



Drumbeat: September 7, 2009

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Topic: [Miscellaneous](#)

[\\$220/bbl oil someday, but not just around the corner. Game is changing fast](#)

Jeff Rubin at CIBC World Markets in Canada predicts \$200/bbl coming very soon. He correctly predicted the price of oil reaching \$50 in 2005 and \$100 in 2007. The year 1966 was the peak for discovery of new oil fields. Production declines by 4 million bbl/day/year because of depletion. The industry must discover reserves over the next 5 years that will add 20 million bbl/day of capacity. A new oil sand project in Canada can carry a price tag of \$90/bbl. Demand/depletion will push up price.

ear, five years... take your pick.

Despite the rather pessimistic view generated by the concept of peak oil, new fields are being discovered all the time. One pops up and then another, and another. Each new discovery pushes peak oil just a bit further away and leaves us wondering whether the panic over declining oil reserves is just another bit of eco-hype.

[Oil Little Changed as Driving Season Ends in U.S., Demand Wanes](#)

(Bloomberg) -- Oil was little changed near \$68 a barrel as the U.S. driving season wound down and the profit margin for turning crude into gasoline and distillate fuels declined, further depressing demand.

“The driving season in the U.S. has come to an end,” said Andy Lipow, president of Lipow Oil Associates LLC in Houston. The premium of gasoline over crude oil, or the crack spread, is falling, “which would further depress demand for crude.”

[Drilling in All The Right Places](#)

While oil has rallied smartly this year after plummeting last fall, there has been no corresponding comeback for its cousin, natural gas. To the contrary, gas prices have sunk to seven-year lows as supply threatens to exceed storage capacity and overwhelms demand.

[Tiber Oilfield Spells Major Upside for Prices](#)

The real question isn't how big global oil reserves are or how much can ultimately be recovered. The question is how quickly they can be produced. If the world demand grows to 90 million barrels per day over the next five years, one of two things must change: Either prices will need to rise enough to choke back demand, or producers will need to ramp up capacity to 90 million barrels a day.

But new production from fields like Tiber in the Gulf and Tupi offshore Brazil is counterbalanced by declining production from existing, older fields.

[Innovation in Oil Field Means More Oil, Less Expense](#)

A new concept coming to North Dakota's oil fields will make it look like less drilling is going on when actually much more is.

Harold Hamm, owner of Continental Resources and an innovator in tapping a rich new formation beneath the Bakken formation, has a permit to drill a new well using what his company is calling the ECO-Pad concept.

[Mexico's big gamble pays off](#)

When Agustín Carstens, Mexican finance minister, hedged all his country's oil sales for 2009 at \$70 a barrel, in effect gambling that prices would stay low this year, he surely had in mind the dreadful political experience of a Latin American neighbour.

Ecuador entered into a hedge programme in 1993. But instead of receiving an \$8bn windfall like Mexico did this year, Quito's central bank lost almost \$20m to J. Aron & Co, Goldman Sachs' commodities unit. A political storm followed and a committee investigated "allegations of corruption" against the head of the central bank.

The event illustrates the main obstacle for sovereign hedging of oil prices: politics. Indeed, Mexico's hedge is noteworthy not only for its success but also for its rarity.

[EnCana bomber probe chills B.C. community](#)

It is early evening in Tomslake and the rural roads are eerily quiet.

This corner of northeastern British Columbia is no longer the place to go for an idle drive, even on one of summer's last beautiful days.

As the tension ratchets up around the now 11-month search for the EnCana bomber, chances are a watchful, nervous neighbour will call the RCMP.

[Transition Towns project helps kick oil addiction](#)

FOR anyone unfortunate enough to have been in the grip of alcoholism, the first of the customary 12 steps to freedom comes by admitting that it's an addiction which is making their lives unmanageable.

Now there's a new program sweeping the world with its own 12-step program, but this time the substance is not booze, but oil, and the binge drinkers are the countries of the developed world.

[\\$220/bbl oil someday, but not just around the corner. Game is changing fast](#)

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[Saudis Believe Energy Independence is Nonsense - But Why Must America Agree?](#)

Contrary to popular conception, energy independence does not mean self-sufficiency. It doesn't mean not importing any oil or walling ourselves off from the global market. Energy independence is not a function of the amount of oil we consume or import. Rather, energy independence means turning oil from a strategic commodity second to none—one that underlies the global economy and determines the course of world affairs—into just another commodity to trade.

