



DrumBeat: June 12, 2009

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Topic: [Miscellaneous](#)

[‘Unprecedented oversupply’ of natural gas coming this summer, says Marshall Adkins](#)

OGFJ: Let me ask you to speculate. Do you see crude and natural gas prices going up enough this year to make a difference in project economics?

ADKINS: Well first, let's separate out into crude versus gas. Gas – no. We have too big of a problem both in terms of supply and demand. Everyone pretty much knew by early 2008 that with all the shale gas coming on stream, we were going to have a supply problem. What was not evident at all was the demand problem. Either one is a big enough problem to cause gas prices to fall, but now we've layered on an economy-driven demand problem. This summer that's going to create an unprecedented oversupply of gas. The way you solve that is to take the rig count down, let the decline rates kick in, and have supply fall enough to counteract and rebalance. That's going to happen, but it's going to take some time. Certainly the average gas price for the year is going to be pretty ugly. As far as recovery in 2010 is concerned, the jury is still out. I talk to a lot of really smart people, and there doesn't seem to be a consensus yet on any direction on the global economy. An economic recovery in 2010 is critical to the performance of the industry. If the economy doesn't perform better, I'm not sure we do get a bounce in gas prices.

Crude is almost just the opposite. Short term, very difficult to determine. It all hinges on global demand and OPEC's ability to cut production. By the way, OPEC has done much better than any of us felt like they would do. So those are wild cards that, short term, could lead crude anywhere. Plus, some of the other wild cards would be geopolitical events, such as wars and acts of terrorism. These events could turn prices on a dime. Longer term though, I'm very confident in crude. Crude supplies are going to fall, and the economy will rebound and new demand will kick in at about the same time that supplies are falling. So when I look at crude in two, three, or four years, I think prices will be meaningfully higher. In the next six months, who knows? My gut says it's probably going to drift higher, but my confidence level in that is very low.

[US natgas rig count below 700, first time since '02](#)

NEW YORK (Reuters) - The number of rigs drilling for natural gas in the United States fell 15 to 685 this week, the first time below the 700 benchmark since late November 2002, according to a report on 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 819 rigs, or 54 percent, below the same week last year, the lowest level since late November 2002, when there were 679 gas rigs operating.

[Cuba's energy woes in focus at oil partners meet](#)

Venezuela aims to expand its sales of oil to Cuba and other nations on highly preferential terms, putting politics over economics as it meets Friday with neighbors looking for more cheap fuel.

Cuba especially needs the help.

[Dueling 'Clunker Car' Bills](#)

Congress is halfway home on passing a bill President Barack Obama asked for more than two months ago to give consumers thousands of dollars to trade in an old inefficient car, sport-utility vehicle, or truck for a less gas-thirsty one. The hang-up is between two versions in the Senate. One would require consumers to make more of a leap in fuel efficiency. Another Senate bill, similar to the one passed by the House last week, is less concerned with providing "green" incentives than clearing dealer lots of SUVs and pickups and giving a helping hand to Detroit automakers.

[FutureGen 'Clean Coal' Plant Gets Federal Backing](#)

(Bloomberg) -- The stalled FutureGen "clean coal" project in Mattoon, Illinois, won the tentative backing of the Obama administration, setting the stage for engineers to begin designing a near zero-emission coal-fired power plant.

The U.S. Energy Department reached a provisional agreement for the government to provide \$1.1 billion in funding, and industry sources to contribute as much as \$600 million. The project must still clear cost and design reviews as well as fundraising goals before construction could start, according to a department statement today outlining a project timetable.

[Norway output drops](#)

Norway's oil production fell to a preliminary 1.79 million barrels per day on average in May from 1.99 million in April, the Norwegian Petroleum Directorate said today.

[OPEC says worst is over for the oil market](#)

Alistair Darling today sought to dampen hopes of an early end to the recession, arguing that high oil prices could hold back recovery. In an interview with the Financial Times the Chancellor said the volatile oil price, which hit a record high of \$147 a barrel last July before plummeting amid the recession, had "the potential to be a huge problem as far as the recovery is concerned".

OPEC said it believed its efforts to curb excess supply had helped turn the market around and would reduce global oil inventories.

