



## Drumbeat: December 30, 2009

Posted by [Leanan](#) on December 30, 2009 - 8:55am

Topic: [Miscellaneous](#)

### [Exclusive: Saudis quit Caribbean oil storage; China steps in](#)

NEW YORK/HOUSTON/BEIJING (Reuters) - Saudi Arabia has quit a long-held lease for 5 million barrels of Caribbean oil storage near the key U.S. market and state giant PetroChina is poised to move in, industry sources say, a potentially major shift in global oil trade dynamics.

Coming just weeks after Saudi Oil Minister Ali al-Naimi revealed the world's top oil exporter accepted an offer for free storage in Japan, the news underscores the growing importance of China and Asia versus the United States, where the government says oil demand has already peaked and supply competition from nearby Brazil and Canada is expanding.

It also highlights the increasingly global reach of China's biggest state oil company, which could use the facilities as a staging point for a growing slate of South American oil deals or as trading leverage in the U.S. market, which still effectively sets the global price of oil.

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### crush protesters with no mercy

TEHRAN, Iran (AP) — Iran's police chief threatened Wednesday to show "no mercy" in crushing any new opposition protests and said more than 500 demonstrators have been arrested in the wake of this week's deadly clashes.

### [Government supporters pack Iranian cities to condemn opposition, U.S.](#)

Tehran, Iran (CNN) -- Thousands of Iranian political supporters jammed the streets of the capital and other cities Wednesday in response to anti-government rallies during Sunday's observances of the holy day of Ashura.

As crowds headed toward Revolution Square, they cried "Death to America," "Death to Israel," and "Death to Moussavi." The latter refers to Mir Hossein Moussavi, the main opposition candidate in Iran's June 12 presidential election that swept incumbent President Mahmoud Ahmadinejad into office for a second term.

### [Prudhoe Bay oil spill now as much as 100 gallons](#)

ANCHORAGE, Alaska (AP) -- BP now estimates as much as 100 gallons of crude oil may have spilled in an area around a well house where a pipe broke in the Prudhoe Bay oil field, Alaska officials said Tuesday. BP's initial estimate was 3 gallons of oil.

### [US Henry Hub average spot gas price sinks in 2009](#)

NEW YORK (Reuters) - U.S. spot natural gas prices at Henry Hub, the benchmark delivery point in Louisiana, tumbled 55 percent in 2009 to average \$3.99 per million British thermal units, according to Reuters data compiled on Wednesday.

A deep recession that sharply cut into demand, particularly from the industrial sector, and near-record high domestic natural gas production were the main factors driving prices lower this year.

### [U.S. Trade Panel Rules for Domestic Steelmakers Against Chinese Imports](#)

WASHINGTON -- The U.S. International Trade Commission sided with U.S. steelmakers in a case over Chinese steel Wednesday, voting that U.S. industry has been damaged by a flood of imports of subsidized steel from China.

In the ITC's largest-ever steel case, all six commissioners said that imports of so-called oil country tubular goods from China have injured U.S. manufacturers. The commission is made up of three Democrats and three Republicans.

### [Energy Star Gets Tough on LG Electronics](#)

The Department of Energy has announced that, as of Jan. 20, LG Electronics will be banned from using the Energy Star label on 20 of its refrigerator-freezer models.

The agency, which has received criticism for failing to ensure the integrity of products bearing the Energy Star label, said the refrigerators did not deliver required energy and cost savings, and that it was taking steps to protect the American public.

### [Kurt Cobb: Hope, hopelessness and faith](#)

For those involved in issues of sustainability, peak oil, climate change, and relocalization it might be better to feel a certain hopelessness in our situation. For hope implies dependence on forces outside ourselves. Once we abandon that hope, we can get down

to the tasks at hand, the tasks that need to be done--for which we need to ask no politician or government official permission--tasks that we can get started on today. In this way hopelessness concerning the current political and economic arrangements becomes an ally.

So, what we really need is not hope. Hope can be the enemy of action. Hope can be a drug that maroons us in cafes in long, satisfying conversations that never lead anywhere but back to the cafe the next night. In hope's place I nominate faith. Not religious faith, but what George Santayana calls "animal faith."

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Coming just weeks after Saudi Oil Minister Ali al-Naimi revealed the world's top oil exporter accepted an offer for free storage in Japan, the news underscores the growing importance of China and Asia versus the United States, where the government says oil demand has already peaked and supply competition from nearby Brazil and Canada is expanding.

