



## DrumBeat: July 7, 2009

Posted by [Leanan](#) on July 7, 2009 - 9:57am

Topic: [Miscellaneous](#)

### [EIA raises 2009 world oil demand forecast](#)

WASHINGTON -- The U.S. Energy Information Administration on Tuesday once again raised its world oil demand forecast for this year as the global economy gradually improves.

In its monthly energy outlook, the EIA increased its 2009 global oil demand projection to 83.85 million barrel per day (bpd), up 170,000 bpd from its June estimate of 83.68 million bpd. World oil demand this year is still well below 2008 levels of 85.41 million bpd.

The agency said consumption will rebound to 84.79 million bpd in 2010, up 380,000 bpd from the previous estimate of 84.41 million.

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### [Oil prices: is there a spike on the horizon?](#)

So, have the past 12 months been a blip in the relentless charge ahead or were speculators the cause of an unsustainable boom?

The implosion of the global economy cut energy demand to such an extent that tankers were being used to store oil offshore in the hope prices would rise in the future. Offshore storage peaked in April, when 100m barrels were being stored aboard ships. However, since the oil price has started to recover, this oil is gradually being brought onshore.

### [More Ideas for Breaking the Climate Deadlock](#)

There's a batch of new proposals for breaking the persistent global deadlock over dealing with global warming, all coming as world leaders prepare to meet at the Group of 8 summit in L'Aquila, Italy, and in parallel sessions of the biggest emitters of greenhouse gases. Britain's former prime minister, Tony Blair, rolled out a list of climate and energy strategies. A couple of other new ideas are summarized below. I will add reactions from other specialists immersed in the ugly nexus of economics, climatology, demography, diplomacy, energy policy and politics.

### [Pickens paring down wind farm project](#)

T. Boone Pickens' plan to build the world's largest wind farm is off.

Instead, Pickens said he will build five or six smaller wind farms, in the Midwest and possibly Texas, though he hasn't settled on locations.

Last year, Pickens announced that he would build a 1,000-megawatt wind farm in Pampa, Texas. The problem a lack of a transmission line to bring the juice to population centers, Pickens said in an interview last week.

### [Rep. Welch pushed Vt. energy initiatives](#)

"Although some dispute it, there is little doubt that our oil is a finite resource, that we are at or near-peak oil, that global warming is real, the threat to our economy immediate, the need to act urgent," Welch said.

The legislation will create jobs in a new "green" economy in Vermont and across the country, Welch said in a telephone interview prior to Friday's vote. "The concern I heard is people want jobs," he said.

### [The Fed and peak oil](#)

Laurel Graefe, a senior economic researcher working for the Federal Reserve Bank of Atlanta has written an excellent overview of peak oil, "The Peak Oil Debate". I consider this a must-read piece, as much for armchair oil experts as beginners, and as much for who published this as what it contains. This should be very high on your list of "brother-in-law" documents, the ones you can safely recommend to co-workers, neighbors, or, well, your brother in law.

While Graefe has taken a decidedly middle of the road approach, which will be enough all by itself to infuriate the Apocalypticons, she also touches on several points that I would have expected a publication from any part of the Fed to ignore.

### [B.C. pipeline bombings just a 'nuisance' to industry](#)

RCMP are calling a wave of bomb attacks on natural gas facilities in northern British Columbia "terrorism," but an energy analyst says the bombings are having little impact on the gas industry.

### [When a takeover battle goes nuclear](#)

What happens behind the scenes when one energy company refuses to be swallowed by a bigger rival?

### [EU Hits U.S. Biodiesel Makers With Five-Year Tariffs](#)

(Bloomberg) -- The European Union imposed five-year tariffs on U.S. biodiesel to help EU producers counter American subsidies and price undercutting, a step that may stoke trans-Atlantic trade tensions.

The duties punish U.S. manufacturers of biodiesel, a type of biofuel made from vegetable oils and animal fats for use in diesel engines, for receiving government aid and selling in the EU below cost. The companies targeted include Archer Daniels Midland Co., the world's largest grain processor, and Cargill Inc., the biggest U.S. agricultural company.