[Valero shuts Corpus coker for economic reasons](#)

NEW YORK (Reuters) - Valero Energy Corp said Friday it was shutting down the 20,000 barrel-per-day coking unit for planned work at the east plant of its Corpus Christi, Texas refinery for economic reasons.

"The unit is being shut down for economic reasons due to low margins and narrow light-heavy crude differentials, as well as to decoke the unit," said Bill Day, a spokesman for the refinery.

[Q+A-Analysis on Russia's oil, mining sector](#)

LONDON (Reuters) - The slump in oil and commodity prices accompanying the global financial crisis has pressured Russian oil and mineral firms, and even the recent price recovery has not been enough to entirely resolve worries over their debt obligations.

Below, Exclusive Analysis regional specialists Teymur Huseynov and Joanna Gorska answer questions on what investors can expect in the volatile sector.

[China suspends 'illegal' hydropower projects for environmental reasons](#)

China's environment ministry has suspended construction of two ambitious hydropower dams in the upper Yangtze river region, saying the projects were illegal because they were started without necessary environmental assessments.

The announcement, carried widely in state media today, is an unusually aggressive move by the ministry of environmental protection, whose local bureaus answer to local governments despite it being upgraded to a full ministry last year.

[US will exempt China from binding greenhouse gas targets](#)

The US will not demand that developing countries such as China take on binding targets to cut pollution under a new treaty to fight global warming, a senior official in the Obama administration confirmed today.

Jonathan Pershing, head of the US delegation at UN climate talks in Bonn, said developing nations would instead be asked to take certain actions, such as to improve take-up of renewable energy and to boost energy efficiency standards.

[Australia - Beachfront residents on own against sea rise](#)

OWNERS of beachfront homes will get little protection or compensation from the State Government if their properties are threatened by rising sea levels caused by climate change or coastal erosion, under a plan in the course of being developed.

Anger is mounting among councils and coastal communities that the Government priority will be to protect public works and public safety, creating the prospect of lengthy legal battles between councils and beachfront residents.

[Michael Pollan, Garden Fresh](#)

"One of the reasons we need to nurture several different ways of feeding ourselves -- local, organic, pasture-based meats, and so on -- is that we don't know what we're going to need and we don't know what is going to work. To the extent that we diversify the food economy, we will be that much more resilient. Because there will be shocks. We know that. We saw that last summer with the shock of high oil prices. There will be other shocks. We may have the shock of the collapsing honey bee population. We may have the shock of epidemic diseases coming off of feed lots. We're going to need alternatives around.

"When we say the food system is unsustainable we mean that there is something about it, an internal contradiction, that means it can't go on the way it is without it breaking up. And I firmly believe there will be a breakdown."

[Pakistan: Low economic activity reduces energy demand](#)

ISLAMABAD: Energy consumption declined in the 2008-9 fiscal year because of reduced economic activities and the circular debt issue arising out of high prices of petroleum products.

However, according to the Economic Survey released on Thursday, Pakistan is at present the largest CNG user country.

[Pertamina not to import more oil following refinery incident](#)

Jakarta (ANTARA News) - State-owned oil and gas company Pertamina will not increase its oil imports following a disturbance that forced its Cilacap refinery to stop operating, a Pertamina spokesman said.

[Nuclear industry to add 10,000 jobs in future](#)

Almost 10,000 new jobs will emerge in the nuclear field in the coming decade, but many of the workers destined to fill them are still in middle or high school, according to a new study commissioned by an economic development group.

[How a trip to the laundry averted nuclear disaster](#)

A chance decision to wash some clothes narrowly averted a nuclear disaster, a safety report has found.

While using the laundry room at Sizewell A power station, a contract worker spotted a leak from a cooling tank.

By the time he raised the alarm more than 40,000 gallons of radioactive fluid had spilled out from a 15ft long crack in a pipe. Some of it reached the North Sea.

[Chinese cities to be lit up by LEDs](#)

A new project is being developed to light up ten cities across China with LED street lights, according to reports.

Chinese officials have asked leading LED makers from Taiwan to participate in the project and provide their cities with energy-saving bulbs.

[The coming U.S.-Saudi fight over "energy independence"](#)

Are the United States and Saudi Arabia on the verge of serious tensions? They might be ... if the Saudis continue to worry that U.S. energy policy could undermine their economy over the long-term.

