for the Quintero terminal.

### [Duke reaches 'smart meters' settlement](#)

Duke Energy Indiana has reached a settlement with state officials and a consumer watchdog group on its \$445 million plan to install an electronic metering system for 775,000 residential electric customers.

## [U.S. Power Firms Want Free Carbon Permits to Last Beyond 2030](#)

(Bloomberg) -- The Edison Electric Institute, which represents investor-owned utilities, wants the free carbon-dioxide permits under a proposed "cap-and-trade" program for greenhouse gases to continue beyond 2030.

## [Lester Brown: A Warming World Means More Destructive Storms](#)

Elevated global temperatures bring a number of threats, including rising seas and more crop-withering heat waves. Higher surface water temperatures in the tropical oceans also provide more energy to drive tropical storm systems, leading to more-destructive hurricanes and typhoons. The combination of rising seas, more powerful storms, and stronger storm surges can be devastating.

...Against this backdrop, insurance companies and reinsurance companies are finding it difficult to calculate a safe level of premiums, since the historical record traditionally used to calculate insurance fees is no longer a guide to the future. For example, the number of major flood disasters worldwide has grown over the last several decades, increasing from 6 major floods in the 1950s to 26 in the 1990s.

## [EIA: Total US Natural Gas Consumption Seen Falling 2.2% In 09](#)

HOUSTON -(Dow Jones)- The U.S. Energy Information Administration on Tuesday expects natural gas prices to remain below \$4 a thousand cubic feet until late this year amid robust supplies and weaker demand resulting from the economic downturn.

Industrial gas consumption is forecast to decline by 8% this year, unchanged from last month's forecasted decrease, according to the EIA's Short-Term Energy Outlook.

Major industrial gas consumers, including companies in the fertilizer, chemicals and aluminum industries, have curbed gas use and cut spending.

Total natural gas consumption is expected to fall 2.2% in 2009 amid the ongoing economic downturn and increase slightly in 2010, said the EIA, the statistical arm of the U.S. Energy Department. The EIA had previously forecast a 1.9% drop in 2009.

## [U.S. Senate Panel Approves More Offshore Drilling](#)

(Bloomberg) -- A U.S. Senate panel approved expansion of offshore oil and natural gas drilling, opening more of the eastern Gulf of Mexico to energy development.

The Senate Energy and Natural Resources Committee voted 13- 10 today in favor of an amendment to expand drilling, as part of its debate over pending energy legislation.

### [Shell Nigeria deal won't end image problem-activists](#)

PORT HARCOURT, Nigeria (Reuters) - Royal Dutch Shell's agreement to pay millions of dollars to the families of Nigerian protesters executed in the 1990s is unlikely to end local hostility towards the firm, activists said on Tuesday.

### [Why Now Is the Time for Business to Go Green](#)

There are a multitude of global trends signaling a need for sustainable business-climate change, population increase, rapidly developing nations, resource depletion, environmental degradation, society's toxic burden, the loss of biodiversity, the prospect of peak oil, and more. The bottom line is that we need to learn to do more with less-both less stuff and less impact on the environment.

### [Refinery construction costs fall 9 pct - IHS CERA](#)

HOUSTON (Reuters) - U.S. refiners struggling with slack gasoline demand, sinking profit margins and soaring inventories could see one bright spot on the horizon in the form of falling construction costs, according to a new report released on Tuesday.

According to IHS Cambridge Energy Research Associates, an energy consultancy, the cost of building new refining and petrochemical plants fell 9 percent between the third quarter of 2008 and the second quarter of 2009, after years of steady increases.

### [Shell to Wait for Right Econ to Move on Certain Projects](#)

Royal Dutch Shell will wait until the economics is right before advancing its oil sands and floating liquefied natural gas projects, its outgoing chief executive said Monday.

"If I feel that by waiting, costs will be lower, I prefer to wait," Chief Executive Jeroen van der Veer said in response to a question from Dow Jones Newswires. "Because oil sands are projects built for decades. Over time, I am convinced, the Canadians will have more capacity to build projects."

