



## DrumBeat: June 10, 2009

Posted by [Leanan](#) on June 10, 2009 - 10:17am

Topic: [Miscellaneous](#)

### [Proposition: global effort to model largest oil fields](#)

The authors propose that the key to this understanding is the modeling of the largest fields. Should government and industry fail to understand the future supply from these fields, there is a potential for large shortfalls of productive capacity without adequate alternative replacements having been put in place. As the world has experienced on several occasions, even small shortfalls can cause large price increases. Failure to understand when and at what volume oil supply will be insufficient is not acceptable.

### [Economy, Higher Oil Prices May Restart Shelved Projects](#)

A rebound in oil prices and signs of economic recovery are renewing interest in exploration and production, but producers are still wary of volatility and determined to cut construction and service costs, which surged last year after oil prices spiked to record levels.

### [U.S. Trade Deficit Widens as Oil Moves Higher](#)

As oil prices march higher, the United States trade deficit is again widening as consumers spend more on gasoline, the government reported on Wednesday.

### [Will Higher Oil Prices Drive Petroleum Industry Recovery?](#)

Briefly, the Goldman Sachs' higher price predictions are based on its belief that the world has entered into a four-part bull market for crude oil. They view the current rise to \$65 as reflecting the normalization of "pricing dislocations caused by the credit crisis" and its impact on oil demand. They believe that most of the yearly oil demand decline anticipated has already occurred and that demand is stabilizing and should head higher in the future as the recession ends and economic growth resumes.

### [BP Says Weak Economy to Keep Gas Prices 'Depressed'](#)

(Bloomberg) -- Natural gas prices will remain “depressed” this year because of the weak global economy and increased supply, according to BP Plc, Europe’s second-largest oil and gas company.

Liquefied natural gas supplies will grow at a record pace this year, BP Chief Economist Christof Ruehl said after the publication of the company’s 2009 Statistical Review of World Energy in London. Global economic growth may remain “elusive for some time,” he said.

### [Oil and gas companies enjoy both lower costs and higher crude oil prices](#)

Unhappily, prices of natural gas have not recovered and look set to remain low for the rest of 2009. At \$3.50/million btus, many shale gas projects have stopped completely. Those shale gas companies that continue to drill are being much more selective in the choice of location with the Haynesville shale considerably out in front because of high initial productivity. But it is true that drilling rig day rates are down and if they continue falling, new shale gas activity may result.

### [Energy providers snub Polish coal](#)

Polish coal mines are struggling to sell their coal as domestic energy providers turn to cheaper foreign imports. In Q1 this year, imports of coal were three times higher than in Q1 2008. Every month Poland buys 1.43 million tonnes of foreign coal; a year earlier the figure was not even half a million tonnes per month.

### [U.S.-Saudi Trade Relations](#)

If current production remains unchanged, Saudi Arabia would have over 4 mn barrels in spare capacity (the largest excess capacity in the world), at a cost of more than \$15-20 mn per day. Saudi Aramco for its part has stated that it will carry out additional drilling at existing fields in order to compensate for the natural declines from mature fields. The plan includes increasing planned drilling by a third to around 250 wells, with the priority on offshore areas. In the recent past, Saudi Arabia has stated that the country can add as much as 200 bn barrels of oil to proven reserves, after an extended period of investment and exploration.

### [Steve LeVine: Choosing Iran's Next Leader](#)

Does Mir Hossain Mousavi have a genuine chance to defeat Iranian President Mahmoud Ahmadinejad in Friday’s elections? Or is he simply the latest beneficiary of the predilection of reporters and pundits to make a wishful-embrace of electoral challengers in dictatorial nations?

At O&G, we are closely watching the first round of Iran’s presidential election because of

the potential game-changing impact on natural gas politics in Europe: At once, a less populist leadership in Tehran could help lower the diplomatic temperature, thus opening the door to genuine talks with Washington, and possibly a deal that, among other benefits, ultimately unfetters the development of Iran's sanctions-crippled natural gas fields.

### [What happened to the energy crisis?](#)

It was less than a year ago when gasoline prices hovered near four dollars per gallon and the entire nation was in an uproar over "energy policy." Now, even though gasoline prices have climbed more than 50% from their levels at the beginning of the year, not a whisper is heard about what the government is doing to solve the supply problems.

### [Canada in the driver's seat](#)

Magna is ready to produce battery assemblies and could be building electric cars within three years -- which means jobs and investment in Ontario.

