



Drumbeat: December 19, 2009

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Topic: [Miscellaneous](#)

[OPEC may need to cut supply in 2010, not now: PFC](#)

LUANDA: OPEC could have to cut oil supply by 1 million barrels per day (bpd) early in 2010 if weak demand results in a further rise in already swollen global inventories, consultancy PFC Energy said in a report.

The Organization of the Petroleum Exporting Countries meeting in Angola on Tuesday was expected to keep supply steady because of concern any cut could push prices higher and threaten global economic recovery. But high inventories could force OPEC's hand early next year, before the second quarter when seasonal demand is typically at its lowest, PFC said. "OPEC could face the prospects of needing to undertake Herculean efforts to tighten up fundamentals in early 2010," PFC Energy said in the report.

[d oil well row](#)

Iraqi troops massed Saturday near an oil well on the border in a standoff with Iranian forces that seized control of the site in a sudden flare up of tension between the two uneasy neighbors.

[Some Europe refiners stop taking Saudi heavy crude](#)

Europe's demand for oil from Middle Eastern OPEC producers as a whole has fallen due partly to a sharp fall in consumer and industry demand for oil products such as gasoline and diesel, sources at many European refineries said.

"The call on OPEC from Europe has been reduced this year. There is so much crude around in a low demand environment," the executive at the second refinery said.

The fall in demand for OPEC crude is in part a function of the recession, in part of a result of OPEC supply cuts, and is also a factor in the wider shift of demand to Asia.

[Shell Nigeria has no reports of attack on facilities](#)

LAGOS (Reuters) - Royal Dutch Shell (RDSa.L) said on Saturday it had no reports of attacks on facilities operated by its SPDC joint venture in Nigeria, following a claim by militants to have struck an oil pipeline overnight.

[Nigeria: Fuel crisis to grow worse](#)

Twelve days to the end of the year and few days after the Nigeria Labour Congress succumbed to sustained pressure from the Federal Government to embrace the deregulation of the downstream sector of the oil industry, there are indications that the fuel scarcity currently being experienced all over the country could worsen.

[Good News and Bad News?](#)

I suppose if you focus on current supply and demand, you can make a case for lower oil prices. If oil was a renewable resource, this would make sense. But oil's not a renewable resource. Oil is finite. We may not know exactly how much oil exists today. And we may not be able to predict how much oil is yet-to-be discovered.

But we do know that non-OPEC oil production has been in decline since 2004. And it's not just a lack of investment in new production that's causing the decline. It's also a matter of oil fields like the North Sea and Mexico's Cantarell simply not producing as much as they once did.

Some now estimate that demand could meet current production capacity in the next five years. Of course, the global economy has to keep rebounding for this to happen. But if it does, oil prices will be a lot higher than they are right now.

[Certified data show that Venezuela's oil production decreased in November](#)

The latest official certified data of oil exports compiled by the British firm Inspectorate say that Venezuela's crude oil production in November declined compared with October.

According to a paper prepared by Juan Carlos Boué, a senior adviser of Venezuela's Ministry of Energy and Petroleum, published in Middle East Economic Survey, a weekly newsletter focusing on the region's energy strategies and developments, Venezuelan oil exports certified by Inspectorate stood at 2,397,000 barrels of oil per day in November.

[Big Oilfield Service Cos May Benefit from Exxon's XTO Buyout](#)

Exxon Mobil Corp.'s move to buy one of the leading U.S. natural gas producers could provide a boost to big oilfield service companies that have been hit hard by a downturn in the North American drilling market.

[China Facing Economic, Financial and Stock Market Crash Scenario](#)

Don't confuse unsound lending and pervasive speculation in China with inflation in the US. Remember that commodity prices are set at the margin, and in this case the margin include pig farmers.

If you are looking for inflation, the place to find it is in China, not the US.

China is in a Scylla or Charybdis scenario. If China continues to inflate it will overheat. If it doesn't, unemployment and unrest will soar, and the economy will implode. Either way, there is no winning solution.

Peak oil and environmental pollution compound China's problem immensely. China is simply on an unsustainable path for many reasons.

[UAE's Nuclear Future](#)

The UAE-US nuclear deal is now operative. With the exchange of notes between officials of both the countries at the US State Department, the Agreement for Peaceful Nuclear Cooperation will see transfer of nuclear fuel, technology and know-how to the UAE.

[Plan B 4.0 by the Numbers – Data Highlights on Selling our Future](#)

Another concern addressed in Plan B 4.0 is how the growing consumption of the earth's resources is clearly unsustainable. Examining commodity consumption in merely two countries, the United States and China, makes this point.