"This is all about protecting vested agricultural interests on both sides," said Christian Egenhofer, a researcher at the Centre for European Policy Studies in Brussels. "Governments are not in control."

### [California - And by Extension the U.S. - Headed for Permanently Smaller Economy](#)

The June issue of Gregor.us Monthly, *The Scholarship of Collapse*, addresses several views of economic and systemic collapse from the works of Jared Diamond to Joseph Tainter, and then goes on to apply these views to the United States—and to its biggest state, California. Frankly, it's not much fun to suggest that another leg down in housing is on the way. Or, that California is unlikely to see its GDP exceed its previous peak for quite some time. But without the two industries that characterized post-war growth in the US, housing and automobiles (and the financial industry that squatted on top of these) it's hard to see how California—and the US by extension—does not become a permanently smaller economy.

### [ConocoPhillips Reports Increase in Second-Quarter Output](#)

(Bloomberg) -- ConocoPhillips, the third-largest U.S. oil company, said second-quarter production rose from a year earlier as new projects came online.

Output of oil and natural gas climbed to the equivalent of 1.86 million barrels of crude a day, Houston-based ConocoPhillips said today in a statement on Business Wire. That compares with production of 1.75 million barrels in the second quarter of 2008.

### [Iran's Political Turmoil Cuts Crude Oil Demand, PFC Energy Says](#)

(Bloomberg) -- Iran's oil will probably extend declines in the first four months of the year as the political turmoil that followed last month's disputed presidential election damps economic growth, consultant PFC Energy said.

Oil demand dropped by 30,000 barrels a day in January to April year, compared with a growth of 100,000 barrels a day in the same period in previous years, Raja Kiwan, PFC's Dubai-based analyst, said in a report received by e-mail late yesterday.

### [Congressional Smokescreen \(Blown With Oil\)](#)

REINSTATE Glass-Steagall in its entirety, and return commercial banking to the utility function that it is and should be, as it is both regulated and protected by the government against the full consequences of failure.

Demand that those who want the "hedging exception" demonstrate their actual use of the commodity in question in amounts that correspond to the hedged positions held, with nightly reporting requirements to the CFTC.

### [Ghana May Buy Kosmos's Stake in Jubilee Oil Field](#)

(Bloomberg) -- Ghana National Petroleum Corp., the state-owned company that oversees the country's nascent oil and gas industry, may buy Kosmos Energy LLC's stake in the \$3.1 billion Jubilee oil field.

### [Saudi, Total sign \\$9.6 billion Jubail refinery deals](#)

RIYADH (Reuters) - Saudi Aramco and France's Total signed on Tuesday 13 agreements with contractors to build a \$9.6 billion joint-venture refinery in the kingdom, state news agency SPA reported.

### [Aramco to start gas plant expansion in Sept](#)

State oil giant Saudi Aramco plans to start up the expanded Juaymah gas plant in September, a few months later than last scheduled, sources working on the project said.

'Difficulties during the mechanical commissioning caused the delay,' one source told Reuters. The plant was last scheduled to come online in June, after several delays from the initial schedule to start in the first quarter of 2008.

### [The Dark Side of Climate Change: It's Already Too Late, Cap and Trade Is a Scam, and Only the Few Will Survive](#)

Father of the Gaia Theory, James Lovelock says we can't stop climate change, but that humanity will continue in some smaller form.

### [Turkey Loses \\$630 Million Dam Financing on Flood Plan](#)

(Bloomberg) -- Turkey lost European financing for a hydroelectric plant on the Tigris River after failing to offer environmental protections such as relocating antiquities from the Middle Ages that will be flooded by the dam.

### [GCC likely to pump \\$200bn into renewable energy plans](#)

The choice of the UAE as the location of the International Renewable Energy Agency (Irena) will provide a strong push to efforts by Gulf and other Arab countries to develop such resources, said officials and analysts.

Although Gulf countries have the biggest conventional hydrocarbon resources, they need to develop other sources to meet a steady growth in domestic consumption and save those resources for future generations.