### [Electric Car Glut on the Way?](#)

Plug-in cars have barely made a dent in the global vehicle fleet, and automakers have yet to launch their first real entries into the race for a mainstream electric car. When carmakers do start selling those models — late next year and beyond — they for the most part plan to take their time ramping up, easing into the market with regional rollouts and leases to government or corporate fleets. But, according to some industry observers, we're on the verge of a global glut of plug-in cars. Huh?

### [House OKs \\$4 billion 'cash for clunkers'](#)

WASHINGTON (CNNMoney.com) -- The House on Tuesday waded deeper into the rescue of the troubled auto industry when it passed a \$4 billion plan to subsidize new cars sales for consumers who scrap old ones.

By a vote of 298-119, the House approved the "cash for clunkers" program.

### [The downside of lower gas taxes](#)

President Obama's recent announcement that auto fuel efficiency standards are being sped up to require an average per-fleet fuel economy of 35.5 mpg for cars by 2016 (the previous goal was 35 mpg by 2020) has its environmental and geopolitical merits. Less green house gas emissions, less dependency on foreign oil producers is a very big win-

win.

But it is potentially lousy news for the roads we drive.

### [David Suzuki: Now that we own General Motors, what should we do with it?](#)

Well, we now own part of GM. Shouldn't we have some say in what becomes of it? Will the U.S. and Canadian governments show some imagination and foresight and turn this crisis into an opportunity?

Mr. Rubin and Mr. Moore are right: Our future is in fuel-efficient cars, buses, and trains, and in green energy. (And even private automobiles may eventually be a thing of the past; the idea of using of a tonne of metal and many litres of fossil fuel to get one person to the grocery store or work is more than a bit absurd.)

### [Wartime tips to save the planet](#)

LONG before recycling targets and pay per throw taxes, our grandparents knew a thing or two about being green. Make do and mend was more than a slogan, it was a way of life.

And now, as we tighten our collective belts and brace ourselves for economic gloom, seven out of 10 of us believe the country should once again embrace the wartime spirit in an effort to cut down on waste.

### [Water Scarcity and the Western Oil Shales](#)

Vast technical and environmental challenges have long stood in the way of commercial oil shale production.

But it is water – or more specifically, its scarcity – that is likely to be shale oil's greatest stumbling block in the arid West.

The United States Geological Survey recently estimated that there may be as many as 1.525 trillion barrels of oil trapped in the rock of Colorado's Piceance Basin, the region's richest shale field. And a report released in March by the non-profit Western Resource Advocates, an environmental group based in Boulder, Colo., suggested that oil companies have acquired water rights at hundreds of locations in the upper Colorado River basin, which could be used for future oil shale production.

### [Reports: Russia pledges to keep up oil output](#)

MOSCOW — Russia is not planning to reduce oil production in the next few years and is considering help for companies that discover sizable oil and gas fields, a top oil official said Wednesday, according to national news agencies.

Deputy Prime Minister Igor Sechin said there were no economic reasons to cut output.

"We are not planning to cut the production in the next three years, but it may happen afterward if there is no investment in exploration and production," he was quoted as saying by Interfax.

There is no point in putting a cap on exports either, according to Sechin:

"Exports have become more economically reasonable. So why cut it?" Interfax reported him as saying.

### [Natural Gas Should Get a Boost from China's New Demand](#)

China has been developing natural gas vehicles for many years, recently the number of vehicles running on nat gas has risen dramatically. For example, the government of Xi'an in western China, a medium size with 8M population, has decided to mandate all city buses and taxis using natural gas. The government website reported 5000 buses and 20000 taxis was using nat gas in 2008, and is expected to grow in coming years. This is just a tip of the iceberg. Nat gas may become a major alternative fuel to oil in China, and demand is ramping up.

### [Speculators back to oil market - Kuwaiti oil official](#)

KUWAIT (KUNA) -- Recent increase in prices of oil could partially be attributed to the return of speculation action to the market amid indications of a start of a global economic recovery, an oil official told KUNA Wednesday.

### [Will Oil Prices Prevent a Recovery?](#)

The rise in oil prices does not seem to be consistent with the overall weakness of the world economy, but there are several reasons why it just may be sustained or extended, even in the absence of a global economic rebound.

The third reason is that the looming danger of peak oil has not gone away, it has only been masked by "peak demand" caused by the economic downturn worldwide. Any incremental oil is now coming from very expensive sources like the Canadian oil sands or the very deep waters of Brazil, both of which require oil prices in the mid-\$60's to be economically viable.

### [Nigeria militants again promise to release Briton](#)

Nigerian militants Tuesday promised for the second time in 10 days to release a British oil worker held hostage in the Niger Delta for the past nine months.

