



DrumBeat: July 20, 2009

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Topic: [Miscellaneous](#)

[Game changers spell end for old petroleum age](#)

Every few years, the engineers toiling to supply energy to the world achieve advances that qualify as game changers. But often, the breakthroughs go unnoticed.

That may be because energy companies hate to broadcast details of their cutting-edge technology to rival firms. Or the key improvements may be too subtle to impress outsiders.

It is only years later that their profound impact on energy supplies and patterns of use become clear.

[Peter Tertzakian: Uncertainty good for oil market?](#)

Oil markets are still in a tug-of-war. Pulling one way on the rope, with thumbs down (if that's physically possible), are the bears arguing that oil will yet meet with \$20/B. Pundits pulling with thumbs up suggest between \$80/B and \$100/B by year-end.

Passive observers and confused investors who haven't decided which team to back are excused from feeling disconcerted by the divergent views. The lack of consensus these days implies that nobody knows what's going on with oil markets. However, the discord is arguably healthy and could serve to maintain a stable market in the \$60/B to \$90/B range for quite a while, which is in the interests of all.

[Goodnight, moon travel](#)

Humanity has only two paths forward. We voluntarily switch to a low-carbon economy over the next two decades, or the reality of catastrophic climate change and peak oil forces us to desperately start doing so by the end of the 2020s. The only difference between the two paths is that the first one spares our children and grandchildren, and their children and grandchildren, untold misery. It creates a sustainable future where activities like manned space travel can be contemplated again.

The Apollo program was a major science and engineering effort to develop and, most

important, deploy a variety of technologies to achieve a very difficult mission -- like climate action. But the comparison between the two only goes so far.

Peer to Peer Economies

There are two possible ways that this scenario could be derailed. The first is that failure by the Obama administration to structurally reform the system and break the power of the predatory financial caste so impoverishes the possibilities of the state that no means are left for implementing social policies, leading to global dislocation, and a turning by humanity towards resilient communities, using p2p-inspired models on a local scale. The second potential derailment refers to the combined effects of the structural problems of capitalism as a system, and not just to its long cycles. In this scenario, the accelerating problems involved in climate change, peak oil and resource depletion become too severe and do not allow for the generation of a new expansion phase. This element alone, which can be combined with the first one, would also lead to global dislocation, and to the resilient communities scenario, involving a 'low road' to peer to peer, in a context of immense social pain.

The rebirth of Slow Food UK

Slow Food UK's recent rebirth is as practical as it is ideological. Practically speaking, its new headquarters, moved from hard-to-reach Ludlow into central London's Covent Garden early this year will help raise its public profile, and enable it to better reach out to the media, government and other food policy makers, 'none of whom had heard of Slow Food,' says Catherine, a forthright American formerly with the United Nations.

Ideologically, Slow Food UK needs a strategy to make it appeal, 'to the truck driver as much as to the landed gentry,' Catherine says, 'I want to see the same thing that's happened in Italy happen here.'

The end is near

IT USED TO BE that apocalyptic warnings about the approaching end of time came from sign-holding religious nutcases. Now they come from hard scientists. Most discussion of the threat of global warming is conducted in measured tones, with even dire projections offered with the necessary proviso that the future is uncertain. But as governments fail to act strenuously enough against the villainous carbon emissions, and as the broad public continues in a state of environmental quietude, if not indifference, scientific voices are sharpening the alarm.

Steve LeVine: Exxon, the Chase for Reserves, and the Oil Sands

Talking to corporate analysts over the several years that I've been back in the U.S. and

covering oil, a recurring question I hear is how Exxon manages year after year without exception -- unlike its Big Oil rivals -- to replenish its cache of proven oil and natural gas reserves. That's what the company has reported in its news releases and annual reports for the last nine years -- an unbroken trajectory of replacing more than 100% of the oil and natural gas that it pumps out of the ground.

The answer is that it hasn't done so, not at least according to the rules of the Securities and Exchange Commission, which governs such matters.

[Commentary: Interview with Marshall Adkins](#)

Marshall Adkins is the Houston-based Managing Director of Energy Research for Raymond James & Associates, a full-service investment firm. ASPO-USA's Steve Andrews caught up with him last week to follow up on his pivotal May 4, 2009 "Energy Stat of the Week"--Peak Oil in the Rearview Mirror: Why We Think Global Oil Production Peaked Over a Year Ago."