### [Nuclear Output Little Changed: Hope Creek in New Jersey Slowed](#)

(Bloomberg) -- Nuclear output was steady today as the Hope Creek reactor in New Jersey slowed to 85 percent from full capacity yesterday and the Millstone reactor in Connecticut remained shut.

Output from U.S. nuclear plants decreased by 172 megawatts, or 0.2 percent, to 97,962 megawatts today from 98,134 early July 6, according to a report from the U.S. Nuclear Regulatory Commission. The total represents 98 percent of U.S. capacity. Two reactors are offline, according to the commission.

### [Vattenfall's Krümmel Reactor Won't Start for Months](#)

(Bloomberg) -- Vattenfall AB, the Nordic region's biggest utility, said its Krümmel nuclear reactor in Germany won't start for "several months" and that the plant's head resigned.

Vattenfall will replace the 1,346-megawatt facility's two transformers, the Stockholm-based company said today in an e-mailed statement. Hans-Dieter Lucht, the head of the plant near Hamburg, resigned after two automatic halts this month.

### [MDU to Join ITC on Green Power Transmission Project](#)

(Bloomberg) -- MDU Resources Group Inc., the largest company in the Dakotas, said it will join with ITC Holdings Corp. in developing the Green Power Express, a transmission project that will link wind farms in the U.S. Plains to cities.

The transmission lines will run about 3,000 miles (4,827 kilometers) through North Dakota, South Dakota, Iowa, Wisconsin, Minnesota, Illinois and Indiana, MDU said today in a statement. MDU, based in Bismarck, North Dakota, said the Green Power Express will carry as much as 12,000 megawatts. One megawatt can power about 800 average U.S. homes, according to the Energy Department in Washington.

### [Richard Heinberg: Peak Oil Day - July 11](#)

Maybe it's a stretch to say that the production peak occurred at one identifiable moment, but attributing it to the day oil prices reached their high-water mark may be a useful way of fixing the event in our minds. So I suggest that we remember July 11, 2008 as Peak Oil Day.

We are now approaching the first-year anniversary of Peak Oil Day. Where are we now? The global economy is in tatters, yet oil prices have recovered somewhat (they're now about half what they were in July 2008). World energy consumption is down, world trade is down, the airline industry is shrinking, and most of the world's automakers are on life support.

It is too late to prepare for Peak Oil—a year too late, in fact. Now the name of the game is adaptation. We are in an entirely new economic environment, in which old assumptions about the inevitability of perpetual growth, and the usefulness of leveraging investments based on expectations of future growth, are crashing in flames. Even if economic activity picks up somewhat, this will occur in the context of an economy significantly smaller than the one that existed in July 2008, and energy scarcity will quickly cause most green shoots to wither.

### [Oil, Gas Market Speculation May Face Restrictions by U.S. CFTC](#)

(Bloomberg) -- U.S. regulators say they may clamp down on oil and gas price speculators by limiting the holdings of energy futures traders, including index and exchange-traded funds.

The Commodity Futures Trading Commission will hold hearings to explore the need for government-imposed restrictions on speculative trading in oil, gas and other energy markets, Chairman Gary Gensler said today in a statement. The agency didn't say when the hearings would start or who would be asked to testify.



## [\\$20 Oil Is On The Table Again: Can Obama Pull The Israeli Rabbit Trick?](#)

The bears are out again and there is talk of \$20 oil; the logic is:

- All the oil stored up in super-tankers will flood the market.
- World GDP growth is low and perhaps getting lower or at least not likely to rocket any time in the immediate future.

But much of the oil stored in tankers was bought against futures contracts so it's sold waiting delivery. That was a nice little win-win situation for anyone who could buy oil when the current price was a lot less than what you could sell futures for. But don't expect the tooth fairy to touch you on the shoulder twice in a row; sure there may be a trading opportunity when that unfolds, and maybe not, it will all depend on the "discipline" of OPEC, and if you are a betting man on that sort of thing, well place your bets!

## [Oil Prices: Demand, What Demand?](#)

Crude oil slud, as Dizzy Dean might have said, to \$64 a barrel, continuing a dismal run for oil and underscoring just how uncertain the global economic outlook really is.

