



## Drumbeat: November 9, 2009

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Topic: [Miscellaneous](#)

### [Oil at \\$100 Doesn't Compute as OPEC Output Pace Grows](#)

(Bloomberg) -- OPEC is increasing output at the fastest pace in two years, adding to near-record inventories and threatening speculators betting on \$100 crude with losses.

The number of options contracts to buy oil at \$100 by March almost quadrupled in October and increased another 5.9 percent so far this month. As traders piled in, OPEC boosted production 4 percent, or 1.1 million barrels a day, since March amid the worst global recession since World War II.

Saudi Arabia's King Abdullah has targeted \$75 oil as a fair price for consumers and producers and has the capacity to increase pumping by about 50 percent, or 4 million barrels a day, enough for all of Brazil. The prospect of more supply comes with inventories in industrial countries already the highest since 1998, when oil collapsed to \$10.

nths.

But recent downsizing moves by Royal Dutch Shell, ConocoPhillips and other oil and gas companies appear to go beyond the typical bottom-of-the-cycle belt tightening.

They suggest a permanent shift toward doing more with less -- in what could be a troubling trend for Houston.

### [Kunstler: Dreams Die Hard](#)

Reality unfolds emergently, and this ought to interest us. For instance, I have maintained for many years that we are approaching the twilight of the automobile age - and the implications of this for daily life in the USA are pretty large. For a long time, I had assumed that this change of circumstances would proceed from our problems with the oil supply. But reality is sly. It has thrown two new plot twists into the story lately. America's romance with cars may not founder just on the fuel supply question. It now appears that our problems with capital are so severe that far fewer people will be able to borrow money from banks to buy cars at the rate, and in the way, that the system has been organized to depend on. Our problems with capital are also depriving us of the ability to pay to fix the hypercomplex system of county roads, interstate highways, and

even city streets that make motoring possible. What will we do?

### [Peak oil? Ask an oilman](#)

We've all been reading and hearing about peak oil—that there is a fixed amount of crude oil in the earth, and we have by now extracted so much that the supply will soon pass the point of diminishing return, if it already hasn't. Some deny it, some shrug it off, but once we get past the knee-jerk reactions, the real story is more complex.

Since 1995, John B. Hess has been chairman and CEO of Hess Corp., a global player in oil and gas exploration and production with 2008 sales of more than \$42 billion. That qualifies him as a real oilman, but don't rush to judgment.

On Oct. 21, Hess spoke at the Oil & Money Conference, and here's how he concluded his talk: "What kind of world do we want to leave to our children? If we do nothing, there will be severe consequences. Skyrocketing prices could become a way of life in a crisis-led world." But he's not fomenting panic by any means.

### [Warning light is on for OPEC over Iraqi oil deals](#)

The US seeks independence from crude imports, and the greying of Japan's population points to a steady decline in oil consumption by Asia's largest economy. But the latest threat to OPEC comes from one of its own.

Last week, Iraq, a founding member of the 12-nation group of oil exporters, signed three huge deals with foreign energy firms that in seven years could nearly triple the country's output capacity to more than 7 million barrels per day (bpd).

### [Saudi plans boost to petro production](#)

Saudi Arabia plans on boosting petrochemical production in the kingdom by adding new plants which will rely less on gas and more on liquid hydrocarbons for feedstock, the country's oil minister has said.

Nearly half of Saudi gas is produced as a by product of crude, so volumes fluctuate with oil output.

### [Iran lines up Russian deals](#)

Iran's oil ministry said it was in talks with a Russian oil company to develop three oilfields in the Islamic state, according to reports.

Iran, the world's fifth-largest crude exporter, has struggled to attract the money and technology to develop its oil and gas fields as international sanctions and political pressures have kept foreign companies away.

### [The great natural gas conundrum](#)

Nebulous, drifting, volatile: all good ways to describe both natural gas and the conflicted outlook for the commodity among industry experts at the moment.

### [Jan Lundberg: Gasoline Price Causing Big-Vehicle Sales](#)

The retail price of gasoline in the U.S. is extremely low, not just compared to the summer of 2008. Subsidies both direct and hidden create a true cost at least a few times higher than the visible price. The actual cost is paid largely through income taxes (such as for wars in the Middle East and domestic infrastructure), in the purchase of goods and services associated with "free" parking, and even medical care for car/fuel related mortality and morbidity. When the average gasoline price is \$2.66 a gallon, according to news reports on the most recent Lundberg Survey, the message to the consumer is "Buy that big vehicle."