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### [Oil-thirsty China to raise Kuwaiti imports by 50 pct](#)

BEIJING (Reuters) - China has agreed to raise 2010 crude imports from Kuwait by 50 percent to about 240,000 barrels per day, trade sources told Reuters, with Chinese refiners set to process at record rates as demand rebounds strongly.

The jump, which follows a one-third increase this year, comes after Iraq said it would more than double exports to the world's second-largest oil consumer and Saudi Arabia agreed to a 12 percent increase for 2010.

"The deals have been finalised," said a trade source familiar with the term supply agreements. "It's a big increase."

### [Natural-Gas Producers Seek Long-Term Contracts](#)

In a sign that low natural-gas prices are probably here to stay, big U.S. energy

companies are pushing to sign long-term contracts with electric utilities and other customers.

Major producers such as Chesapeake Energy Corp. and Devon Energy Corp. are trying to reach multiyear deals -- likely five or 10 years long--that would guarantee them buyers for their gas but would deny them the benefits from any sudden price increases.

### [Oil, natural gas markets brace for surprises](#)

TOKYO (MarketWatch) -- Energy traders certainly have their work cut out for them when it comes to guessing the next direction for oil and natural gas as the year comes to an end.

After all, oil's made an impressive run, poised to end the year with a gain of more than 75% after closing out last year down 54% -- its biggest yearly loss since oil futures started trading in New York.

And while natural-gas prices are about to end the year with little fanfare, around 4% higher for the year, that's still much better than the 25% loss they posted in 2008. Prices have more than doubled from their lows around \$2.50 per million British thermal units in early September.

### [Looking ahead: Power supply not enough in 2010?](#)

MANILA, Philippines - As the holiday season draws to a close, Filipinos now gear up for the upcoming national elections. But as government officials raised the possibility of a power shortage next year, will the 2010 polls be done in the dark?

The government earlier warned of an impending power shortage in the Philippines next year, specifically during the 2010 elections. Citing data, Energy Secretary Angelo Reyes has projected that there would be a 4,100-megawatt shortfall all over the country.

### [South Africa: Switch on ocean current](#)

A SOLUTION to the country's energy crisis could be lying off our coast -- generating electricity using the power of the Agulhas Current.

Eskom is to be asked to consider a proposal to enter into a collaborative partnership with researchers who have conducted a pilot project.

### [Pakistan: Discovered gas field awaits PM's nod](#)

ISLAMABAD – At a time when country is facing severe energy crisis, Prime Minister Syed Yousuf Raza Gilani has unnecessarily delayed gas extraction from a discovered gas field Kunar Pesakhi, located some 25 kilometres east of Hyderabad.

### [India: Fuel shortage continues to haunt thermal power projects](#)

Coal shortage continued to hit the power sector as 11 electricity generation projects received less dry fuel in November.

### [NTPC to set up power projects in Egypt](#)

(MENAFN) The Egyptian government has invited India's NTPC Ltd to set up power projects in the African nation in an attempt to meet an expected surge in electricity demand, Reuters reported.

According to the proposal from the African country, the government will provide the land for the projects and pledge the long-term purchase of power with its central bank guaranteeing transactions.

### [Finally, a shift to natural gas](#)

Indian industry's energy consumption pattern finally started shifting toward natural gas in 2009. This has led to a drastic reduction in consumption of liquid fuels like naphtha by sectors like power and fertiliser. Natural gas is a clean source of energy and is environment friendly. But the government's efforts in the past to direct a shift in India's energy usage pattern towards natural gas had been hobbled by the wide gap in the domestic demand-supply of the natural gas. The fact that international prices of natural gas were prohibitively high also did not help.

### [Growing Power Demand Seen to Fuel Mideast Diesel Genset Market to \\$1.6b in Five Years](#)

DUBAI — Driven by higher per capita power consumption and supply shortages, the diesel generator set market in the Middle East is poised to reach \$1.6 billion in five years, a new study reveals.

Apart from growing per capita power consumption and supply constraints, rapid industrialisation is also key driver for the growth of the diesel genset market, said Research Analyst Hemanth Nayak of Frost & Sullivan, a leading business consultancy company. However, in the longer-term, alternate energy sources including nuclear power and more investments in additional power generation capacity by all the Middle East countries will have a negative impact on the diesel generator set. Nayak said a projected high growth in infrastructure, commercial and retail segments are expected to drive the demand for standby and prime power gensets.