Saudi officials are beginning to realize that the Obama administration is serious about gradual diversification away from U.S. dependence on oil and fossil fuels -- a direct threat to Saudi Arabia's "demand security." That explains, at least in part, Saudi Oil Minister Ali al Naimi's uncharacteristically hawkish comments on crude oil prices at the most recent OPEC meeting held late last month -- comments that amounted to a warning shot directed at the U.S. ahead of President Obama's visit.

Despite serious recent Saudi efforts to diversify its economy away from dependence on crude oil exports, the certainty that large-scale use of hydrocarbon alternatives remains years away, and conservative budgeting that ensures the Saudis are hurt less than most energy exporters by lower prices, the Saudis fear that substantial U.S. investment in ideas like plug-in hybrids and electric vehicles could undermine demand growth in oil, which they had assumed would remain strong, at least in the developing world. The fear is that if they continue investing in oil production capacity, they could end up overshooting demand.

[EU To Agree To Strengthen Emergency Oil Stocks Rules](#)

BRUSSELS -(Dow Jones)- The European Union is expected to agree Friday to strengthen rules on emergency oil stocks and to publish data on commercial stocks every month, in an effort to increase both its readiness for any potential energy crisis and transparency in the commodities market.

[Fair price issue continues to haunt Obama even after Riyadh visit](#)

When Barack Hussain Obama, the president of the world's largest gas guzzler, landed in Riyadh, the world's largest gas station, last week, it would have really been naïve to expect that the continuing global oil saga-with prices firming up to the highest points in the year-would not be on his mind.

His cards were already out in open.

[Price Of Oil - Drawing The Line](#)

The problem is that no oil producer is making money at \$40 per barrel. I've heard estimates that the break-even point is now \$60 to \$80 per barrel, so producers are hurting. Why doesn't a producer simply stop producing if it loses money on every barrel? That question is answered when you realize that most of our oil now comes from national entities (Saudi Arabia, Venezuela, Iran, etc.) rather than companies like Exxon or Shell. These countries do indeed work with companies, but the basic decisions there are governmental. These governments are dependent on oil revenue for infrastructure, social programs, military spending and all the rest. For them, if revenue stops, the government stops.

[Vale Purchases Saudi Supertankers to Convert, TradeWinds Says](#)

(Bloomberg) -- Vale SA bought two Saudi Arabian- owned supertankers that it will convert to haul iron ore, TradeWinds reported, citing shipbrokers it didn't identify.

[Single currency: UAE pulls out of currency union](#)

The United Arab Emirates has informed the secretariat of the Gulf Cooperation Council that it is pulling out of the proposed GCC monetary union, according to a report by the country's official news agency.

The move came less than three weeks after Gulf leaders agreed that the headquarters of the central bank for the region would be located in Saudi Arabia.

[Video: Meeting the Transmission Challenge at Power-Gen Europe](#)

If there's one thing that unites the conventional and renewable energy industries, it's the need to upgrade and expand the transmission and distribution infrastructure. Global investment in new power plants has fallen because of the dearth of capital for projects. But investments in transmission and distribution systems have been relatively stable.

[OPEC producers' resolve weakening on quotas](#)

The Organization of Petroleum Exporting Countries said oil production rose for a second month in May, weakening compliance with quotas, as the group lowered its forecast for global oil demand in 2009.

The 11 OPEC members bound by production quotas, which exclude Iraq, pumped 25.903 million barrels a day in May, an increase of 118,800 barrels a day from April, the Vienna-based organization said in its monthly oil report today, citing secondary sources that include estimates from analysts and news organizations.

[Oil price surge sends gasoline higher](#)

Gasoline prices are blowing past recent estimates, saddling consumers with higher costs just as the summer driving season shifts into high gear.

Pump prices are following the rise in crude oil, which set an 8-month high Thursday on a falling dollar and brighter economic outlook.

[Pemex says Ku Maloob Zaap field producing at peak](#)

VERACRUZ, Mexico (Reuters) - Mexico's Ku Maloob Zaap oil field is currently producing at a peak 830,000 bpd and will continue to produce at that level for the next seven years, Hector Salgado, an engineer at the state-run oil company Pemex, told reporters on Thursday.

Pemex officials said earlier this year the field, which is now Mexico's single largest producer of oil, could begin to decline in 2010.

