



Drumbeat: August 12, 2009

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Topic: [Miscellaneous](#)

[Inventories may distort oil prices, IEA says](#)

Oil prices may repeat the swings seen in the first quarter as inventories of the benchmark U.S. West Texas Intermediate rise at a time of the year when they are normally depleted, the International Energy Agency said.

Crude stocks at Cushing, Oklahoma, the delivery point for the New York Mercantile Exchange light sweet oil, registered counter-seasonal gains in July as refinery utilization decreased and imports rose, the IEA said. Stockpiles are at their highest levels since March, at 33.3 million barrels a day as of July 31, the agency said in its monthly report.

Oil prices in the first three months of the year fluctuated between US\$35 and US\$55 a barrel, caused by "periodic bouts of deep contango near expiry as Cushing spare capacity likely eroded," the IEA said in its report. Contango is a price situation in which oil today is worth less than in the future, encouraging supply storage.

[Mexico: Falling oil could greatly worsen recession](#)

MEXICO CITY—Mexico's finance secretary is warning that falling oil production and prices may push the already cash-strapped nation into its worst economic recession in 30 years.

Mexico's state-owned oil company Pemex currently pumps about 2.6 million barrels a day, down from about 2.8 billion a day last year, Finance Secretary Agustin Carstens told a Senate committee Tuesday. Carstens said he expects output to slide to about 2.5 million barrels a day next year.

Mexico is the third-largest oil supplier to the United States but its reserves are drying up, and Petroleos Mexicanos has been slow to explore deep-water deposits.

[When oil becomes too expensive](#)

That oil supplies will run out one day is inevitable. It doesn't grow on trees. And new sources of the black stuff are proving too expensive to extract when each barrel is

trading at less than \$100.

But once we're out of recession, the price of oil can only go one way. Up. A long way up. Such is the premise behind a fascinating book by Canadian economist and energy expert Jeff Rubin.

Economics books can be pretty dry affairs. But not this one. *Why Your World is About to Get a Whole Lot Smaller* is a rollicking account - packed with relentlessly depressing facts and stories - of how the price of oil and the effect of peak oil is going to mould a new world and a new way of life for us all.

[Gas Fund Stops New Offerings on Regulatory Concern](#)

(Bloomberg) -- United States Natural Gas Fund, the world's largest exchange-traded fund in the fuel, will suspend offering new shares on concern that federal regulators will keep it from investing in natural gas.

The Commodity Futures Trading Commission heard testimony in July and August that commodity funds may be distorting energy prices. CFTC Chairman Gary Gensler has said he believes that speculation contributed to a surge in crude oil to a record \$147.27 a barrel. The fund invests in futures and swaps to track the price natural gas.

[Amaranth to Pay \\$7.5 Million to Settle U.S. Charges](#)

(Bloomberg) -- Amaranth Advisors LLC, a hedge fund that collapsed in 2006, will pay \$7.5 million to settle allegations from U.S. regulators that it tried to manipulate natural-gas futures.

[Russia: Bill Gives Priority to Gas Power](#)

The government submitted a bill that would give priority access to the wholesale electricity markets to electricity stations that are fueled by associated gas, the Energy Ministry said Wednesday.

The bill aims to help oil producers, which are obliged by law to utilize an annual 95 percent of their associated gas by 2012.

"The bill will give an incentive to investors to build power stations that use associated gas to produce electricity," the ministry said in an e-mailed response to questions. "And it will also make it more economical for oil companies to refine associated gas."

[Facing loss, Barnwell cuts staff, pay](#)

Barnwell Industries reported a \$3.2 million loss for the third quarter as a result of an accounting change in how it determines the value of its oil and natural gas holdings.

The Honolulu-based company (Amex: BRN) said it lost 39 cents per share in the third quarter ended June 30, compared to earnings of \$3.5 million, or 42 cents per share, during the same period in 2008.

The company also said it was cutting staff, pay and administrative costs.

[Exxon Loses Phase One of New York Groundwater Trial](#)

(Bloomberg) -- Exxon Mobil Corp. lost the first phase of a trial in which New York accused the company of poisoning the city's groundwater, with a jury ruling the city intends to build a plant to treat the water as it says it does.

The trial moved to the second of four phases after today's jury finding. The panel will next decide if the water will be contaminated. Exxon, the biggest U.S. oil company, may face millions of dollars in damages.