### [Planning for long-term sustainability crucial](#)

Climate change, natural disasters, plant epidemics and liberalisation under the Asean Free Trade Agreement could all affect Thailand's farm output and trading competency.

The Office of Agricultural Economics predicts prices of major crops will increase considerably next year, by 10-20 per cent.

The effects of climate change, not to mention possible natural disasters, could reduce production and increase demand, thus driving up crop prices. Rising concerns about food security and increased demand for fuel crops in world markets to compensate for oil-price hikes will also hike prices.

### [Used-car market taking big hit from Clunkers](#)

Welcome to the world of used cars, post-Cash for Clunkers. Because 690,000 used cars were destroyed last summer under that government stimulus program, just when many drivers stung by the recession no longer can afford to buy a new car, there is a lingering shortage of good used cars. And good used cars that are available are likely to be more expensive than half a year ago.

### [Drug-resistant infections lurk in meat we eat](#)

America's farmers give their pigs, cows and chickens about 8 percent more antibiotics each year, usually to heal lung, skin or blood infections. However, 13 percent of the antibiotics administered on farms last year were fed to healthy animals to make them grow faster. Antibiotics also save as much as 30 percent in feed costs among young swine, although the savings fade as pigs get older, according to a new USDA study.

However, these animals can develop germs that are immune to the antibiotics. The germs then rub into scratches on farmworkers' arms, causing oozing infections. They blow into neighboring communities in dust clouds, run off into lakes and rivers during heavy rains, and are sliced into roasts, chops and hocks and sent to our dinner tables.

### [Jeff Rubin: How much longer will our Chinese food be delivered?](#)

If you think you're eating local now, you haven't tasted anything yet.

Food and energy are intertwined at many levels, not the least of which starts right at the production stage. Behind the green facade of the farm gate lies one of the most energy-intensive industries in the world. From fertilizer to farm machinery, most modern agriculture is really about making hydrocarbons edible.



No matter what the crop, the most important input is always energy — and it's getting to be more so every day. Driven by ever greater fertilizer use and farm mechanization, energy represents half the cost of growing wheat (up from 30 per cent only a decade ago), and over 40 per cent of the cost of growing corn or sorghum.

That should tell you right away that a world of rising energy costs translates directly into a world of rising food costs.

### [Oil Heads for Biggest Annual Gain in a Decade Amid Iran Unrest](#)

(Bloomberg) -- Crude oil was little changed, heading for its biggest annual gain in a decade, on forecasts that U.S. stockpiles are narrowing while unrest in Iran sows concerns supply will be disrupted.

"Stocks are showing the market is getting towards a more balanced situation, though it will take time," said Alexandra Kogelnig, a consultant with JBC Energy GmbH in Vienna. "Tensions in Iran are always a factor even if there is nothing immediately happening, as if something major happens it will affect exports."

Crude oil for February delivery was at \$78.70 a barrel, 14 cents lower in electronic trading on the New York Mercantile Exchange, as of 11:50 a.m. London time. It earlier rose as much as 32 cents, or 0.4 percent, to \$79.19 a barrel. Futures are set for a 77 percent gain this year, the biggest since 1999. Prices have tripled in the past decade.

### [Is thin trading driving oil prices?](#)

*We continue to be of the opinion that the real driver of the oil market last week and this week is the lack of trading volume in the futures market and not really the lack of oil supplies."*

These were the recent words of Olivier Jakob of Petromatrix in Switzerland, and are yet another example of the bearish sentiment toward oil prices that is rampant in the analyst community. Nobody wants to admit that the current supply and demand relationship is temporary. Nobody wants to acknowledge that the world faces some tough decisions in the months and years to come regarding energy supplies.

The era of cheap oil is over. Sure, we could maybe see oil in the \$60's again. But it's pure folly to expect that oil prices might remain there for any length of time.

### [FACTBOX - China's strategic oil reserve plan](#)

BEIJING (Reuters) - China has started building a 3 million cubic metre (19 million barrel) strategic crude oil reserve facility in Lanzhou in Gansu province and plans to start operating it in 2011, state media reported.

Lanzhou is among the sites for the second of three phases of crude oil reserves. China hopes to complete the second phase, totalling 170 million barrels, in two years, Liu Qi, deputy head of China's National Energy Administration, said in September.

### [Russian Seaborne Crude Oil Exports Scheduled to Drop in January](#)

(Bloomberg) -- Russia, the world's second-largest oil exporter, plans to reduce shipments of Urals and Siberian Light crude from four Baltic and Black Sea ports by 6.1 percent next month, according to the official loading schedule.