China now consumes more grain than the United States. It consumes almost twice as much meat, roughly three times as much coal, and nearly four times as much steel. But what would happen if China's 1.3 billion people were to consume commodities at the same rate as the United States' 300 million?

[Transition Network Seeks Diversity: Shouldn't We All?](#)

When I wrote about efforts by Transition Brixton to launch its own currency, commenter Liz voiced her concerns that it was an exercise in "right-on-ness" due to the relative lack of ethnic diversity represented. Others have worried that the Transition Towns Movement feels like a rebranding of back-to-the-land ideals, appealing to a self-selecting group of green-minded souls. If Transition groups really do offer a viable, community-led response to peak oil and climate change, then it is vital they reach beyond the usual suspects. Luckily, the signs are good that the Transition movement is fully aware that preaching to the converted is no longer an option.

In fact, the Transition Network is actively seeking a paid Diversity Project Coordinator to help the network achieve its goal to successfully engage across culture, race, faith and income groups.

[The High Cost of Ignoring Beauty](#)

Jacobs's ideas have shared the fate of every prophecy in recorded history, which is to be ignored until it is too late to act on them. Her message has been taken up and refined in recent years by James Howard Kunstler who, in *The Geography of Nowhere*, describes the aesthetic and moral disaster of American urbanization, as the zoning laws drive people constantly further from their places of work and recreation, leaving the abandoned wreckage of fleeting businesses in their wake. Kunstler has gone on to argue (in *The Long Emergency*) that suburbanization, which is the only consensual solution to the disaster, is unsustainable, and that America is preparing an extended emergency for itself when the oil runs out.

Whether or not you go along with Kunstler's doom scenario, the question that Jacobs has bequeathed to us remains. How do we get out of the mess? If the problem is planning, how can we plan to avoid it? And is there no distinction between a good plan and a bad plan? Wasn't Venice planned, after all, and Ephesus, and Bath, and a thousand other triumphs of urbanization?

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[You Can't Trust the 2010 EIA Annual Energy Outlook](#)

Suppose you worked at the Energy Information Administration (EIA), the agency within the U.S. Department of Energy charged with keeping data and making projections on energy, and you had to produce an annual report with a scenario for the next 25 years.

Being an intelligent and informed investor, you might grapple with the \$147 to \$33 range in oil prices over the last year and try to imagine how such volatility might happen in the future.

You might be tempted to model a few economic factors such as GDP growth rates and credit availability, and how they affect investment in energy supply.

You might consider the price at which producing a barrel of oil or a thousand cubic feet of natural gas becomes profitable, and the price at which it becomes too expensive and destroys demand.

[Iraq Says Iran Violated Border, Calls for Withdrawal](#)

The border “is not clearly delineated, is in desert and is in dispute anyway,” said Edward Morse, head of economic research at LCM Commodities LLC in New York. “The possession of an unproductive well seems a strange thing on which to hang a national crisis.”

Morse is a former deputy assistant secretary of state for international energy policy.

Energy analysts and traders were surprised at the incursion, which comes days before Iran and Iraq meet fellow members of the Organization of Petroleum Exporting Countries at a Dec. 22 meeting in Luanda, Angola.

“We don’t need any more conflict in that part of the world,” OPEC Secretary-General Abdalla el-Badri said when told of the incident today at the climate summit in Copenhagen. “I hope that is not true.”

[Iraq Accuses Iran of Seizing Oil Well Near Border](#)

BAGHDAD (AP) -- Iranian forces crossed into Iraq and seized an oil well just over the two countries' disputed border, Iraq's government said Friday, prompting a protest from Baghdad and providing a dramatic display of the sometimes tenuous relations between the wary allies.

The incident could trouble Iraq's drive to attract the international investment needed to develop its beleaguered oil sector, analysts said, and it raised questions about the two countries' ties, which had improved greatly after the fall of Saddam Hussein.

[U.S. Diplomat: Iraq 'Not Going to Be Pushed Around' by Iran](#)

BAGHDAD — Iraq is “not going to be pushed around” by Iran, the top U.S. diplomat in Iraq said Saturday following an Iranian takeover of an oil well along the two nations' disputed border.

U.S. officials said they approved of Iraq's speedy defense of its sovereignty amid ongoing concerns over Iran's influence on its Mideast neighbor.

"It does speak to the overall view here that they are not going to be pushed around by Iran," U.S. Ambassador to Iraq Chris Hill told reporters.