#### [Iraq to announce oil contracts end-June: minister](#)

BAGHDAD (AFP) – Iraq will announce at the end of this month which energy companies have been awarded contracts to work in the country, Oil Minister Hussein al-Shahristani said on Wednesday.

#### [Baghdad says will not compensate firms in KRG deals](#)

BAGHDAD (Reuters) - The Baghdad government will not pay firms that signed independent deals with Iraq's Kurdish region for the development of the Taq Taq and Tawke oilfields, Iraq's Oil Minister Hussain al-Shahristani said on Wednesday.

#### [Views on Jatropha as Biofuel Mixed](#)

Three different news items highlight the vast differences in viewpoint and the continuing uncertainty around the farming of Jatropha by small scale farmers as a feedstock for Europe's refineries moving towards meeting the EU's renewable liquid fuel goals.

#### [All Washed Up for Jatropha?](#)

A comprehensive new analysis of water use in biofuel crop production finds that jatropha, an oil-rich plant championed for its ability to grow in arid regions where food crops cannot, is the biggest water hog of them all.

Researchers from the University of Twente, in the Netherlands, report in a recent issue of the Proceedings of the National Academy of Sciences that jatropha requires five times as much water per unit of energy as sugarcane and corn, and nearly ten times as much as sugar beet--the most water-efficient biofuel crop, according to the same study.

#### [Green but costly, hybrid buses far from mass production](#)

VIENNA (AFP) – Fuel-efficient and environmentally-friendly, hybrid buses starred at a public transportation congress in Vienna this week, but they still face a long road before becoming cost-effective on a mass scale.



## [France Finds 'Carousel' Tax Fraud in Carbon Emissions Market](#)

(Bloomberg) -- The French government found evidence of "carousel fraud" relating to value-added tax on trades of European Union carbon dioxide allowances, according to an official in the nation's budget ministry.

The official, who declined to be named citing government policy, didn't disclose the size of the fraud. Sellers committing carousel fraud, or "missing traders," collect the tax and then disappear before submitting the money to authorities.

## [China leads escalation of coal consumption](#)

Coal consumption is continuing to grow more quickly than other traditional sources despite high prices and the dangerous impact it will have on carbon emissions, new statistics released by oil giant BP show.

China, which has been trumpeting its new wind and solar goals in recent days, led the way with a near 7% increase in the amount of coal it burned during 2008 despite average prices rising 73% to \$150 (£129) per tonne. This accounts for 43% of global coal use.

## [China alone could bring world to brink of climate calamity, claims US official](#)

China must be far more ambitious in tackling climate change if the international community wants to prevent calamitous levels of global warming, a senior US official told counterparts in Beijing today.

David Sandalow, assistant secretary of state for energy, said the continuation of business as usual in China would result in a 2.7C rise in global temperatures by 2050 even if every other country slashed greenhouse gas emissions by 80%.

## [Taking on Climate Change Myths and Sceptics](#)

**The scientific facts seem clear, climate change is happening and it is man-made. Still some people disagree. Why?**

In my experience, these people primarily do not like the consequences of the scientific findings: that we need to reduce our greenhouse gas emissions.

## [31% - White Evangelicals Reject Global Warming](#)

While only 39% of black Protestants say global warming is a result of human activity, they are, however, the least likely of the religions studied to deny global warming (15%). The unaffiliated (58%) are the most likely to say there is solid evidence the earth is warming because of human activity.

### [World's Carbon Emissions Climb 1.6% on Chinese Coal](#)

(Bloomberg) -- World carbon-dioxide emissions from energy use rose 1.6 percent last year as coal consumption advanced in China.

### [World Oil Reserves Fell for First Time in 10 Years, BP Says](#)

(Bloomberg) -- Global proved oil reserves fell last year, the first drop since 1998, led by declines in Russia, Norway and China, according to BP Plc.

Oil reserves totaled 1.258 trillion barrels at the end of 2008, compared with a revised 1.261 trillion barrels a year earlier, BP said in its annual Statistical Review of World Energy posted on its Web Site today. The world has enough reserves for 42 years at current production rates, BP said.

BP and other oil companies are struggling to replace reserves as access to deposits becomes harder and older fields in places like the U.K. and Mexico are depleted.

### [Turkmenistan's Proved Natural Gas Reserves Triple](#)

(Bloomberg) -- Turkmenistan's proved reserves of natural gas tripled last year, taking it to fourth place in the world above Saudi Arabia, according to BP Plc.