### [Recession, energy prices depress rig demand](#)

HOUSTON, TEXAS: The ongoing global recession and decline in energy demand, along with uncertainty about oil and natural gas prices, continue to put downward pressure on exploratory drilling efforts worldwide. Cancellations or delays of drilling programs, falling day rates and financing issues are plaguing the rig market. Much new work

coming available is trending towards sublets and short drilling programs.

While the long-term outlook for deepwater drilling rigs remains more optimistic, jackup markets continue to soften as operators delay or cancel drilling programs to wait out the recession. However, deepwater drilling also is being affected by the credit crisis and low energy demand and prices.

### [Chavez Says State Oil Co Not in Trouble](#)

Venezuelan President Hugo Chavez denied that state-owned oil giant PDVSA was in financial trouble, dismissing gloomy media accounts about impending bankruptcy as "another lie of the bourgeoisie to make people believe that the socialist project is impossible."

"A lie that from being repeated so much" tries "to make people think it's true, so that in the collective mind the idea forms that the socialist project is impossible," the president said during his weekly radio and television show on Sunday.

### [Venezuela Oil Shipments to Cuba Rose by 32%, Asia Sales Doubled](#)

(Bloomberg) -- Venezuela's shipments of crude oil and refined products to Cuba gained 32 percent last year and sales to Asia doubled under President Hugo Chavez's strategy of diversifying the country's oil sales to rely less on the U.S.

### [Will Shell pay-out change Nigeria Delta?](#)

But will the settlement affect the current violent struggle between other Nigerian communities and oil companies?

The campaign of attacks on oil installations and kidnapping oil workers has cut Nigeria's output by about a quarter in recent years.

### [Dubai fast emerging as Asia's fuel trading hub](#)

Dubai is emerging as one of Asia's key trading hub of refined crude products, analysts said. However, the emirate needs to improve on certain platforms before the market officially awards it the coveted position, traders said.

### [Firm tracks drivers to curb palm oil theft](#)

PETALING JAYA: The theft of crude palm oil (CPO) in the country is alarming, forcing industry players to come up with their own mechanism to contain the problem.

### [Experts plumb cap-and-trade bill in search of bottom line](#)

Looking for a price tag on the massive House climate and energy bill? Good luck.

Conflicting financial analyses abound. Some predict the measure will bring financial ruin, others say it will actually save money for most Americans.

### [U.S. to Get Half of Gas From 'Tight' Fields by 2020, Shell Says](#)

(Bloomberg) -- The U.S. will get more than half of its natural gas supplies from so-called tight reservoirs by 2020, Royal Dutch Shell Plc estimates.

New technology will allow tapping 500 trillion cubic feet of unconventional gas resources in North America, enough to supply the U.S. for two decades, said Malcolm Brinded, executive director for the upstream business at Europe's biggest oil company. Shell expects to more than triple tight gas output to more than 300,000 barrels of oil equivalent a day in 2020.

"Having picked much of the low-hanging fruit, our industry is now focused on more difficult resources, tight reservoirs, fractured carbonates, oil shales, oil sands, and ultra-heavy oil," Brinded said in a speech posted on the Hague-based company's Web site today. "Tight gas in North America has rapidly developed into a real game-changer."

### [Natural Gas Oversupply to Remain, Morgan Stanley Says](#)

(Bloomberg) -- The surplus in natural gas may stay longer than expected as the U.S., Australia and Qatar boost output from unconventional sources and in liquefied form, Morgan Stanley said.

"I will expect gas to stay in excess for years to come, even after the economic recovery," William Wicker, Morgan Stanley's managing director and vice chairman of global natural resources, told the Asian Oil & Gas Conference in Kuala Lumpur today. "This is not a short-term phenomenon."

### [Energy fuels new 'Great Game' in Europe](#)

The giant Russian energy company, Gazprom, which controls the world's largest reserves of natural gas, has issued a stark warning to the European Union saying it must decide if it wants to continue receiving supplies of Russian gas.