But here's the thing: Even a modest economic recovery might not do the trick. Demand for oil cratered after last year's spike in prices, and could go walkabout for years to come. Crude futures closed down 4% today to \$64.05.

## [Lock 'n load](#)

Today's deflationary environment will ultimately be replaced by inflation. You'll have no trouble recognizing this when oil hits \$150, a litre of gas is a buck and a half, food prices are going nuts and mortgage rates are rising monthly.

But this will not make us Argentina. Instead of hyper-inflation which wildly inflates wages, salaries, prices and asset values at the same time, this is the kind that just sees prices go up, while your income doesn't. There are many sound economic reasons for my saying this. I'll explain over a few scotches some time.

This inflation will also not escalate house values. Not by enough to compensate for your lost net worth, anyway. The main reasons will be stagnant family incomes, the debilitating effect of energy prices and rising mortgage costs.

## [Schork Oil Outlook: The Fear Trade](#)

Apropos the current strength in the market, the common refrain amongst traders and

analysts interviewed on these shows goes something like this... I don't believe in this market's strength, but I want to participate while it lasts.

Got that? Traders are so desperate that they are now buying, not on fundamentals, but rather on fear of missing out before this market heads back into the toilet.

### [Repsol Says Global Oil Reserves Will Cover 40 Years of Needs](#)

(Bloomberg) -- Repsol YPF SA, Spain's biggest oil producer, said existing global oil reserves will meet supply needs for 40 years while gas reserves will last for 60 years.

New areas of exploration such as offshore blocks in Brazil and Siberia will add to future reserves, Nemesio Fernandez Cuesta, general director of upstream at Madrid-based Repsol, said today at a conference in the Spanish capital.

### [Nigeria Rebel Attacks Shut 589,000 Barrels of Oil, Trust Says](#)

(Bloomberg) -- Armed militants targeting Nigeria's oil industry shut 589,000 barrels of crude a day in two months, Daily Trust reported, citing Mohammed Barkindo, head of the Nigerian National Petroleum Corp.

The losses resulted from more than 12 attacks carried out between May and June, Barkindo told oil and gas workers at a meeting in the capital, Abuja, according to the report.

### [Is Nigeria Still a Relevant Issue for Oil?](#)

At the end of June, the oil market got something it hadn't had in a while: news of actual, real-life supply shock. After months of declining demand reports and inventories that are quite robust, the unrest in Nigeria gave people something bullish (admittedly not happy) to add to their buy/sell equations.

### [PDVSA Sells \\$1.42 Billion of Bonds, Less Than Planned](#)

(Bloomberg) -- Venezuelan state oil company Petroleos de Venezuela SA issued \$1.42 billion of bonds in the local market, less than half the \$3 billion it planned to sell.

### [China eyes \\$14.5-billion bid for Repsol stake](#)

China National Petroleum Corp. (CNPC), the country's largest oil company, could pay up



to \$14.5-billion (U.S.) for 75 per cent of Spanish oil major Repsol's REP-N Argentine unit YPF, sources said on Tuesday.

### [Russia's Gazprom confirms Naftogaz payment for June gas volumes](#)

Moscow (Platts) - Russia's Gazprom confirmed Tuesday it received payment from Ukraine's Naftogaz Ukrayiny for gas supplied in June.

"Naftogaz has paid in full for June gas supplies," Gazprom official spokesman Sergei Kupriyanov said Tuesday in a statement.

### [Oman Seeks to Produce 804,000 Barrels a Day of Oil by Year End](#)

(Bloomberg) -- Oman, the largest Gulf Arab oil producer that isn't a member of OPEC, seeks to produce 804,000 barrels of oil a day by the end of the year, its economy minister said.

### [Chinese oil firms may bid for Iraqi oil fields](#)

BEIJING (AFP) – China's three largest oil companies may take part in Iraq's second auction of oil and gas fields, as the Asian giant seeks to strengthen its foothold in the oil-rich nation, state media said.

### [Iraqi oil revenues up in second quarter](#)

Iraq says its oil revenues rose by more than 45 percent in the second three months of the year compared with the first quarter.