### [Out of Pretoria, out of power](#)

The poor in the South African townships are feeling the brunt of it already, a growing electricity crisis that will squeeze already meagre household incomes, spur inflation, add to the costs of essential foods, and raise transport costs in a country whose mass transport systems are utterly inadequate. Already saddled with a more than 30% hike in metered power costs for this year, they were told to expect a hike of a further 150% over the next three years.

### [Philippine oil firms may halt imports - officials](#)

MANILA (Reuters) - Philippine oil companies may halt imports of refined petroleum products as losses mount from a state-imposed cap on fuel prices, company and government officials said on Monday.

The Philippine government ordered oil firms last month to maintain pump prices on the main island of Luzon at Oct. 15 levels to help consumers cope with rebuilding costs after the onslaught of recent typhoons.

### [Kurt Cobb: Immigration and our ecological predicament](#)

Whenever the word immigration is mentioned, two polarized camps almost immediately emerge. One camp considers new residents an asset, bringing new ideas and entrepreneurial zeal to a society, while the other considers immigration a bane, bringing crime, disease, poverty and culturally disruptive practices.

Only very rarely mentioned by those opposing immigration is a concern that the host country has run out of carrying capacity and cannot afford to feed, clothe, educate and keep healthy any more people. Immigration opponents may claim that their home country cannot afford additional people. But, by this they do not ordinarily mean that the population and the economy of the country should cease to grow. They simply mean they do not wish to share any growth with newcomers.

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### [Crude Oil Rises as Hurricane Ida Disrupts Output, Dollar Drops](#)

(Bloomberg) -- Crude oil rose from a one-week low as Hurricane Ida entered the Gulf of Mexico, forcing BP Plc and Chevron Corp. to cut output.

Crude climbed above \$78 a barrel as companies evacuated workers in the Gulf of Mexico, an area that accounts for 27 percent of U.S. crude production and 15 percent of natural gas output. The dollar declined against 14 of its 16 major counterparts, making commodities more attractive as alternative investments.

### [Oil Producers Move Staff, Halt Output on Hurricane](#)

(Bloomberg) -- Oil companies in the Gulf of Mexico are evacuating workers and halting some output as Hurricane Ida strengthened after entering the area, which accounts for more than a quarter of U.S. crude production.

BP Plc evacuated non-essential staff and shut some of its Gulf output. "Some precautionary curtailment of production has taken place," BP said in a recorded statement on its hotline. Ida is the first storm to disrupt output in the Gulf this hurricane season, which runs from June to November.

### [All change as gas reserves soar](#)

With coal being too dirty and wind farms and nuclear power plants arriving late, it seems the world is left with a stark choice: keep on polluting or turn out the lights.

Unless, that is, someone comes up with an alternative.

Energy executive Rune Bjornson thinks he has the answer.

"Natural gas, more than any other fuel, is an option we have here and now," he tells the BBC in an interview.

And, he adds, there is plenty of it around - unlike scarcer resources such as oil and coal.

### [Gazprom Boosts European Gas Exports on Quarter as Prices Slump](#)

(Bloomberg) -- OAO Gazprom, the world's largest natural-gas producer, boosted sales volumes to Europe and countries outside the former Soviet Union by 5.4 percent in the second quarter after prices slumped.

Gazprom sold 39.1 billion cubic meters of gas to the region, its largest export market, up from 37.1 billion cubic meters in the first quarter, the Moscow-based company said in a statement on its Web site today.

### [Russian gas giant Gazprom says net profits halved in first half of 2009](#)

MOSCOW (AP) — Russian gas company Gazprom saw profit cut in half in the first six months of the year as the cost of natural gas it buys from Central Asia soared and demand plummeted in Europe.

The world's largest producer of natural gas on Monday reported net profit of 305.8 billion rubles (\$10.6 billion) for the period, down from 609.3 billion rubles, according to financial results calculated to international standards.

### [Iraq Minister Says Three Oilfields to Pump 6 Million Barrels](#)

Asked when his country might commit to supply gas to Nabucco, al-Shahristani said:

“We do not expect in the near future or the coming few years to be able to provide dry gas or LNG to the international market before meeting our domestic demand.”

Rising gas supply will be used at first for local electricity production and may later be exported. Liquefied natural gas, or LNG, is gas that’s cooled to a liquid form for easier transportation by ship.

### [Qatar Raises Natural-Gas Supply Through Dolphin to U.A.E., Oman](#)

(Bloomberg) -- Qatar increased supply of natural gas through the Dolphin pipeline to the United Arab Emirates and Oman as the holder of the world’s third-largest reserves boosts production amid a slump in global demand.