[Simmons vs Yergin, Lynch et al on Peak Oil](#)

Matt Simmons, author of *Twilight in the Desert* and founder of an investment bank focused on energy, has taken aim at the various anti-peak-oil stories written around oil's anniversary.

[Taking a chance on oil - thinking beyond the oil market downturn](#)

Dubai, UAE - The current recession and the nature of cash-starved financial markets provide an attractive investment environment for energy companies with the willingness and cash to take a long-term view. Recessions don't last long when compared with the average length of energy investments; therefore any forecast of the profitability of capital investment whose output will go on stream perhaps seven to nine years from now must look beyond the short-term, found a new report by Booz &

Company.

[OPEC to Hold Quota After Oil Reaches \\$75 Saudi Target](#)

(Bloomberg) -- OPEC's success in more than doubling oil prices since a five-year low in December will probably persuade ministers to maintain production quotas after this week's meeting.

Reducing shipments beyond record cutbacks last year would endanger the global economic recovery, the Organization of Petroleum Exporting Countries' president said last week. Oil rose to \$75 a barrel on Aug. 25, the price Saudi Arabian King Abdullah says is fair for consumers and producers.

[Lula Calls on Brazilians to Help Win Approval of New Oil Rules](#)

(Bloomberg) -- Brazilian President Luiz Inacio Lula da Silva today called on Brazilians to help him win approval of new oil regulations to grant the government greater control over deep-water oil fields.

In a nationwide radio and television broadcast, Lula said the government's proposal for new oil rules will guarantee most of the income from the so-called pre-salt oil remains in the hands of Brazilians. The rules also mean oil revenue must be spent on education, science, technology, culture, the environment and anti-poverty programs, the president said.

[Deadline extended on \\$400m Neutral Zone contract](#)

The al-Khafji Joint Operations Company (KJO), a joint venture between Saudi Arabia and Kuwait, has announced that contractors wanting to bid for the US\$400 million tender to expand water facilities at the al-Khafji oilfield now have two extra months in which to do so.

[Mexico's Kessel Is 'Evaluating' \\$11.1 Billion Chicontepec Field](#)

(Bloomberg) -- Mexico is "evaluating" its \$11.1 billion onshore Chicontepec oil project after production failed to meet targets, Energy Minister Georgina Kessel said.

[Sinopec's Fujian to hike Sept crude runs by 40 pct](#)

BEIJING - Fujian Refining & Petrochemical Co Ltd, a joint venture between Sinopec Corp, Exxon Mobil and Saudi Aramco, plans to raise its crude processing in September

by nearly 40 percent from August, industry sources said on Monday.

[South African Coal Falls Most in 11 Weeks on Excessive Prices](#)

(Bloomberg) -- Prices for coal shipped from South Africa's Richards Bay, site of the world's largest export terminal for the fuel, slid the most in 11 weeks on speculation global prices were too high.

[Natural gas: A victim of its own success](#)

Natural gas has grown from an unwanted byproduct of drilling for oil to being billed today as the fuel for the future. Natural gas has a very high energy content, it is the cleanest fossil fuel, and it is in abundant supply.

[Showa Shell to Spend \\$1.1 Billion, Boost Solar Output](#)

(Bloomberg) -- Showa Shell Sekiyu K.K., a Japanese refiner and solar-equipment maker, plans to build a 100 billion-yen (\$1.1 billion) photovoltaic-panel factory to expand solar capacity about 10-fold and offset waning demand for oil products.

[Wind May Cut Power Prices, Reduce Coal, Gas Use, Bernstein Says](#)

(Bloomberg) -- Expanding wind power capacity in the U.S., the world's largest producer of wind-generated energy, may lower electricity prices and reduce the use of coal and natural gas, Sanford C. Bernstein & Co. said.

"The impact of wind power has been to reduce the marginal cost of supply," analysts Hugh Wynne and Neil Beveridge said in a report. "Power prices are expected to fall significantly from 2008 to 2011."