[Nigeria Rebels Say They Attacked Shell, Chevron Pipe](#)

(Bloomberg) -- Nigeria's rebel Movement for the Emancipation of the Niger Delta said it attacked an oil pipeline used by Royal Dutch Shell Plc and Chevron Corp., the first assault in five months claimed by the group.

The "warning strike" at Abonemma in Nigeria's southern oil region was to protest the lack of progress in talks with the government since President Umaru Yar'Adua was hospitalized in November, Jomo Gbomo, a spokesman for the group also known as MEND, said in an e-mailed statement today.

[Midwest Oil Costs May Rise on 4.2 Million Barrel Suncor Outage](#)

(Bloomberg) -- U.S. refiners in the Midwest may see crude costs rise after Suncor Energy Inc. said its oil sands production may decline as much as 4.2 million barrels while an Alberta upgrader is repaired.

A Dec. 15 fire will curb output at one of the company's two oil sands upgraders north of Fort McMurray, Alberta, by 120,000 to 150,000 barrels a day during repairs that are anticipated to last between two and four weeks, Suncor said yesterday. Synthetic light, sweet, crude, or syncrude, produced by the upgraders is shipped to refineries in the U.S. Midwest, or Padd 2, region.

[Nord Stream Gets Approval to Build Gas Pipeline Through Russia](#)

(Bloomberg) -- Russia approved the construction of the Nord Stream natural-gas pipeline through its waters, becoming the third country to grant permission for the OAO Gazprom-led link across the Baltic Sea.

[Gas Natural, Morgan Stanley Reach Deal](#)

MADRID -- Spain's Gas Natural SDG SA said Saturday it has reached an agreement to sell just over 500,000 Madrid gas and electricity sales points to Morgan Stanley's infrastructure business and Portuguese energy company Galp Energia SGPS SA for EUR800 million (\$1.2 billion).

[Caltex Weighs Possible Purchases as Oil Companies Exit Refining](#)

(Bloomberg) -- Caltex Australia Ltd., blocked from buying Exxon Mobil Corp. filling stations in the country, said it's weighing bids for overseas refining and fuel retailing businesses as rivals including Royal Dutch Shell Plc sell assets.

[U.S. natural gas rigs climb 16 to 773 for week](#)

NEW YORK (Reuters) - The number of rigs drilling for natural gas in the United States climbed 16 this week to 773, according to a report on Friday by oil services firm Baker Hughes in Houston.

The U.S. natural gas drilling rig count has moved up sharply after bottoming on July 17 at 665, its lowest level since May 3, 2002, when there were 640 gas rigs operating.

But the rig count is still down sharply since peaking above 1,600 in September of last year, standing 593 rigs, or 43 percent, below the same week in 2008.

[The Future of America's Natural Gas](#)

Low gas prices means, suddenly we're drilling a lot fewer gas wells. No one wants to drill anymore.

Currently, in order to maintain U.S. production, we have to add between 17, 18, 19 Bcf (billion cubic feet) additional gas per day. At the current rate of drilling, we're adding 9 Bcf a day production, so there's obviously a shortfall.

And a shortfall means eventually the price of gas has to start going up.

[China's Coking Coal Shortage to Spur Demand Fight](#)

(Bloomberg) -- China, the world's largest steelmaker, faces a shortage of coking coal that may drive imports next year and spur a fight for resources with Japanese and South Korean mills, two Chinese industry groups said.

[A year later, TVA chief says ash spill 'painful'](#)

KINGSTON, Tenn. - The Tennessee Valley Authority's top executive says changing the way waste is stored at its power plants should reduce the risk of another disastrous coal ash spill like the one that tarnished a riverside community a year ago. But he isn't offering any guarantees.

[Revenue prepares to close North Sea national insurance loophole](#)

The Government is investigating a tax loophole that has allowed the North Sea oil industry to avoid paying hundreds of millions of pounds in national insurance contributions, *The Times* has learnt.

The scheme, which has been exploited for years by scores of companies, including the FTSE 100 oil services group Petrofac, is depriving the Treasury of as much as £70 million a year, according to estimates from one of the world's biggest accountancy firms.

[Ethanol Futures Extend Declines as Dollar Gains Against Euro](#)

(Bloomberg) -- Ethanol futures declined for a 11th day to the lowest in more than two months amid speculation the strengthening dollar will reduce U.S. corn exports and producers will boost output.

The biofuel dropped as the dollar extended its biggest rally against the euro since January, after the European Central Bank raised its estimates for writedowns by 13 percent in countries that use the currency.