Andrews: At our conference in Houston in October 2007, you responded to our question "when will world oil peak" by saying "between now and 2012." Clearly you saw this coming. So it appears to have happened.

Adkins: It's still a tad early to be certain, but if you include natural gas liquids--and some people will argue that that's not crude--our numbers show that the peak was in 2008.

[A Preliminary Investigation of Energy Return on Energy Investment for Global Oil and Gas Production](#)

Economies are fueled by energy produced in excess of the amount required to drive the energy production process. Therefore any successful society's energy resources must be both abundant and exploitable with a high ratio of energy return on energy invested (EROI). Unfortunately most of the data kept on costs of oil and gas operations are in monetary, not energy, terms. Fortunately we can convert monetary values into approximate energy values by deriving energy intensities for monetary transactions from those few nations that keep both sets of data. We provide a preliminary assessment of EROI for the world's most important fuels, oil and gas, based on time series of global production and estimates of energy inputs derived from monetary expenditures for all publicly traded oil and gas companies and estimates of energy intensities of those expenditures. We estimate that EROI at the wellhead was roughly 26:1 in 1992, increased to 35:1 in 1999, and then decreased to 18:1 in 2006. These trends imply that global supplies of petroleum available to do economic work are considerably less than estimates of gross reserves and that EROI is declining over time and with increased annual drilling levels. Our global estimates of EROI have a pattern similar to, but somewhat higher than, the United States, which has better data on energy costs but a more depleted resource base.

The Consequences of Government Intrusion into Prices

Where price is especially sensitive is in the realm of essentials, such as food and fuel. If there's a shortage of an essential, its price immediately soars -- unless the government intrudes. Government can stop upward spirals in the price of essentials with price controls and price gouging laws. But such measures can cause supply to run out even sooner or drive sales underground.

Iran's envoy rejects news on Iraq's seizure of oil well

TEHRAN (ISNA)-Iran's ambassador to Iraq Hassan Kazemi Qomi rejected news on Iraq's seizure of an Iran-Iraq joint oil well in Iran's Dehloran border region.

In an interview with Iranian Students News Agency (ISNA), Kazemi Qomi said no oil well was occupied and the problem was resolved.

Iran to Cut Crude Exports

LONDON (IranMania) - Iranian Oil Minister Gholam Hossein Nozari announced that the country aims to reduce its crude oil exports as a way to hike export of other oil products, terming it the strategy of the Islamic Republic Fars News Agency reported.

Deluge, power outage torment Karachi

KARACHI: A massive power breakdown in the country's premier commercial and industrial hub, of 12 to 24 hours in some parts of the city, compounded the misery of the people already suffering a near-disaster after Saturday's downpour which flooded residential areas, including the posh localities of Clifton and Defence Society.

Protesters took to the streets on Sunday to vent their anger against the Karachi Electric Supply Company, blocking roads, burning tyres and damaging a department store. A child was reportedly killed during a protest outside the KESC complaint centre in North Nazimabad's Hayderi locality late in the night, as reports were coming in of the protests spreading to other areas of the city.

Gas from Iran to help save \$5m a day

ISLAMABAD: Pakistan will save around \$5 million a day if gas imported through a pipeline from Iran is used to generate electricity in place of furnace oil, Prime Minister's Adviser on Petroleum Dr Asim Hussain said on Sunday.

Addressing a press conference, he said Pakistan already facing an energy crisis was

heading for a severe gas shortage and it would have to import gas.

He rejected a perception that Pakistan would be importing gas from Iran at a very high price and said the pipeline would help it to reduce consumption of furnace oil, the key fuel for power generation in the country.

MP's biggest thermal power station in fuel crisis

Madhya Pradesh's biggest Birsinghpur based 1340 Mega Watt (Mw) thermal power generation station is facing fuel crisis with a coal stock of just 10,000 metric tonnes (MT) to generate power against its daily need of around 15,000-16,000 MT if plant functions at its full capacity.

"We are in a crisis and are in constant touch with South Eastern Coalfield (SECL) for fuel supply to Sanjay Gandhi Thermal Power Station at Birsinghpur in Umaria district," MP Power Generating Company (MPPGCL) CMD RB Agrawal said.