[Trade gap widens on high oil prices](#)

WASHINGTON (Reuters) -- The U.S. trade deficit widened in June to \$27 billion, as goods imports increased for the first time in 11 months on the back of higher oil prices, a Commerce Department report said Wednesday.

Analyst surveyed before the report had expected the monthly trade gap to widen to around \$28.5 billion. But stronger foreign demand for U.S. goods and services offset some of the impact of the oil price increase on the deficit.

[Clinton Pledges Help for Niger Delta; Minister Optimistic](#)

(Bloomberg) -- Secretary of State Hillary Clinton pledged U.S. support for Nigeria's efforts to combat militants who have slashed oil production in the Niger Delta, while the country's foreign minister predicted peace would be restored to the region by year's end.

[Apparent paradox: Vietnam running short of coal, but pushing exports](#)

According to calculations by Vinacomin, the sprawling state-controlled 'Vietnam Coal and Minerals Group,' Vietnam will need to import coal to supply domestic power plants beginning in 2013. Demand for coal will rise to 94 million tonnes by 2015. Coal-fired power plants alone will consume 67 million tonnes. Coal production, however, is forecast

to be 60 million tonnes at maximum.

By 2020, Vinacomin expects, Vietnam's demand for coal will reach 184 million tonnes. By then, annual consumption of coal by power plants will be 150 million tonnes, and, according to Vinacomin, domestic coal production will be 70 million tonnes.

[Cameroon's only aluminum smelter stops production](#)

YAOUNDE, Cameroon (MarketWatch) -- Cameroon's lone aluminum smelting firm, the Societe Camerounaise d'Aluminium, or Alucam, stopped production during the past two weeks and isn't certain to restart in the next two weeks, state-run daily newspaper Cameroon Tribune reported Tuesday.

With an annual aluminium output of 90,000 tons, Alucam has merged with world smelting consortium Rio Tinto-Alcan to enable it to increase annual aluminum production to 300,000 metric tons.

But the company, which consumes approximately 50% of the country's total electricity supply, announced earlier this year that it slashed annual aluminum output 40% due to lack of sufficient power supply.

[GM admits Volt doubts](#)

General Motors has cast doubt over the long-term future of the Chevrolet Volt by claiming it may not be commercially viable and other rivals may overtake it with superior and more advanced technology.

GM submitted a regulatory filing report to the US Treasury yesterday and CEO Fritz Henderson claimed its "disclosures are consistent with our commitment to remain transparent and to keep the public informed of our progress".

[Mexico's Peso Declines to the Lowest in a Week on Oil Forecast](#)

(Bloomberg) -- Mexico's peso fell to the lowest level in a week after Finance Minister Agustin Carstens said oil production may fall 4.9 percent next year as the nation faces the greatest "fiscal shock" in 30 years.

[Mexican Drug Gangs Diversify Into Oil](#)

HOUSTON -- Smuggling billions of dollars worth of narcotics across the Rio Grande apparently isn't enough for Mexican cartels. In recent years, they have expanded their activities in kidnapping, extortion, people smuggling and, of all things, petroleum

siphoning.

[When oil talks, the planet suffers](#)

Day 1, for someone on the very banks of the environmental problems, brought few surprises—like learning that Arab officials go to international conventions unprepared and uninterested. And when they do attend in enough numbers and with sufficient resolve, such as in the case of Saudi Arabia, they put forward positions that align them with the wishes of what are called "Annex 1 countries" in environmentalist lingo -- rich countries, to make a long story short. These countries are historically responsible for the amount of carbon released through early industrialization and excess use of fossil fuels.

So why would Saudi Arabia advocate a position of “less restrictions on carbon emissions?”

They are worried that restrictions will reduce the demand for oil, and thus, their revenues. The price for this stance might very well be the extinction of the globe. But hey, who wants to say no to the Saudis?

[Why Corporations, Emerging Powers and Petro-States Are Snapping Up Huge Chunks of Farmland in the Developing World](#)

In the past six months, big players in the global economy have grabbed 50 million acres of arable land, from Africa to Southeast Asia.

Stop me if you think you've heard this one before:

Investment banks, sovereign wealth funds and other barely regulated financial entities in search of fat paydays go on buying binges structurally adjusted to maximize their earnings reports and employee bonuses, while simultaneously screwing their business associates and everyone else in the process. It's all done in near-total secrecy, and by the time everyone finds out about it, they're already in the poorhouse.