[Former nuclear pariah India seeks uranium stocks](#)

NEW DELHI — Energy-starved India, armed with permission to buy atomic fuel from around the world after the end of a three-decade ban, is courting new partners alongside old friends in its global hunt for uranium.

The strategy, spelt out in a government paper published last week, will see New Delhi reach out to Mongolia, Namibia and Kazakhstan besides traditional allies like Russia in its search for the ore that is refined into nuclear fuel.

[China to Build More Nuclear Plants, Japan Steel Says](#)

(Bloomberg) -- Japan Steel Works Ltd., a maker of atomic reactor parts for Areva SA and Toshiba Corp., more than doubled its forecast for China's nuclear plant construction because of stimulus spending and environmental pressures.

[India - Water harvesting and management Water: The elixir of life](#)

Come summer, the crisis of water scarcity is all-pervasive in India-be it a metro city, a small town or a village. As the mercury rises in the summer, long multi-coloured bucket lines begin to appear at community taps in cities and villages across the country. Tempers fray as formerly amicable neighbours fight bitterly for their share of the precious commodity. Meanwhile, in affluent neighbourhoods, state-subsidised water is used to wash cars and for water gardens. As water tables sink and frustration increases, no immediate end to the water woes for the people in cities and in rural areas is in sight. Thus, the water crisis turns into a political issue blaming the government and authorities concerned in our country. People start crying for water, start agitation and sometimes resort to violent demonstrations too. Media hype adds fuel to the fire. At that time when people are consumed with sheer rage because of water scarcity, public awareness and education is worthless. Nobody happens to be in mood to listen to the wise advice, that too from a politician!

[Bill McKibben - 350: The magic number](#)

Next month, the most widespread climate change demonstrations in history will take place across the planet. On Oct 24, in almost every nation, people will rally around the most important number on earth: 350. They'll be aiming their protest at the delegates soon to head for Copenhagen, and the message will be clear: we don't need an agreement. We need a solution.

[China backs state firms on oil options losses](#)

BEIJING (Reuters) - Beijing has publicly put its weight behind some state-owned firms struggling with oil derivatives losses, saying it will back them in any legal action against the foreign banks that sold the products.

In a statement on Monday, the State-owned Assets Supervision and Administration Commission said that some state-owned enterprises had sent letters to their trading partners about oil structured options trades, confirming a report in Caijing magazine last week that had sent shudders through the banking community.

[China Probes Oil Options Trades at State Companies](#)

(Bloomberg) -- China is investigating oil options trades by government-run companies to minimize losses from the transactions, the state asset watchdog said.

Domestic companies must "take legal steps" to avoid losses, the State-owned Assets Supervision and Administration Commission said in an e-mailed statement today. Some companies have already notified their derivatives trading partners that they reserve their rights of recourse as oil-structured options trades are being investigated, the commission said.

[Sudan oil revenue 'discrepancy'](#)

Revenue from Sudan's oil may be being unfairly shared out threatening a north-south peace deal, a report by campaign group Global Witness says.

It says discrepancies in figures given by the north and those of the Chinese firm operating the oilfields may mean the south is being seriously underpaid.

[Russian Oil Production Overtakes Saudi Arabia](#)

Russia is extracting more oil than Saudi Arabia, making it the biggest producer of "black gold" in the world, figures show.

The statistics, from the oil cartel Opec, reflect a trend that has seen the Russians periodically surpass the Saudis as the world's biggest oil producers on and off since 2002.

These latest figures are being hailed in Russia as evidence that such periodic production spikes are not one-offs though and that Moscow really does have a right to lay claim to the No 1 spot.

[Oil back in style for Russian companies](#)

Russian companies have resumed investment programs in oil production.

The programs were interrupted by the economic downturn and the subsequent drop in oil prices.

The head of Russia's largest privately owned oil LUKOIL has said the price of oil is now high enough to allow investment at an exchange rate of 30 roubles to the dollar.

[National players 'on starting blocks'](#)

National oil companies in the Middle East and north Africa are more active in resuming projects than independent groups, a senior executive at seamless steel pipe manufacturer Tenaris said today.

[The Oil Services Industry's 2Q - Still No Rebound](#)

The oil services industry's collective second-quarter results were terrible, thanks to another significant decline in North American drilling activity.