Rangoon Electricity Cut to Six Hours a Day

RANGOON — Residents in Rangoon have greeted with dismay an announcement by the state-owned Myanmar Electric Power Enterprise (MEPE) saying electrical power will be rationed to six hours a day.

The power supply to Rangoon's townships will be distributed on a rotation basis, said an MEPE announcement.

Thailand: Carbon credits could subsidise mass transit

Gas Management Organisation (TGO), said the Office of Transport and Traffic Policy and Planning (OTTTP) and Expressway Authority of Thailand (EXAT) were studying which types of transportation projects could be claimed as CDM projects and sell the carbon credits.

"When the tickets are cheaper, the passengers may shift from driving to travelling by mass transit, which will result in fewer cars on the road and fewer greenhouse-gas emissions as well," he explained.

Waste storage is dark cloud over nuclear power industry

But here are some of the critical points about the dangers of reprocessing and why it's not the way to go as a waste disposal solution. To "reprocess" spent fuel, different

elements like plutonium, are separated so they can be used in new fuel. The problem is, separated plutonium can be readily used to make nuclear bombs.

[Oil Refiner Margins Poised to Rise as Shuttered Plants Increase](#)

(Bloomberg) -- Refiners from Germany to Hawaii are weighing plans to shut or sell plants amid the biggest drop in oil demand in almost three decades.

Petroplus Holdings AG told workers in Teesside, northern England, their jobs are at risk. Royal Dutch Shell Plc may sell or close two plants in Germany and another in Montreal. Total SA will dismantle 25 percent of France's biggest refinery. Chevron Corp. is reviewing its Hawaii plant. Within five years, about 25 percent of capacity in North America and 30 percent of Europe's will be idled, the International Energy Agency says.

[Looks Like Oil Production Already Peaked](#)

The following graph shows that the spike in West Texas Intermediate Oil of \$147 per barrel may have signaled that global oil production has already hit its peak.

[Oil Shares at Deepest Discount Signal Recession's End](#)

(Bloomberg) -- The cheapest valuations in at least 14 years are making oil companies too alluring to pass up for UBS AG and Guggenheim Partners LLC, even though earnings in the industry may fall 48 percent this year.

Oil and gas producers in the MSCI World Index traded at \$7.84 per dollar of profit this month, less than half the average of \$17.10 in the gauge of developed markets and the widest gap since at least 1995, data compiled by Bloomberg show. UBS, Guggenheim and Cohen & Steers Inc. are buying stocks from Exxon Mobil Corp. to Transocean Ltd. because an economic rebound will lift the industry after it generated at least 50 percent more profits than any other group in the past year.

[Exxon Mobil Given Until July 31 to Answer Texas Sabotage Claim](#)

(Bloomberg) -- Exxon Mobil Corp., the largest U.S. oil company, has less than two weeks to respond to claims by the Texas General Land Office that the company sabotaged wells to prevent other producers from tapping fields it no longer wanted.

The Texas Railroad Commission, which regulates drilling in the nation's biggest oil-producing state, won't take action on allegations of an early 1990s program of plugging abandoned wells with trash, sludge, cement and explosives until August at the earliest, the agency said in a letter to Exxon Mobil. The commission provided a copy of the letter, dated July 17 and sent to Exxon Mobil lawyer W. Timothy George, to Bloomberg News.

[Questioning the direction of transportation policy](#)

So why would the United States continue to justify sinking billions of dollars into building cars and roads when we cannot fund the existing system or significantly reduce carbon emissions and lost time? We should be asking: Are we strategically building the right transportation future and are cars, green or not, the right mode of transportation for that future? Or more specifically, should the country more aggressively retool and pursue a national passenger rail system?

[Monbiot: A kneejerk rejection of nuclear power is not an option](#)

Support of nuclear power will no doubt provoke hostile responses, but we have a duty to be as realistic as possible about how we might best prevent runaway climate change.

[Analysis: Fish and energy needs clash in Midwest](#)

JEFFERSON CITY, Mo. — Thousands of electric customers in several central U.S. states could be on the hook for the cost of improved trout fishing in northern Arkansas.

That's the assertion, at least, of a regional electric company and some utility regulators who are waging a behind-the-scenes battle with the federal government over the financial effect of a plan that would reduce the hydropower capacity of several dams.