Oil Ministry figures released Tuesday showed that second-quarter revenue was about \$9.57 billion, up from \$6.57 billion in the first quarter.

### [Russia subsoil law up for discussion](#)

US oil major ExxonMobil is looking to clinch new deals in Russia but sees the country's subsoil law, which limits foreigners' access to strategic fields, as the main obstacle, an executive said today.

### [China to slap curfew on riot-torn city](#)

Xinjiang has long been a hotbed of ethnic tensions, fostered by a yawning economic gap

between Uighurs and Han Chinese, government controls on religion and culture and an influx of Han Chinese migrants who now are the majority in most key cities.

Beijing has poured cash into exploiting Xinjiang's rich oil and gas deposits and consolidating its hold on a strategically vital frontierland that borders Pakistan, Afghanistan and Central Asia, but Uighurs say migrant Han are the main beneficiaries.

### [India: Govt may end fuel price curbs; cuts natgas tax](#)

NEW DELHI (Reuters) – India, Asia's third-largest oil consumer, outlined plans in Monday's national budget to pull domestic fuel rates into line with global prices and waived tax on natural gas production to spur investment in exploration.

Finance Minister Pranab Mukherjee said the government would form an expert group to decide on a viable fuel pricing system in an announcement just days after India hiked petrol and diesel prices by as much as 10 percent after a recent rally in global crude prices.

### [GM product chief says no delay for plug-in SUV](#)

DETROIT (Reuters) - General Motors is on track to launch a plug-in sport-utility vehicle in 2011 despite scrapping its Saturn brand as part of a sweeping reorganization in bankruptcy, according to the automaker's product chief.

"I can tell you that I won't lose one day in terms of customers being able to walk into dealerships and actually purchase a plug-in," GM Vice Chairman Tom Stephens said in an interview.

### [Pure Energy Launches - First National Radio Program Dedicated to the Business of Renewable Energy](#)

MIAMI /PRNewswire/ -- Pure Energy, the first national radio show dedicated to the business of renewable energy, is launching from the Miami studios of 880 The Biz (WZAB) on Monday, July 13, 2009 at 6:00 p.m. EDT. Pure Energy is hosted by noted energy expert Sean O'Hanlon, who is also the Executive Director of the American Biofuels Council (ABC). Guests for the premier show include renowned engineer and author Dr. Robert Zubrin as well as worldwide peak oil expert and author of nine books including "Peak Everything," Richard Heinberg.

"With oil prices heading back over \$70/bbl, and set to go higher, it could not be more urgent for America to take immediate action to break free of the stranglehold of the oil cartel," said Zubrin, author of "Energy Victory". The U.S. congress could effectively destroy OPEC with the stroke of a pen simply by passing a law requiring that all new cars sold in the U.S. be flex fueled. Such a law would make flex fuel the international

standard and would thereby create fuel choice all around the world."

### [Carbon vs Cap and Trade - taxes that will never go away](#)

All that talk to get us away from oil is partly a ruse. Sure, we need to get off of oil, but "peak oil" doesn't mean no oil at all, like we're dry. Besides, there are plenty of ways to transform our country without taxation. How about giving people a tax break? Why not be positive, but government-revenue neutral? That won't happen, and here's why.

Whether we have a straight Carbon Tax or a Cap and Trade, process especially reflects a political end game, a massive scheme in socio-economic engineering that makes automotive technology look like a grade-school science project. The project really started when the green heads kidnapped the ultra-liberal wing of government to advance their fears of climate change, aside from the fact the planet has seen multiple climate changes long before man ever walked the earth.

### [Transition Town timeline - a vision of hope](#)

The Transition Town movement has produced a year-by-year timeline to lead us to a happier, healthier society. Shaun Chamberlin outlines this vision - beginning with a landmark 2010 climate change accord.

### [Incandescent Bulbs Return to the Cutting Edge](#)

SANTA ROSA, Calif. — When Congress passed a new energy law two years ago, obituaries were written for the incandescent light bulb. The law set tough efficiency standards, due to take effect in 2012, that no traditional incandescent bulb on the market could meet, and a century-old technology that helped create the modern world seemed to be doomed.