That's more or less the playbook for the derivatives and credit-default swaps gold rush that ruined the global economy, which cratered in 2007 and has yet to recuperate.

The bubble money has now moved on from housing and turned to the commodities markets, especially global food production. Given what that money did to the housing market, things don't look good for local communities whose land is being bought up by governments, sovereign wealth and hedge funds, and other investors on the hunt for real value in a hyperreal economy.

[IEA Raises 2009, 2010 Oil Demand Forecasts on China](#)

(Bloomberg) -- The International Energy Agency raised its global oil demand forecasts

for this year and next, citing accelerating industrial activity in China, the world's fastest-growing consumer of crude.

The world will need an average of 85.25 million barrels of oil a day next year, 70,000 barrels a day more than previously estimated, the adviser to 28 nations said in its monthly report today. Demand growth next year at 1.6 percent will be lower than earlier forecasts after the outlook for 2009 was also increased. The agency boosted predictions for supply from outside OPEC.

"There are some signs of life, certainly in the Chinese economy," David Fyfe, head of the IEA's oil industry and markets division, said by telephone from Paris. "But you've got to offset that with what's happening" in developed economies, where industrial activity remains "very sluggish," he said.

[Gasoline Margins Rise as U.S. Refiners Cut Back Production](#)

(Bloomberg) -- Gasoline margins rose as refiners limited production to protect profits.

U.S. refinery utilization is estimated to fall for the fourth week in a row, according to the median of responses in a Bloomberg survey of nine analysts. Use rates dropped 0.1 percentage point to 84.5 percent during the week ended July 31, 2.4 percentage points below a year earlier, the Energy Department said Aug. 5. The department will release its report tomorrow at 10:30 a.m. in Washington.

[Oil drops below \\$69/barrel on demand worries](#)

Oil prices dropped to near \$69 a barrel Wednesday as several organizations said global demand for crude would improve only gradually as economies struggle to emerge from recession.

Benchmark crude for September delivery was down 20 cents to \$69.25 a barrel by noon European electronic trading on the New York Mercantile Exchange. On Tuesday, the contract fell \$1.15 to settle at \$69.45.

[Kuwait foils plan to attack refinery, official says](#)

KUWAIT (Reuters) – Detained members of an al Qaeda-linked group planned to attack Kuwait's Shuaiba oil refinery during the Muslim holy month of Ramadan, a security official said on Wednesday.

[Clinton to Balance Oil Need, Anti-Graft Demands in Nigeria Stop](#)

(Bloomberg) -- Secretary of State Hillary Clinton continues her African journey in Nigeria today where she will seek to improve ties with the largest U.S. oil supplier on the continent while offering to help it tackle corruption.

Clinton arrived in Abuja, Nigeria's capital, late yesterday from the Democratic Republic of Congo, where she urged that government to prevent militias from exploiting mineral wealth to fund their warfare. She stopped earlier in her trip in Kenya, South Africa and Angola, another major African oil producer.

[Shell, Total Yet to Resume Contracted Nigeria Crude Shipments](#)

(Bloomberg) -- Royal Dutch Shell Plc, Europe's largest oil company, and Total SA said they were yet to resume contracted deliveries of oil exports from Nigeria.

Total declared force majeure on shipments of Amenam crude oil on July 13 after a compressor fire. The legal clause, allowing companies to miss export obligations due to circumstances beyond their control, is still in place.

"Currently, there is a limited impact on production," spokeswoman Phenelope Semavoine said today from Paris. She couldn't say when the restrictions will end.

[Chinese crude-oil imports race to record in July](#)

China's crude-oil imports raced to a record in July, up 42% from last year's weak base, while refiners raised output to their highest yet as stimulus measures stoked demand in the world's No. 2 consumer.

Although some of the increased gasoline and diesel production is being sold overseas, or pumped into domestic depots, swelling fuel stocks at home, the raft of data painted a distinctly bullish picture for oil markets that have already doubled since February on hopes of recovering global demand.

[Sinochem Bids \\$875 Million for U.K.'s Emerald Energy](#)

(Bloomberg) -- Sinochem Corp., China's biggest chemicals trader, offered to buy U.K.'s Emerald Energy Plc for 532 million pounds (\$875 million) to add oil and gas drilling operations in Syria and Colombia.