[Greenland shark may become new source of biofuel](#)

SISIMIUT, Greenland — The Greenland shark, one of the largest species of sharks, is a nuisance to fishermen and its meat is toxic to humans, but researchers now hope the flesh can be used to create a biofuel for Inuits.

[The Great Himalayan Watershed: Agrarian Crisis, Mega-Dams and the Environment](#)

Since we tend to take water for granted, it is almost always a bad sign when it is in the news; and lately there has been all too much water-related news from some of Asia's most populous nations. The stories have ranged from the distressingly familiar—suicides of drought-hit Indian farmers—to the surprising: evidence that pressure from water in the reservoir behind the new Zipingpu dam may have triggered the massive Sichuan earthquake in May 2008, for example. Meanwhile glaciers, which almost never used to make the news, are now generating plenty of worrisome headlines.

[Apocalypse Ciao: Let the End Times Roll](#)

Hardcore collapsitarians, these writers purport, agitate for total economic downfall and universal joblessness; they scoff at mere predictions of catastrophe and apotheosis, demanding their doom, ashes, and phoenix-rise right away. They'd like to see the dilapidated systems of America's beleaguered economy—finance, for one, but also retail—burn to the ground so that something new, brighter, and more durable might appear. These old ways, they contend, will self-destruct because of intrinsic design flaws, particularly the creaky command-and-control structures of the pre-Internet era. At lunch, Becker name-checked *All That Is Solid Melts Into Air*, Marshall Berman's modernist critique.

To its adherents, collapsitarianism suggests a giddy liberation from hope, from futile shoring up of ailing economies like Detroit's and the Sunbelt's, from bailouts and stimulus plans and climate change and toxic-asset recovery. On board are said to be Luddites, anarchists, survivalists, green types who see collapse as our comeuppance, critics of American exceptionalism, and even financial-sector employees who just want it all over already.

[Green Economics and how it might work](#)

In times of the global economic recession and ecological crisis, it is obvious a radical response is needed. World-renowned economist Herman Daly maintains the future of human civilisation is dependent on a new economic model, based on a dynamic model—known as the steady state economy—preserving the environment we are all dependent upon.

There needs to be a shift away from the current paradigm of the growth economy towards a system that emphasises conserving natural capital and views the economy as a subset of the environment. Neoclassical economics has ignored the environment. The current system views environment and economy as intertwined. Any environmental problem can be solved by the market or by governmental interference.

[Oil Rises to Two-Week High as Chinese Refiners Signal Rebound](#)

(Bloomberg) -- Crude oil rose to its highest in nearly two weeks, buoyed by equity markets and signs that energy demand in China is rebounding.

Oil advanced for a fourth day as European and Asian stock markets gained, led by commodity and technology shares. Refiners in China, the world's second-largest oil user, raised their operating rates for an eighth week to 85.1 percent on July 16, said CBI China, a Shanghai-based commodities researcher.

[Global warming to open up north-east Arctic tanker route](#)

A new "north-east passage" for shipping around Russia's Arctic coast and across the North Pole will be opened within a decade as global warming causes the ice cap to melt, Norway's foreign minister has predicted.

Jonas Gahr Store, speaking at a recent public lecture in Edinburgh, said the route through previously inaccessible Russian waters, could cut tanker journey times between Rotterdam in the Netherlands and Yokohama in Japan by 40%, and provide a safer and "pirate-free" route for trans-global shipping.

[Russia abolishes oil export duty for East Siberia](#)

MOSCOW (Reuters) - Russia's government last week introduced long-awaited zero export duty -- though only for nine months -- for 13 huge oilfields in Eastern Siberia in a bid to help crisis-stricken oil companies and boost crude production. Massive reserves of the East Siberia's new generation of fields are seen as a resource base for Russian oil supplies to energy-hungry China.

Russia, the world's second-largest oil exporter after Saudi Arabia, in April brokered a deal to ship 300 million tonnes of oil over 20 years to China by a pipeline starting from 2012.

[Russia Gazprom may place 10-yr Eurobond - sources](#)

MOSCOW (Reuters) - Russia's gas export monopoly, Gazprom may place 10 year eurobond, possibly in two tranches of \$1.5 billion and 350 million euros (\$496 million), banking and trading sources told Reuters on Monday.