[Police fire tear gas in Peru protests](#)

LIMA, Peru – Riot police used tear gas to turn student protesters away from Peru's Congress on Thursday as thousands marched to back Amazon Indians resisting oil and natural gas exploration on their land.

At least 20,000 students, labor union members and indigenous Peruvians from the country's Andean highlands to its jungle lowlands joined the mostly peaceful nationwide protests.

[Jack Cafferty: How will your life change if oil reaches \\$250 a barrel?](#)

Experts predict the price of oil could soon hit \$250 a barrel. Already, a barrel of crude is trading at almost \$73 dollars — which is up from the lows of \$30 a barrel only four months ago.

[Financial crisis: high noon on the high street](#)

While it is clear that Totnes is hardly the typical British town, something is stirring there that could have a profound influence on the shape of every high street in the future. Totnes is the birthplace of the Transition movement, which aims to strengthen local communities and develop resilience (a favourite Transition word) in the face of climate change and the looming crisis occasioned by Peak Oil. This refers to the widely held theory that the world's production of oil is now at or close to its peak, and that we face a future of inexorably dwindling supplies, with all the potentially catastrophic consequences that implies, unless we can reduce our energy usage and find alternative forms of energy.

[Peak Oil: Good Things Could Happen to Us](#)

Once deemed unthinkable, peak oil is now the subject of very serious consideration, partly because global consumption is rising faster than supply, and partly because the predicted rebound of our depressed economy is expected to increase demand and thus price. Furthermore, the worldwide recession and the subsequent fall in the price of oil has reduced exploration and development, further jeopardizing the immediate supply should the economy recover. The implications for the short term are worrying. If we are brave enough to think about the long-term, implications are staggering. A world of expensive and scarce oil would be radically different than the one in which we live today.

[Transition Culture: Pushing Back to a Greener Future](#)

When Becky Prelitz started perusing some of her husband's books with titles such as "Power Down," "Peak Everything," "The Party's Over" and "The Final Energy Crisis," she got depressed. So depressed, in fact, about a future without endless inexpensive gasoline, electricity and water that she slept for six months. "It was too much doom and gloom so I literally took a six-month nap," she claimed.

When she woke up from her Rip-Van-Winkle reaction to what she dubbed post petroleum stress disorder, she found another book on her doorstep, "The Transition Handbook: From Oil Dependency to Local Resiliency" by Rob Hopkins and Richard Heinberg. The book replicates the original transition town movement in culturally eclectic Totnes, England, in 2006. She decided to read it.

[Peak Oil & Mainstream Attention Reveals A New Economic Pattern](#)

Look out everybody. Suddenly, the mainstream media is talking about peak oil, as if they've been just as concerned all along. This spells trouble for the world economy as it is a significant change in behavior from the mainstream outlets.

[Rural Life off Target](#)

People are moderating their economic behaviour in pursuit of sustainable development goals as a response to peak oil fears and global warming. Income maximisation is giving way to the other satisfactions of rural living. Economic linkages are more local than multinational. As one recent piece of research for DEFRA puts it, people are beginning to have fun. But this is not part of government policy, so it attracts no funding. While RDAs offer the rhetoric of pursuing both wealth and sustainable development, it is hard to see how these are anything other than opposed.

[Immigration and overpopulation: you can eat too much and grow too fat](#)

Liberals, usually more educated and enlightened than conservatives, join ecological clubs to save the environment from further damage—caused by excessive human numbers. Liberals fill the rolls of the Population Connection (formerly ZPG), Sierra Club, Nature Conservancy, Audubon Society and Green Peace. Liberals understand that overpopulation, while most of them remain too afraid to speak out, creates an ominous future for the United States as well as all life around the planet.

Conservatives usually deeply religious, however, must be pulled—kicking and screaming—toward any kind of care for the environment. They object to or deny climate destabilization, consequences of species extinctions and most of them think that "Peak Oil" or the depletion of oil—remains a hoax.

[How much have you lost in the great recession?](#)

Peak oil is just a fact of geology: that the world has used up half of this one-time gift; it will use up much of the remainder much faster than it did the first half. The question is when it happens -- did it happen in 2007 or will it be 20 years out (hardly much transition time). The remaining oil will be harder to get and more costly to refine -- and no magic hydrogen car will be dropped off by benevolent aliens.