But as it turns out, the obituaries were premature.

Researchers across the country have been racing to breathe new life into Thomas Edison's light bulb, a pursuit that accelerated with the new legislation. Amid that footrace, one company is already marketing limited quantities of incandescent bulbs that meet the 2012 standard, and researchers are promising a wave of innovative products in the next few years.

### [China's first of 7 mega wind farms ready to start rolling](#)

China will start constructing a 10-gW wind farm in Jiuquan, Gansu province on Friday, the first in a batch of similar mega wind power projects the country has planned for over

the next few years to increase the share of clean energy sources in its power consumption mix.

### [ADB backs China wind farm project](#)

MANILA (AFP) – The Asian Development Bank is helping to finance a pioneering private-sector wind farm in China's Inner Mongolia that will help the fast-growing nation fight climate change, officials said.

The Manila-based ADB is lending about 24 million dollars towards the overall cost of 73 million dollars for the facility, China's first wind farm to be built as a joint venture between Chinese and Japanese companies.

### [Hybrid Solar Cells Shine](#)

As the race to create clean, renewable power heats up, the solar industry is focusing on a technology in hopes of producing utility-scale energy.

Concentrating photovoltaic (CPV) solar power -- which marries traditional solar photovoltaic technology to large-scale concentrated solar power plants -- could ramp up utility-scale solar production, advocates say, especially in niche markets. But as with all developing technologies, the effort faces significant hurdles.

### [Coal Industry Sees Life or Death in Senate Climate Debate](#)

When people in the coal business talk about "the valley of death," they are referring to a grim place not located near any mine. It is an economic chasm that the industry fears awaits it if the Senate approves climate legislation similar to what passed the House.

### [India Says Developed Nations Are Responsible for Climate Change](#)

(Bloomberg) -- Developed countries must bear "historic responsibility" for industrial emissions of greenhouse gases they have produced, India's Prime Minister Manmohan Singh said ahead of climate change talks this week.

"What we are witnessing today is the consequence of over two centuries of industrial activity and high consumption lifestyles in the developed world," Singh said in a statement in New Delhi today before leaving for the Group of Eight summit in Italy. "It is the developing countries that are the worst affected by climate change."

### [World's rich targeted in new model for carbon cuts](#)

(CNN) -- Researchers in the U.S. have proposed a new way of allocating responsibility for carbon emissions they say could solve the impasse between developed and developing countries.

The method sets national targets for reducing carbon emissions based on the number of high-income earners in each country, following the theory that people who earn more generate more CO<sub>2</sub>.

### [How the US Is Blocking Progress on Climate Change](#)

As the predictions for global warming get more and more alarming, talks on a worldwide climate treaty have stalled --largely due to the United States. The G-8 summit in L'Aquila, which begins Wednesday, is likely to generate little more than the usual platitudes.

### [A new take on Kyoto](#)

Obama's fear is the US will be unable to cut fast enough. And if it fails, US taxpayers could have to pay for a billion tonnes of carbon credits. At \$20 per tonne of CO<sub>2</sub>, that would add up to serious money. But with a large forced buyer like the US, the carbon price could soar. Just how high, no one knows. Obama is understandably reluctant to take on such a huge open-ended commitment – one which could prove highly unpopular with electors demanding spending on health, education and pensions.

Can Obama find a way out? Yes he can! He should ditch the whole system of national emissions targets and move instead to a genuinely global system for regulating emissions. It sounds revolutionary, and it is. But a proposal along these lines could garner widespread international support. The talks leading up to the Copenhagen climate conference in December are stuck. Governments are all reluctant to take on ambitious targets – because doing so could cost their taxpayers dear, and because they fear competitive disadvantage compared to countries with weaker targets.

### ['The Greenland Ice Sheet Is an Awakening Giant'](#)

The Greenland ice sheet is, like some regions in Antarctica, an awakening giant. In the coming centuries it will add significantly to the global sea-level rise. It matters to a huge number of people around the globe, as there are definitely regions that are very sensitive to even the slightest changes in the global sea level. People in the Indian Ocean island nation of the Maldives, for example, are already worried right now.



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