Speaking in a BBC interview, Gazprom deputy chairman Alexander Medvedev warned that Europe was now at a crossroads.

"Only three countries can be suppliers of pipeline gas in the long-term - Russia, Iran and Qatar. So there is no other choice than to deal with these suppliers," he said.

### [Gazprom targets 10% of US gas market](#)

Russian gas export monopoly Gazprom plans to raise deliveries to the US and eventually supply up to 10% of the world's biggest economy's gas needs, a senior company official said on today.

### [Greek power workers set summer strikes over jobs](#)

ATHENS (Reuters) - Workers at Public Power Corp, Greece's biggest electricity company, said they will strike next month to press for 7,000 new hirings.

Labour walkouts last year led to widespread power cuts, forcing state-controlled PPC to shut down units and boost imports from Bulgaria and Italy.

### [Mich. agency: Drivers can afford gasoline tax hike](#)

Drivers can afford to pay higher gasoline taxes to improve their roads, Michigan's top transportation official said while warning more than 125 projects will be delayed if funding is not increased.

State Department of Transportation Director Kirk Steudle on Tuesday estimated motorists would pay an extra 16 cents per week - "a stick of gum" - for every penny increase in the 19-cents-a-gallon gas tax. He urged lawmakers to support a proposal to convert the gas tax to a percentage tax on the wholesale price of gas, which would rise at capped amounts as prices at the pump increase.

### [Natural Gas Cheapest to Oil Since 1992 Signals Gain](#)

(Bloomberg) - This year's 34 percent decline in natural gas made it the worst performing commodity and the cheapest next to oil since the fall of the Soviet Union. That's about to change, if history is any guide.

Natural gas lost 73 percent in 11 months as the U.S. fell into the deepest recession in 50 years and drillers failed to idle rigs fast enough to control inventories. Stockpiles are 22 percent larger than the five-year average, the Energy Department said. Oil costs 18 times more than gas, the biggest gap since 1992, when the collapse of communism cut

supplies from Russia, according to data compiled by Bloomberg.

### [China May Seaborne Crude Oil Imports 13.8 Mln Tons - Ministry](#)

SHANGHAI (Dow Jones)--China imported an estimated 13.8 million metric tons of crude oil through seaports in May, or around 3.26 million barrels per day, up 5.1% from the same month last year, the Ministry of Transport said in a report on its Web site Tuesday.

However, seaborne imports fell 9.8% from April, according to calculations by Dow Jones Newswires, which may indicate crude demand is slowing from the high levels recorded earlier this year.

### [Shell to pay \\$15.5 million to settle Nigeria claims](#)

(CNN) -- Oil company Royal Dutch Shell will pay \$15.5 million to settle a lawsuit against its Nigerian subsidiary by the family of executed Nigerian environmental activist Ken Saro-Wiwa and other dissidents, the plaintiffs announced Monday.

### [Global airlines fear oil rally as losses mount](#)

KUALA LUMPUR (Reuters) – Global airlines called for concerted action to prevent another runaway surge in oil prices as the International Air Transport Association nearly doubled its forecast for industry losses to \$9 billion in 2009.

The head of the Geneva-based airline lobby on Monday lambasted "greedy speculation" in oil markets and accused governments of squandering money raised from aviation while carriers suffer from still slumping demand.

### [Ethiopian rebels threaten foreign oil companies](#)

ADDIS ABABA (Reuters) – An Ethiopian rebel group on Wednesday warned international oil companies against exploring in a region of the Horn of Africa nation where the rebels attacked a Chinese-run field in 2007 killing 74 people.

The Ogaden National Liberation Front (ONLF) -- whose hundreds of fighters seek autonomy for the ethnically Somali Ogaden region -- said oil firms had cleared some 1,600 square kilometers, displacing locals and destroying vegetation.

"Certain multinational oil corporations are intent on exploiting Ogaden fossil fuel resources in alliance with the current Ethiopian regime that is committing genocide and war crimes in Ogaden," it said in an emailed statement.