Demand will continue to rise fast as the developing world industrializes and wants to live the car-centric American dream. Meanwhile, many of the big "elephant fields" are at or near peak -- Mexico's Cantarell being one example. It's not for nothing that the Saudi's guard their actual oil numbers as a state secret. Watch production, not reserves that can be squishy or outright fraudulent.

[After 50 years, Honda confronts new challenges](#)

The turmoil wracking the auto industry presents a paradox for Honda. On the one hand, Honda has weathered the crisis because it hasn't depended on once-profitable gas-thirsty vehicles as much as its Detroit rivals. On the other hand, its competitors now have little choice but to muscle in on Honda's turf.

[GM cancels Malibu hybrid, works on new system](#)

DETROIT (AP) - General Motors Corp. will stop making Chevrolet Malibus and Saturn Auras with an early generation gas-electric hybrid engine system, but engineers are working on a more efficient version of the system, a company spokesman said Thursday.

"Mild" hybrid versions of the midsize cars aren't selling well because they cost about \$4,000 more than base models but only get four more miles per gallon of gasoline.

[Storing energy for when needed](#)

The plant will house an array of massive flywheels spinning at up to 16,000 revolutions per minute. They're designed to store excess power from the electrical grid, releasing it as needed to match the ebb and flow of statewide demand for electricity to avoid brownouts and blackouts.

[Spain facing key decision on use of nuclear power](#)

MADRID (AFP) – The Spanish government will have to take a clear stand for or against

nuclear power in the coming weeks when it decides whether to renew the operating licence of the oldest of the country's six nuclear plants.

[Nation's largest solar plant to be built in NM](#)

ALBUQUERQUE, N.M. – Utility officials announced plans Thursday to build a giant solar energy plant in the New Mexico desert in what is believed to be the largest such project in the nation.

The 92-megawatt solar thermal plant could produce enough electricity to power 74,000 homes, far exceeding the size of other solar plants in the United States. The largest solar thermal plant in operation now is about 70 megawatts, said Dave Knox, a spokesman for New Jersey-based NRG Energy, the company building and running the facility.

[India plans much solar power, slower emissions rise](#)

BONN (Reuters) – India will submit plans within weeks to slow its rise in carbon emissions significantly and to generate more solar power by 2020 than the whole world generates now, a senior climate official said on Thursday.

But the world's fourth biggest emitter of greenhouse gases cannot say when its emissions will peak and start to decline, said Shyam Saran, special climate envoy to Prime Minister Manmohan Singh.

[Reindeer & Caribou Populations Plunge](#)

Reindeer and caribou numbers worldwide have plunged nearly 60 percent in the last three decades due to climate change and habitat disturbance caused by humans, a new study finds.

Global warming and industrial development are driving the dramatic decline, said Liv Vors, a Ph.D. student at the University of Alberta who did the study with university biologist Mark Boyce.

[German Bogs, New Zealand Firs Offer a CO2 'Free Pass'](#)

(Bloomberg) -- Peat bogs in Germany, New Zealand firs and North American forests will likely allow industrialized countries to lower carbon emissions while still burning coal and oil, according to a draft United Nations document.

Negotiators at climate-change talks in Bonn are proposing that carbon stored and absorbed by forests, soil and peat bogs in richer nations be included as part of national

targets for cutting CO₂, a document obtained by Bloomberg News showed. American Electric Power Co. and Germany's RWE AG are among the utilities that may benefit by paying less for emissions permits.

[US climate envoy: China seeks top US technology](#)

BONN, Germany – China wants the United States to deliver top of the line technology as part of a new global warming agreement, the chief U.S. climate negotiator said Thursday.

[Little progress seen as climate talks head for wrap](#)

BONN (AFP) – A fresh round of talks on forging a new agreement to tackle climate change headed for a close on Friday after amassing hundreds of proposals but little sign of consensus emerging.

[UN sketches countries with climate risk profile](#)

BONN, Germany (AFP) – Disasters caused by climate change will inflict the highest losses in poor countries with weak governments that have dashed for growth and failed to shield populations which settle in exposed areas, a UN report said on Thursday.

"Disaster risk is not evenly distributed," said the report, released on the sidelines of the world climate talks in Bonn, as it urged countries to shore up protection for their citizens.

From 1990 to 2007, loss of life and property from weather-related disasters rose significantly, with floods the biggest single cause, it said.



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