[OPEC to eye economic stimulus](#)

VIENNA (Reuters) - OPEC ministers meeting in Vienna this week were expected to keep supply targets intact and instead rely on hoped-for economic growth to sustain oil prices.

The oil market rose towards \$69 a barrel Monday after Group of 20 finance leaders said at a weekend meeting they would not end stimulus plans until recovery was well established.

[Opec's options are limited now](#)

Remember July 2008, when crude oil reached an all-time high of \$147.27 a barrel, lending credence to the principle of "peak oil", the decade-old doctrine that holds that global crude production will crest sooner than expected and then begin a precipitous decline. Analysts predicted that prices will top \$200 before the end of 2009. However, that was not to be. The worst global financial recession since World War II pushed the oil price down to \$32.40 in December 2008 and now back near \$70. The panic of July 2008 looks another era.

[Chavez, Peddling 'Gas OPEC,' Arrives in Turkmenistan From Iran](#)

(Bloomberg) -- President Hugo Chavez arrived in Turkmenistan as the Venezuelan leader seeks tighter cooperation among countries with the world's largest natural-gas reserves.

[Medvedev makes offers on gas relations with Caspian states](#)

MOSCOW (Itar-Tass) - Russian President Dmitry Medvedev intends to come out with an offer to leaders of Caspian states to build relations in the gas sector on the basis of mid-term and long-term intergovernmental agreements.

At a working meeting with Gazprom CEO Alexei Miller, he said he was planning to

discuss it with the leaders of Kazakhstan, Turkmenistan and Azerbaijan at an informal summit at the end of the week.

[Venezuela to sell gas to Iran](#)

TEHERAN - Venezuela is to supply fuel-starved Iran with 20,000 barrels of petrol a day, President Hugo Chavez said on Sunday at the end of a two-day visit to the Islamic republic during which deals were also inked on medicine and commerce.

[Activists call for Burma-China pipe halt](#)

Activists called today for China to stop construction of controversial oil and gas pipelines through Burma, warning of instability and civil unrest if Burma's ruling junta continued to starve its people of energy.

[Petroleum Industry Fundamentals 2009](#)

This timely Workshop for management and players seeking a future in the industry provides clear insight into the fabric of the global oil/gas, game, the evolving industry structure, key nomenclature in use, the basic economics and models driving the oil industry, issues impacting Africa's past, present and future, including claims of a "Continental Oil Curse", thorny questions of world oil resource endowment and reserves (including peak oil debates), and critical images on the emerging world oil future relevant for large and small companies, state-owned entities and Governments shaping the current and future oil and energy game.

[Oil industry aims high as it takes up the cause of geoscience in varsities](#)

US oil giant Chevron, leading Thai oil explorer PTT Exploration and Production and Chulalongkorn University have joined forces to launch the first master's degree programme in petroleum geoscience in Thailand. It opened its first semester a week ago.

[Visions of an Energy-Starved World](#)

CHRISTOPHER STEINER was once the happy driver of a sport utility vehicle. Mr. Steiner, the author of "**\$20 Per Gallon: How the Inevitable Rise in the Price of Gasoline Will Change Our Lives for the Better,**" makes this confession early in his book: "I drove an old Toyota 4Runner all over the country for a decade — running the odometer past 240,000 miles — and I loved it."

Therefore, he is far from gleeful when he describes how many S.U.V. owners decided to

ditch their beloved big cars when gasoline hit \$4 a gallon in 2008. Then, of course, gas prices returned to more affordable levels. Did those owners act too hastily?

No, says Mr. Steiner, a staff writer at Forbes and a civil engineer. We could all end up forsaking our fossil-fuel vehicles in the near future, he says, because of what he calls the dwindling supply and burgeoning demand for gasoline. He says that “Texas- and Saudi Arabia-style gushers” are a thing of the past, and he points to the booming economies of countries like India and China, which will enable hundreds of millions of new drivers to hit the highways.

[Gas Will Rise, but It Won't All Be so Bad](#)

Gasoline at \$4 a gallon didn't last long, thankfully. We've settled in around \$2.50, and that short period of pump shock is a recent but fading memory.