### [Shell pays Nigeria rights victims \\$15.5 mln](#)

NEW YORK (AFP) – Royal Dutch Shell has agreed to a 15.5 million dollar payout to settle a lawsuit alleging complicity in murder, torture and other abuses by Nigeria's former military government.

### [Purchase of Hummer against China's development trend](#)

HANGZHOU - A domestic company's purchase of the gas-guzzling Hummer brand is against China's economic situation and the country's development, said an official with the Development Research Center of the State Council, the country's Cabinet, Tuesday.

"If the Chinese company is just trying to stir media hype, that is understandable; if it really takes this step to buy, relevant departments should be strict and cautious with the approval, or reject the application if necessary," said vice director Lu Zhongyuan, at the China Opening-up Forum in Ningbo of eastern China's Zhejiang Province.

### [Oil Platforms Vulnerable To Hackers](#)

ScienceDaily — Oil company data security is inadequate, and production systems are at risk of attack by hackers, viruses and worms.

### [Energy realism - finding common ground](#)

Americans share common ground when it comes to this country's energy goals. We aspire to an environmentally responsible approach to energy that will help our country be more self-sufficient while not putting the cost of energy out of reach for American consumers and businesses. But we seem to have less common ground in the discussion about how, and when, we can realize those aspirations. I support these energy objectives, but believe that policies to achieve them can be successful only if they are rooted in fact and in reality - what I call "energy realism."

Energy realism starts with an understanding of scale. Every day the world uses, from all energy sources, the equivalent of 245 million barrels of oil. Worldwide, we use 50 percent more energy than we did only 20 years ago. And 20 years from now, demand will have risen by 30 percent or so more.

### [Richard Heinberg: Look on the Bright Side](#)

Recently I've begun compiling a list of things to be cheerful about. Here are some items

that should bring a smile to any environmentalist's lips...

### [ResilientCity.org International Design Ideas Competition](#)

ResilientCity.org is holding a design ideas competition to raise awareness in the architecture, planning and engineering communities of resiliency as a central strategy for dealing with the future impacts on our cities of peak oil and climate change. It is the intent of the competition to generate imaginative and useful design and planning exemplars that effectively illustrate ResilientCity planning and design principles.

### [Brighter days seen for solar, next-gen biofuels](#)

NEW YORK -- Big changes are afoot in the fledgling alternative-energy industry.

As the sector recovers from the 2008 financial market meltdown, insiders look for next-generation biofuels and solar technologies to start joining mainstream energy markets, while wind power continues to lean heavily on government support.

### [Solar brightens a bleak Michigan town](#)

Rife with auto layoffs, Saginaw residents hope a big expansion at the nearby Hemlock solar plant can help jumpstart their battered economy.

### [Nuclear fusion power project to start in slimmed-down version](#)

MARSEILLE, France (AFP) – A multi-billion-dollar project to prove whether nuclear fusion, the power that fuels the Sun, can be a practicable energy source is to be scaled down in its early stages, sources said on Monday.

The test reactor, to be built at a site in southern France, will start its experiments in 2018 as scheduled but will initially be built in a slimmed-down form, they said.

### [Exelon: No public threat from Ill. tritium leak](#)

CHICAGO – A tritium leak was found during routine monitoring of Exelon Corp.'s nuclear power plant, but contaminated water was contained to the property and did not pose a public health threat, company officials said Monday.

### [Climate bill to pay hundreds of dollars in rebates](#)

WASHINGTON – Low-income families will receive hundreds of dollars a year to help pay higher energy bills if Congress enacts the first-ever limits on the gases blamed for global warming, according to a new analysis.

### [China response to Obama climate envoy positive](#)

BEIJING – China said Tuesday that it was committed to making this year's Copenhagen climate change conference a success, sounding a positive note at the close of a two-day visit to Beijing by President Barack Obama's global warming envoy.

Foreign Ministry spokesman Qin Gang gave few details and reasserted China's insistence on "common but differentiated responsibilities" under which developed countries such as the U.S. would bear most of the responsibility for reducing greenhouse gas emissions.



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