[Repsol Is Said to Favor CNPC Over Cnooc in YPF Sale](#)

(Bloomberg) -- Repsol YPF SA, Spain's largest oil producer, is pursuing talks to sell a stake in its Argentine unit to China National Petroleum Corp. rather than Cnooc Ltd.,

two people familiar with the matter said.

[Poland, Russia unlikely to sign gas deal by Sept](#)

WARSAW (Reuters) - Poland is unlikely to sign a gas deal with Russia during Prime Minister Vladimir Putin's visit to Warsaw at the beginning of September, Polish Economy Minister Waldemar Pawlak said on Wednesday.

A further round of negotiations between Poland and Russia on gas deliveries aimed at securing full supplies from 2010 is set for late August following the failure of talks in July, but this would leave insufficient time to rubber-stamp a potential deal.

[E.ON Raises Full-Year Profit Outlook After Expanding Abroad](#)

(Bloomberg) -- E.ON AG posted higher first-half profit and said 2009 earnings may drop less than anticipated as Germany's biggest utility increased power generation by a fifth after expanding in Italy, France and Spain.

[Hybrid and electric power systems at a glance](#)

Hybrids like Toyota's Prius and plug-in vehicles such as the Chevrolet Volt run on systems other than purely gas-fired engines.

The systems, or powertrains, that drive the so-called greener cars use electricity generated by batteries and electric motors to either supplement or largely take the place of internal-combustion engines.

[Ethanol Limit Must Rise to Ensure Cellulosic Growth, Poet Says](#)

(Bloomberg) -- Development of biofuels not made from corn will halt if the Environmental Protection Agency doesn't raise the amount of ethanol that can be mixed into gasoline for retail sale, the head of Poet LLC said.

The lack of a government decision to raise the "blend wall" to 15 percent from 10.2 percent is the biggest obstacle to biofuels industry development, Jeff Broin, Poet's chief executive officer, said today in an interview. The industry needs to expand sources of supply to ensure financing for new projects, he said. Poet is the biggest U.S. ethanol producer.

[BP signs deal with US firm to develop biofuel production](#)

LONDON (AFP) – British oil giant BP said Tuesday that it has signed a deal with US group Martek Biosciences to further develop biofuel production using sugar.

"BP and Martek Biosciences Corporation today announced the signing of a joint development agreement to work on the production of microbial oils for biofuels applications," the pair said in a statement.

[Beijing to Triple Use of Renewable Energy by 2010](#)

(Bloomberg) -- Beijing, China's second-largest city after Shanghai by population size, plans to triple the use of renewable energy including wind power by 2010 from 2005 to help fight pollution and climate change.

Renewable energy will account for 4 percent of the city's total consumption by next year and 6 percent by 2020, the Beijing Municipal Development and Reform Commission said in a statement handed out to reporters at a briefing today.

[Energy bill requires doubling nuke use](#)

To satisfy House Democrats' low-cost solution to global warming, Americans would have to double their reliance on nuclear energy by 2030 - a target the nuclear industry says is unlikely and that many environmentalists and Democrats dislike.

That is the conclusion of a new Energy Information Administration report that looked at the House Democrats' global warming bill. To produce enough clean energy at a reasonable cost would require construction of dozens of new nuclear power plants, even though no new plant has been built in decades.

[Florida Approves First Nuclear Power Plant in 33 Years](#)

TALLAHASSEE, Florida (ENS) – The Florida Cabinet today approved site certification for Progress Energy Florida's Levy nuclear power plant, the first nuclear facility approved in the state since 1976.

[Chubu Electric May Buy Power After Earthquake Halts Reactors](#)

(Bloomberg) -- Chubu Electric Power Co., which halted its sole functioning nuclear reactors after a 6.5- magnitude earthquake shook Japan yesterday, said it may buy power should demand spike after summer holidays end next week.

The Hamaoka No. 4 and No. 5 units shut automatically when the temblor struck southwest of Tokyo soon after 5 a.m. local time. Chubu, which is checking for damage,

doesn't know when it will be able to restart the units, spokesman Toshimitsu Shibata said by phone from Tokyo today.

[Atlantic Depression May Become a Tropical Storm, Heads West](#)

The Atlantic hurricane season, from June 1 to Nov. 30, has yet to include a system of tropical-storm strength this year. The last time it has taken so long for the season's first storm to develop was in 1984, when a subtropical storm emerged on Aug. 18 and the first named storm formed on Aug. 28. A tropical storm's highest winds are around its core, while a sub-tropical storm can have its strongest winds away from its center.