### [OPEC Will Wait for \\$100 Oil Before Raising Output](#)

(Bloomberg) -- OPEC, the supplier of 40 percent of the world's oil, will only consider increasing output when the price of crude rises to \$100 a barrel, according to Kuwaiti Oil Minister Sheikh Ahmed al-Abdullah al-Sabah.

The Organization of Petroleum Exporting Countries, due to meet in September, wouldn't raise production with oil at \$75, "but if it reaches \$100, maybe," al-Sabah said today in Kuwait.

### [Crude Oil Rises Over \\$71 on API Stockpile Drop, Weaker Dollar](#)

(Bloomberg) -- Crude oil rose to a seven-month high after an industry group reported



U.S. stockpiles dropped and the dollar weakened against the euro, bolstering the appeal of energy as an alternative investment.

### [Energy Stocks to Outperform in Recovery, Morgan Stanley Says](#)

(Bloomberg) -- Energy, technology and cyclical stocks are likely to outperform other sectors over the coming months as correlations between markets and companies break down during the economic recovery, according to Morgan Stanley.

### [Oil's Gain Marks Return to 'Pre-Crisis Trend,' Gazprom CEO Says](#)

(Bloomberg) -- Oil's recent gain marks a repeat of last year's rally before the global financial crisis sent crude tumbling, and may extend to \$85 a barrel this year, OAO Gazprom Chief Executive Officer Alexei Miller said today.

"When we see that over the past weeks oil prices closed at around \$70, this is not a technical correction or accidental fluctuation but a return to a pre-crisis trend," Miller said on the Italian island of Sardinia, according to a copy of a speech translated from Russian. "There are sufficient objective grounds for the oil price to rise to \$85 a barrel by year-end."

### [Petrobras Ready to Benefit from Next Oil Price Spike](#)

Such ultradeep wells encounter intense pressure and temperature. In a recent Forbes articles ("Crude Cassandra"), Matt Simmons suggested going much deeper with a drill bit might strike molten lava and unleash "the biggest volcano in the history of the world." It's interesting to think about such an encounter and what the results might be on the surface of the water. Luckily, none of the test wells to date have resulted in such fireworks. That said, Matt Simmons is spot-on with his oil predictions. To put things in perspective, as large an oil field as Tupi is, at 8 billion barrels it is only enough oil to supply the world's demand for 3 months.

### [The centre of gravity in the global energy market has changed and we need to wake up](#)

The last year will go down in the history books for many reasons: the events in financial markets; the takeover of much of the banking sector by governments worldwide; and the presidential election in the United States, to name but three.

But one event went almost unnoticed. 2008 was the year when the centre of gravity in the energy market tilted sharply and permanently towards the emerging nations of the world. For the first time ever, non-OECD energy consumption outstripped that of the OECD nations.

### [Senate Panel Approves Drilling Off Florida](#)

WASHINGTON -- A Senate committee on Tuesday approved opening the eastern Gulf of Mexico to oil and gas drilling, including an area rich with natural gas 10 miles off the Florida Panhandle. A 45-mile no-drilling buffer would be maintained off most of Florida's coast.

### [Iran, China Sign \\$5 Billion Contract on South Pars Gas Field](#)

(Bloomberg) -- National Iranian Oil Co. said it has signed a \$5 billion contract with China National Petroleum Corp. to develop Phase 11 of the South Pars gas field.

### [Pdvsa's contribution to income tax and social plans falls](#)

At the end of the fiscal year 2008, the state-run oil company Petróleos de Venezuela (Pdvsa) reported revenues and earnings higher than in the previous year. Despite this increase, Pdvsa's contribution to income tax (ISLR) and to social development programs lowered, although the price of the Venezuelan basket of crude oil averaged USD 86.49 in 2008. However, Pdvsa's contribution on royalties, extraction taxes and other imposts was slightly higher.

### [Petrobras Starts Blog to Respond to Questions Over Tax Probe](#)

(Bloomberg) -- Petroleo Brasileiro SA, the Brazilian oil company under investigation after a newspaper alleged tax evasion, is starting a blog to publish its responses to inquiries about the probe.

Petrobras said it will disclose all media requests and the state-controlled producer's responses as lawmakers prepare to examine allegations that the company evaded 4.4 billion-reais (\$2.3 billion) of taxes and overpaid for pipelines and ships.

### [Mars Mission Could Ease Earth's Energy Supply Crisis](#)

ScienceDaily - Techniques and instrumentation initially developed for ExoMars - Europe's next robotic mission to Mars in 2016 - but now due to fly on a NASA mission in 2018, could also provide the answers to the globally pressing issue of energy supply.