### [Chavez to troops: Prepare for war with Colombia](#)

CARACAS, Venezuela — President Hugo Chavez ordered Venezuela's military on Sunday to prepare for a possible armed conflict with Colombia, saying the country's soldiers should be ready if the United States attempts to provoke a war between the South American neighbors.

### [China Gives Africa \\$10 Billion as It Fights Exploitation Charge](#)

(Bloomberg) -- China promised \$10 billion in cheap loans to Africa, pledged to cut customs duties and distributed a newspaper with photos of Chinese leaders among beaming Africans, as part of an effort to fight claims it is exploiting the continent’s minerals.

China’s interest in Africa “is not what Western reports described, that China went to Africa only for the energy,” Premier Wen Jiabao told Chinese reporters Saturday at the Forum on China-Africa Cooperation conference in Sharm el-Sheikh, Egypt, according to the government-owned China Daily newspaper.

### [In Yemen, a Flash of Growth Amidst Constant Danger](#)

Yemen's president Ali Abdullah Saleh flew into the Gulf of Aden on Saturday to celebrate the first exports of liquefied natural gas from a sprawling \$4.5 billion plant — the biggest-ever investment in his otherwise impoverished desert country. A brass band played and politicians applauded the gas tanker as it set sail for South Korea, but Saleh's attention was elsewhere — on the attacks Saudi Arabia's military forces were waging against anti-government Shi'ite rebels in the North of Yemen. The rebels "are trying to demolish the economy," Saleh told TIME, and vowed: "We will crush them."

### [Iraqi MPs brand oil deals 'illegal'](#)

A handful of lawmakers from the Iraqi parliament's oil and gas committee have questioned the legality of oil development deals signed last week with BP, ExxonMobil, and other big oil companies.

The Wall Street Journal said the opposition is not likely to derail the agreement, but it raises the spectere of fresh political uncertainty for foreign oil executives, who have just recently warmed to the idea of investing in Iraq's vast but undertapped oilfields.

### [Saudi switch to Argus index due to price volatility](#)

RABIGH, Saudi Arabia (Reuters) - Saudi Aramco said on Sunday its decision to adopt the Argus Sour Crude Index (ASCI) was due to "wild" variations in the barrels traded on the U.S. Gulf Coast and those priced of West Texas Intermediate (WTI).

### [Angola to stash more oil cash into fund](#)

Angola's government sees the \$58 per barrel reference oil price in the 2010 budget as very prudent as prices should trade much higher next year, and will use the extra money for a wealth fund.

### [Well-Oiled Machinery](#)

Slicing out costs is important in all businesses. In the oil business, reducing costs is the only sustainable competitive weapon.

One company's oil is the same as another's, as are the refinery operations and the distribution mechanisms. So how do companies improve their margins and their competitiveness? To find out, Forbes sat down with Peter Whatnell, CIO at Sunoco and president of the Society for Information Management.

### [China to Raise Gasoline, Diesel Prices Tomorrow, NDRC Says](#)

(Bloomberg) -- China, the world's second-largest energy user, will raise gasoline and diesel prices by 480 yuan a ton from tomorrow to reflect higher crude oil costs.

### [Saudi Aramco Is in Talks for Sinopec Refinery Stake](#)

(Bloomberg) -- Saudi Aramco, the state oil company, said it's in talks with China

Petroleum & Chemical Corp. to take a stake in the company's Qingdao refinery.

"We have been in discussions for the Qingdao refinery for a long time, and we continue those discussions with Sinopec," Aramco Chief Executive Officer Khalid Al-Falih told reporters in Rabigh, near the Saudi coastal town of Jeddah today, referring to the Chinese company. "We are not about to make a decision."

Oil producers may partner in projects like refineries to find a confirmed outlet for their crude. Importers like China are seeking energy sources to feed economic growth.

### [The Future Fund should be scrapped](#)

While private entities are justified in holding financial assets to meet future liabilities, the justification does not apply to governments. They have an imputed asset in the form of their right to levy taxation, which potentially more than matches their imputed liabilities. The taxable capacity of the economy when the liabilities come due in the future depends on how well the economy manages its investments now.

The need for investment in renewable energy and especially alternatives to coal is overwhelming if Australia is to escape "peak oil" and global warming relatively unscathed.

### [Efficiency the key to car culture](#)

Notwithstanding pressing concerns about climate change, peak oil and the consequent need to invest in more sustainable modes of transport, cars are likely to be the major transport mode in Melbourne for many years to come.