[Head of Geopower Basel faces jail for causing earthquakes](#)

A geologist searching for cheap, clean energy is facing up to five years in jail for causing a series of earthquakes after drilling 3 miles (5km) down in an effort to generate electricity from hot rocks.

Markus Häring, the head of Geopower Basel, a thermal energy company, was testing pioneering technology to blast cold water deep underground and create steam to drive electric turbines. Mr Häring's company had to stop when it recorded an earthquake measuring 3.4 on the Richter scale and a series of smaller tremors that led to 3,500 claims for damages from homeowners and a compensation bill of SwFr9 million (£5.4 million).

[Peaceful nuclear energy](#)

KUWAIT: HH the Prime Minister Sheikh Nasser Al-Mohammed Al-Sabah emphasized on Kuwait's keenness to utilize nuclear energy for peaceful purposes. It intends to use it as an alternative source of energy as one of its development projects' priorities.

[General Electric Inches Ahead With a Proposed Reactor](#)

General Electric may have lost most of its American customers for an advanced new model reactor, the Economic Simplified Boiling Water Reactor, but it is pressing ahead with the one company still clearly in the market, Detroit Edison, and is exploring

whether it could build reactor parts in Michigan for projects around the world.

[Stressed solar looks beyond Wall St. for capital](#)

SAN FRANCISCO/LOS ANGELES (Reuters) - The solar industry needs \$2 billion to expand next year, but with Wall Street still nervous about backing risky and capital intensive ventures, companies are looking beyond to boutique banks and other sources of funding to avoid falling behind.

Government sources, state-owned banks for Chinese players and small investment advisory firms are stepping into the shoes of the big banks that helped companies solar companies raise millions in the public markets during their first waves of expansion.

[Bottled water sales dry up; industry asks 'why?'](#)

After steady expansion that saw U.S. per capita consumption grow from less than two gallons a year to a peak of 29 in 2007, bottled water sales slipped 3.2 percent in 2008 and are projected to dip another 2 percent this year, according to estimates by the Beverage Marketing Corporation, a New York research and consulting firm.

The primary cause of the decline is hotly contested.

[Producers defend oil sands emissions](#)

The carbon footprint left by oil sands crude has been a target of criticism throughout the Copenhagen talks on climate change.

Canada has been handed "fossil awards" and accused of being "climate criminals" almost daily -- often with the accompanying chorus that crude oil production in the tar sands is "two to three times worse" for the environment than any other supply of oil on the planet.

But back home, the oil industry and the government of Alberta are fighting back against suggestions that oil from northern Alberta is exponentially worse for the planet than the conventional stuff pulled from places like the U.S. gulf coast and Saudi Arabia.

[Eight ways to cool a warming planet](#) Cuts to greenhouse gas emissions are widely considered the most prudent strategy to cool the planet, but some scientists say the politics and economics of this process are unfolding too slowly to prevent the climate from a catastrophic disruption. In addition, the cuts to emissions going forward do nothing to reduce the risk from carbon dioxide already in the atmosphere, noted David Keith, a climate change researcher at the University of Calgary in Canada.

As a result, further manipulation of the climate system via a range of so-called geo-engineering schemes is attracting greater interest. The ideas fall in two categories: removing carbon dioxide from the air and making the earth more reflective. "The big fear about geo-engineering is that knowing that it is possible will make people less likely to cut emissions," Keith said. "And that is a very serious and legitimate concern. ... I share it, but I think it is better to talk about things in a straightforward way than pretend they are not there."

[Obama Climate Accord Labeled Failure by Environmental Groups](#)

(Bloomberg) -- U.S. President Barack Obama called a climate change agreement with China and about 20 other nations an "unprecedented" move to slow global warming. Environmental groups called it a failure.

[Climate deal on knife edge as poor nations vent fury](#)

COPENHAGEN (AFP) – A climate change deal woven by US President Barack Obama and other top leaders hung in the balance Saturday after smaller nations lashed the pact as a betrayal.

Obama announced an "unprecedented breakthrough" after meetings with about two dozen presidents and prime ministers in Copenhagen for the finale of the landmark UN summit on the world's answer to global warming.

But after talks through the night, the arduously-crafted "Copenhagen Accord" had been badly mauled.

[Copenhagen climate summit: Five possible scenarios for our future climate](#)

With talks in Copenhagen descending into chaos, the prospects for stabilising temperatures below 'dangerous' levels look increasingly slim. Here are five possible scenarios for our future climate.



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