### [Savior Technologies - not the end of motoring era](#)

Here's what's important: These and all other emerging technologies could make IC

engines alone produce startling fuel efficiency numbers without any high-cost technological breakthroughs; and, in that manner, without losing the characteristics that have made IC engines traditional favorites in the 3%-5% of the time when extra torque and horsepower are required.

### [China launches green power revolution to catch up on west](#)

China is planning a vast increase in its use of wind and solar power over the next decade and believes it can match Europe by 2020, producing a fifth of its energy needs from renewable sources, a senior Chinese official said today.

Zhang Xiaoqiang, vice-chairman of the of China's national development and reform commission, told the Guardian that Beijing would easily surpass current 2020 targets for the use of wind and solar power and was now contemplating targets that were more than three times higher.

### [Not so windy: Research suggests winds dying down](#)

WASHINGTON — The wind, a favorite power source of the green energy movement, seems to be dying down across the United States. And the cause, ironically, may be global warming — the very problem wind power seeks to address.

### [Delay new biofuels rule one year: U.S. oil industry](#)

WASHINGTON (Reuters) - The government should delay new rules that expand U.S. use of biofuels until 2011, the oil industry said on Tuesday, because there is too much work to do on the ground-breaking rules to start sooner. The Environmental Protection Agency has a January 1 target to apply the rules that also require advanced biofuels to have greenhouse gas emissions that are 40 percent lower than petroleum from creation through consumption.

### [Ensus Prepares to Produce Britain's First Wheat-Based Biofuel](#)

(Bloomberg) -- Ensus Ltd. is preparing to start production at Britain's first wheat-based bio-ethanol plant as the country increases requirements for cleaner-burning fuel.

### [How to feed a city](#)

Feeding cities has never been easy. On the contrary, it could be described as mankind's oldest self-imposed dilemma. The problem is that even though people living in cities don't tend to produce their own food, whether they realise it or not, they still dwell on the land. The resultant distance (in all senses) between city-dwellers and their food is a

paradox at the core of civilisation; resolving it is the greatest challenge of our time.

### [Green values now in prime time](#)

The transformation from global to local economies will not come about by electing Green governments.

Too many people are still stubbornly attached to the old politics defined by an economics of perpetual growth, corporatism, and security defined by militarism. Instead, it will come by necessity as the era of cheap oil comes to an end.

### [Trucks, Trains, and Traffic](#)

Infrastructure Australia just doesn't seem to have a grasp on reality when it comes to land transport.

Its National Infrastructure Priorities lists seven “themes” which are supposed to “...provide a framework for action to meet the gaps, deficiencies and bottlenecks in our nation's infrastructure”.

And neither the national road network nor urban road freight networks rate a mention.

### [Japan to give 2 billion dollars in loans to fight climate change](#)

Tokyo - The Japanese government was expected to provide 2 billion dollars in yen loans to Bangladesh, the Philippines, Thailand and Vietnam over the next two years to support their efforts to combat global warming, media reports said Wednesday. Prime Minister Taro Aso was to announce the aid later in the day along with Tokyo's target for the reduction of greenhouse gas emissions after the Kyoto Protocol expires in 2012, Jiji Press said.

### [Texas Blasts Federal Efforts to Fight Global Warming](#)

Texas elected officials Tuesday railed against federal efforts to curb global warming, claiming it would throttle the state's economy -- one of the few that generated job growth last year.

### [Japan targets 8% emissions cut from 1990 levels](#)

TOKYO (AFP) – Japan said Wednesday it plans to cut greenhouse gas emissions by the equivalent of eight percent from 1990 levels by the end of the next decade, a goal

attacked as too little by environmentalists.

Prime Minister Taro Aso announced Japan's mid-term target ahead of a December meeting in Copenhagen set to hammer out a new climate treaty that will replace the Kyoto Protocol when it expires in 2012.

### [Migration From Global Warming May Exceed All Past Displacements](#)

(Bloomberg) -- Human migration due to global warming may exceed all previous displacements of people as sea levels rise, fresh water becomes scarcer and crop yields decline, a United Nations study found.

Desertification in Mexico, Mali and Niger is already causing migration while in Bangladesh increased coastal flooding is expected to increase the movement of people, according to the study by the UN University, Columbia University and the charity Care International.

“Flooding, intense storms, or droughts, or more gradual but significant changes in regional climates place great stress on livelihood systems,” the 36-page report said. “The mass of people on the move will likely be staggering and surpass any historical antecedent.”



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