The depression was located 535 miles west of the southernmost Cape Verde Islands, the center said. The system was heading west at 12 mph, and is forecast to accelerate. Should the current system strengthen into a storm, it'll be named Ana.

[Peak oil changes everything](#)

Hubbert believed a conversion to solar power would replace fossil fuels, but such a conversion, at the massive scales required today, may not be practical.

Unfortunately, simply getting the millions of modules required to support a portion of the country's present electric economy shipped across the planet from where they're made, Japan and China, might not be practical, even if political stability is maintained to allow such trade.

Civilization lived with 100 percent renewable solar energy from the dawn of time until the beginning of the industrial age in 1750. Human population of the planet during that time never exceeded about 500 million people . This was the carrying capacity of a totally solar-powered world.

[Expert calls for culture change](#)

Cultural change takes a long time, and people are "addicted" to oil, he pointed out.

"You have to have a crisis to get anywhere," he said, referring to the auto industry's need for a government bailout in part because consumers want vehicles with higher fuel efficiency.

Hawaii is "the No. 1 poster child for that mistake," with 92 percent of oil imported, Schneider said. "It is completely vulnerable to fluctuations of the world market and the chicanery of supply."

[Supermarket offers and food waste targeted in government's food strategy](#)

Fewer cut-price supermarket gimmicks and other measures to help target food waste are central to a new government food security strategy to maintain UK food supplies for the next 40 years.

The strategy is highly critical of bogof - "buy one get one free" - offers and heavily reduced "loss leader" lines that encourage shoppers to buy food they don't need which eventually ends up in the bin. And it calculates that reducing food waste has the potential to cut carbon emissions equal to taking a fifth of the country's traffic off the roads. It also promotes leaner and healthier diets, along with higher crop yields and a move towards accepting genetically modified crops.

[Local food advocates seek Aoraki links](#)

Building a more sustainable world is the aim of a new partnership in Timaru.

A farmers' market and garden-sharing scheme are visions of Transition Timaru, which has approached Aoraki Polytechnic to provide appropriate courses.

Transition Timaru is a new society trying to build resilience to the effects of climate change and the peak oil crisis by reducing carbon emissions and creating self-sufficient communities in South Canterbury.

[Council delivering sustainability](#)

A leading solar-lighting company will shift its manufacturing to the Sunshine Coast, land is being sought for a \$200 million solar thermal power station, and the Coast council is hunting a \$100 million federal government "green" grant.

The council has started to deliver on its mandate to create an Australian model for regional sustainability.

[Climate Disobedience: Is a New "Seattle" in the Making?](#)

When Vice President Gore started endorsing civil disobedience, Abigail Singer, an activist with Rising Tide, a leading network of grassroots climate groups, noted, "It'd be more powerful if he put his body where his mouth is." She had a point.

As it happens, 68-year-old James Hansen, arguably the most famous climate scientist alive, has been less reticent about putting himself on the line. His involvement has furnished a great deal of mainstream respectability to those turning to more confrontational means of expressing dissent, and the trajectory of his political engagement catches an important trend.

[Conference to question climate change notion](#)

Not everyone believes global warming is real, and many of those skeptics will be gathering later this week in Springfield.

The group Scientists for Truth is hosting a meeting Thursday in Springfield that will bring together a variety of climate change skeptics.

[Russia's Arctic Plays Concern Region](#)

The polar ice cap is shrinking at a rate of 9% each decade as Arctic ice thins, melts and ruptures. The consequences for global warming are potentially catastrophic. Yet as the ice recedes, Arctic resources are becoming more accessible. Eight countries--the U.S., Russia, Canada, Denmark, Norway, Sweden, Finland and Iceland--have claims to those resources. Of these, Russia has been the most active in putting forward claims, creating significant anxiety for some of the other Arctic states.

[Rising ocean acidity: 'The other carbon problem'](#)

What happens if there's no more "shell" in shellfish?

A new documentary on Discovery's Planet Green network, *Acid Test: The Global Challenge of Ocean Acidification* (premiering Wednesday, 10:30 p.m. ET/PT, and repeating throughout the month), explores this and other questions related to ocean acidification, a little-known but potentially disastrous consequence of global warming.



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