"There is talk about a 10 year deal in the 9.75-10.00 percent area," the trading source told Reuters.

[Ruble Jumps Most in Five Months, Russia Stocks Rally on \\$64 Oil](#)

(Bloomberg) -- The ruble gained the most versus the dollar since February and stocks rallied as oil, Russia's chief export, climbed above \$64.

The currency strengthened as much as 2 percent to 31.1612 per dollar, headed for its steepest advance since Feb. 11. The surge made the ruble the best performer among 26 emerging-market currencies. OAO Gazprom, the world's biggest natural-gas producer, and OAO GMK Norilsk Nickel, Russia's largest mining company, led the 30-stock Micex Index to the highest level in almost three weeks.

[US, Venezuela tensions rise over Honduras crisis](#)

Leftist Venezuelan President Hugo Chavez has ratcheted up his anti-US rhetoric three weeks into the Honduran crisis, dampening hopes for rapprochement between oil trading partners who have been bitter diplomatic rivals. Chavez initially blamed Washington for the June 28 ouster of his leftist ally, Honduran President Manuel Zelaya, but then toned down his noisy campaign to demonize the United States in Latin America, as US President Barack Obama was praised for his quick actions to condemn the military coup.

['No compromise' over Kirkuk, Iraq Kurd leader vows](#)

SULAIMANIYAH, Iraq, July 20, 2009 (AFP) – The president of Iraq's autonomous Kurdish region, Massud Barzani, insisted he will not "compromise" on long-standing Kurdish claims to the oil-rich province of Kirkuk, in a speech late on Sunday.

"We are committed to the application of Article 140 (of the Iraqi constitution) and we promise that we will absolutely not compromise on this issue or on the rights of the people of Kurdistan," Barzani said at a campaign rally ahead of Kurdish regional elections on Saturday.

Article 140 of the Iraqi constitution calls for a referendum to decide the fate of Kirkuk, which the Kurds have long wanted to make the capital of their autonomous region in the north, an aim strongly opposed by the province's Arab and Turkmen communities.

[Highways need to be viable for future](#)

Newspapers across Mississippi headlined a story that did not surprise public officials and civic leaders who keep up with the costs of highway transportation: Mississippi's gasoline tax revenue isn't adequate for the demand for maintenance and construction costs.

[Ontario plugged in to the reality of electric cars](#)

Do nothing and be blamed for letting an industry wither. Do something and be accused of picking favourites and playing fast and loose with taxpayers' dollars.

The McGuinty government decided to do *something* last week when it announced it would offer rebates up to \$10,000, beginning next July, to anyone who purchases a plug-in hybrid or all-electric car. These car buyers would also be given special access to high-occupancy vehicle lanes and parking lots at GO Transit stations.

[Tuvalu turns to solar energy - against rising seas](#)

With a highest point 4.5 metres above sea level, the Pacific island state of Tuvalu plans to shift to generate all electricity from renewable energies by 2020, hoping to push other countries to follow suit to fight global warming.

[Slimming good for the environment, says study](#)

Staying slim is as important for the planet's health as for our own, a new report reveals. Countries with normal rates of obesity (3.5%) consume almost 20% less food and produce up to one gigatonne fewer greenhouse gases than a population with a 40% obesity rate, concluded the article published in the *International Journal of Epidemiology* (IJE).

[Fish Getting Smaller as Their Habitats Warm Amid Climate Change](#)

(Bloomberg) -- Fish in French rivers and the Baltic Sea are getting smaller as their habitats warm up, more evidence that climate change is forcing species from bacteria to sheep to adapt to a hotter planet, a new study said.

[Chemicals That Eased One Woe Worsen Another](#)

This is not the funny kind of irony: Scientists say the chemicals that helped solve the last global environmental crisis -- the hole in the ozone layer -- are making the current one worse.

The chemicals, called hydrofluorocarbons (HFCs), were introduced widely in the 1990s to replace ozone-depleting gases used in air conditioners, refrigerators and insulating foam.

They worked: The earth's protective shield seems to be recovering.

But researchers say what's good for ozone is bad for climate change. In the atmosphere, these replacement chemicals act like "super" greenhouse gases, with a heat-trapping power that can be 4,470 times that of carbon dioxide.



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