If Christopher Steiner is right, it's only a lull. High gas prices will come back -- soon, and with a vengeance, he declares. Think \$4 was bad? You ain't seen nothing yet.

[China Urged to Subsidize 'New Energy' Vehicles](#)

TIANJIN, China—The head of BYD Co., one of China's leading makers of electric vehicles, urged the Chinese government to subsidize private purchases of all-electric battery cars and other "new energy" vehicles, saying their widespread adoption in China depends on it.

[Q&A: Environmentalists at odds over solar plan](#)

As two noted environmental activists and Sierra Club members, Pat Veersart and Carl Zichella agree on most things. But there's one thing they don't see eye to eye on — the three commercial solar power plants proposed in the eastern part of San Luis Obispo County.

[Is The Stock Market Cheap?](#)

* The three key things I see preventing a return to normal are:

1. Peak Oil - this affects the whole world, not just the USA.
2. USA Debt - the USA's huge and growing debt seems like it will be a major drag on the USA and prevent it going back to normal. This may also be a factor for the rest of the developed world.
3. Demographic Aging - seems like a major, major problem preventing the rest of the

developed world from going back to normal. It seems a like a pretty big issue for the USA as well given the baby boomers passing their peak spending / saving / earning and moving into retirement.

[The Next 100 Years](#)

Friedman's argument is a strong one, building on such prestigious earlier work as Jared Diamond's *Guns, Germs, and Steel*, among others. I find it to be a convincing read on the forces shaping world history. However, his outlook for the next 100 years suffers from two significant flaws.

First, he does not account for climate change impacts and related issues such as resource depletion and species losses. And, second, he does not account for transformative emerging technologies (which could prove to be either a boon or a bane).

[People Suck](#)

Three new documentaries slam conspicuous consumption, oil companies, and greedy traders.

[2012 and the Mayan Calendar: It's Not the End of the World](#)

Ever since I got convinced (and scared silly!), somewhere around the age of ten, that the predictions of Nostradamus were about to come true - I've been somewhat skeptical about end of the world theorists. Yet moving in green circles, there's no end of people that actively wish a calamity upon our sinful, industrial status quo - whether it's peak oil, the Millenium bug, or something else. (A friend once described this tendency as disasterbation.)

[Sustainable Labor and the Farmer's Market](#)

Labor Day came into being in the late 1880's and early 1890's, during a wave of popular sentiment toward organized Labor. Industry was on a steep upswing at that time, powered by leading-edge fossil fuel energy technology. Furnaces became the driving force of what is now the developed world. Big furnaces cooked metals out of ore. Smaller furnaces drove pistons and performed mechanical work. Furnaces were everywhere, behind every mechanical thing and every manufactured product. Mines fueled steel mills that built railroads that distributed goods. Manpower was in short supply, and a mass migration occurred from rural farm jobs to industrial jobs.

[A lot meant by an allotment](#)

It is almost 70 years since the nation was encouraged to use every available piece of land to Dig For Victory. It's now high time the Government repeated that green-fingered campaign in a bid to ensure there's enough food on our plates, argues AM Leanne Wood

[U.S. climate change bill to compete with healthcare](#)

WASHINGTON (Reuters) – Environmentalists hope the push in Congress for climate change legislation is not overwhelmed by the debate dominating Capitol Hill over changing the U.S. healthcare system. But it might be.

[Bangladesh diary: Cyclone aftermath](#)

Repeatedly struck by cyclones, flooding and even drought, Bangladesh is reckoned to be one of the countries most vulnerable to the effects of climate change. The BBC's environment correspondent David Shukman travels to a region still recovering from the most recent storm.

[Religion may save us from global warming: Scientist](#)

LONDON: One of Britain's most eminent scientists, who is an atheist, has said that the world may have to turn to religion to save itself from catastrophic climate change.

According to a report in the Telegraph, Lord May, the president of the British Science Association, said that religion may have helped protect human society from itself in the past and it may be needed again.

[UK Christians don't need convincing](#)

Lord May is preaching to the converted when he urges religious groups to play a leading part in the fight against climate change.

[Japan's likely next PM pledges big emissions cut](#)

TOKYO – The man expected to become Japan's next prime minister said Monday his government will follow through on a campaign pledge to cut greenhouse gas emissions by 25 percent by 2020.



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