### [Second Law of Thermodynamics May Explain Economic Evolution](#)

(PhysOrg.com) -- Terms such as the "invisible hand," laissez-faire policy, and free-market principles suggest that economic growth and decline in capitalist societies seem to be somehow self-regulated. Now, scientists Arto Annala of the University of Helsinki and Stanley Salthe of Binghamton University in New York show that economic activity can be regarded as an evolutionary process governed by the second law of thermodynamics. Their perspective may provide insight into some fundamental economic questions, such as the causes of economic growth and diversification, as well as why it's so difficult to predict economic growth and decline.

### [Veolia Profit Declines 14% on Waste Business Slowdown](#)

(Bloomberg) -- Veolia Environnement SA, the world's biggest water company, said nine-month profit dropped 14 percent as the recession cut demand for waste treatment and



recycling.

### [Metal-Air Battery Could Store 11 Times More Energy than Lithium-Ion](#)

(PhysOrg.com) -- A spinoff company from Arizona State University plans to build a new battery with an energy density 11 times greater than that of lithium-ion batteries for just one-third the cost. With a \$5.13 million research grant from the US Department of Energy awarded last week, Fluidic Energy hopes to turn its ultra-dense energy storage technology into a reality.

### [Solar Development in Germany Surges to Record, New Energy Says](#)

(Bloomberg) -- Power companies will build a record amount of solar-energy capacity in Germany this year, or two-thirds more than they added in 2008, seeking to take advantage of subsidies, New Energy Finance said.

### [Car That Runs on Compressed Air Questioned by Critics](#)

(PhysOrg.com) -- As electric cars begin breaking into the short-distance vehicle market, one French company thinks that it has an alternative to the electric vehicle: a car that runs on compressed air. Motor Development International (MDI), located near Nice, France, unveiled its bubbly-looking AirPod last year, and has ambitious plans to begin manufacturing the car by early 2010. But some of its critics think that's a bold claim that will be extremely difficult to realize, especially considering that the company has yet to bring a car to market despite several past attempts.

### [Nuclear power is safe, says Ed Miliband](#)

Ed Miliband, the Energy Secretary, has insisted that nuclear energy is safe as he prepares to unveil a new generation of power stations.

### [California's recycled paper trail not so green for climate](#)

Near Mark Oldfield's desk at the California Department of Conservation sits a ream of copy paper that is more than a routine office commodity.

Made in part from recycled fiber, it is a symbol of the state's green spirit, one ream among thousands backing the department's claim that it is a champion of the environment – and complies with state law requiring it to buy recycled paper.

There is a dark side to those sheets of bright, white paper: the part that isn't recycled comes from trees logged in the biologically rich but endangered forests of Indonesia.

## [UK carbon capture competition 'dead on its feet' says expert](#)

The UK's carbon capture and storage (CCS) competition is "dead on its feet" with only one of the three projects in the running capable of delivering a full scale working demonstration plant by the 2014 deadline, a leading expert has warned.

## [Big Oil makes case for carbon-capture subsidies](#)

Canada's oil sands companies say they must adopt expensive carbon-capture-and-storage technology to meet environmental challenges, but will require major government subsidies to do so for at least the next decade.

While carbon-capture-and-storage (CCS) will be expensive, the industry defends it as being competitive with wind power and biofuels in terms of the cost per tonne for reducing greenhouse gas emissions.

## [Why should Ontario pony up for Alberta's exploits?](#)

It's funny how the oilsands is a Canadian problem when it comes to emissions, but an Albertan birthright when it comes to talk about the wealth it creates. "There won't be another wealth transfer to Ottawa under my watch, I can tell you that," said Alberta Premier Ed Stelmach, defiantly responding last week to the mere conclusion that meeting Canada's greenhouse-gas reduction targets might slightly slow down the province's record GDP growth over the next 10 years.

With that kind of talk, is it a surprise that Ontario doesn't want to board the oilpatch's carbon-capture train? Ontario shouldn't have to cover this cost any more than Alberta, to be fair, should have to cover the cost of subsidizing our desire to build new nuclear reactors and overhaul old ones.

## [FACTBOX - How scientists are trying solve the carbon riddle](#)

REUTERS - For decades, scientists have been measuring carbon dioxide and other greenhouse gases to gauge annual increases as well as to better understand how mankind is changing the world's atmosphere.

But scientists have struggled to build an accurate picture of how the gas is continuously shifted around by the atmosphere or precisely how much is soaked up by oceans and plants or emitted by rotting and burning vegetation and other natural processes.

[Clinton Connects Overpopulation to Climate Change](#)

Recent comments made by Clinton reflect the mindset of the neo-Malthusian scientists currently occupying key positions in the Obama administration.



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