### [Indonesia sees 15% slash in E&P spend](#)

Indonesia expects spending by contractors on oil exploration in the country to fall to \$2.3 billion next year, down about 15% from an estimated \$2.7 billion in 2009, the country's oil watchdog said today.

### [Angolan firm initials two deals for Iraq oil fields](#)

BAGHDAD — Angolan energy firm Sonangol initialled two deals with Iraq on Wednesday to develop oil fields in the north of the country, oil ministry spokesman Assem Jihad said.

The two agreements completed the initialling of seven deals reached between Baghdad and foreign energy firms earlier this month that aim to ramp up Iraq's oil output five-fold.

### [PetroChina Wins Approval for \\$1.8 Billion Acquisition](#)

(Bloomberg) -- PetroChina Co. won the approval of the Canadian government for its C\$1.9 billion (\$1.8 billion) bid to buy a stake in two Alberta oil-sands projects, its biggest North American acquisition.

The purchase by China's largest oil company of a 60 percent share in Athabasca Oil Sands Corp.'s MacKay River and Dover oil-sands projects "is likely to be of net benefit to Canada," Industry Minister Tony Clement said in a statement yesterday.

### [Belarus to pay cheap for Russian gas in Q1](#)

MOSCOW (Reuters) - The price for Russian gas for Belarus will increase by only 12 percent to \$168 per 1,000 cubic metres in the first quarter 2010, Russian gas export



monopoly Gazprom said on Wednesday.

Belarus enjoys the largest discount on Russian gas in the region, paying \$150 per 1,000 cubic metres of gas in 2009 on average, compared with \$208 charged to neighbouring Ukraine, whose ties with Moscow are far worse.

### [Russia plans gas price hike](#)

Ukrainian state gas company Naftogaz said today it could pay more for Russian gas in the first quarter of next year, raising prices to \$305-306 per 1000 cubic metres from \$208.12 in the current quarter.

### [Polish Ministry Opposes Gas Compromise With Gazprom, rp.pl Says](#)

(Bloomberg) -- Poland's Treasury Ministry opposes any compromise with OAO Gazprom on overdue payments to domestic gas company Polskie Gornictwo Naftowe i Gazownictwo SA that are preventing the signing of a gas-supply accord, rp.pl reported.

Deputy Treasury Minister Mikolaj Budzanowski told the Web site of the newspaper Rzeczpospolita that Polskie Gornictwo won't be pushing for an agreement "at all costs."

### [Dark days at the centre of Europe](#)

The Baltic state of Lithuania -- sandwiched between Latvia and the Russian exclave Kaliningrad -- faces an economic contraction of 18 percent for 2009.

To that the government has said it will add a 30 percent increase in household power prices in 2010, as it fulfils a condition of European Union membership and shuts Ignalina, the Chernobyl-style nuclear power plant that provides 70 percent of Lithuania's power.

### [Russian oil pact gives Iraqi economy a shot in the arm](#)

Although it sits atop the world's third largest proven reserves of conventional crude oil, Iraq produces about 2.5 million barrels per day, of which about 1.9 million barrels a day are exported.

Decades of neglect of the fields have been compounded by the effects of the fighting and sabotage in the wake of the 2003 U.S.-led war to oust Saddam. That violence has meant that Iraq has been unable to even reach its prewar output levels of oil. Crude oil sales account for roughly 90 percent of the government's budget.

### [Taiwan Energy Use Rises for Third Month on Industrial Demand](#)

(Bloomberg) -- Taiwan's energy use rose for a third straight month in November on increased demand from factories as overseas orders for the island's semiconductors and mobile phones surged.

Consumption of coal, petroleum, gas, thermal energy and electricity advanced 11 percent from a year earlier to the equivalent of 9.56 million kiloliters of oil, or about 2 million barrels a day, the Bureau of Energy in Taipei said in an e- mailed report today.

### [Only four days' oil left after Iran upheaval and strike here](#)

IRELAND was almost nearly out of oil amid political upheaval in Iran in 1979 and a strike at Dublin Port, newly released State papers reveal.

At one stage during July, the country had just four days' supply left as ministers and officials held crisis talks with oil company chiefs.

Energy Minister Des O'Malley warned of the "serious situation" not 70 miles from Dublin with creameries about to close and tourism seriously affected by dwindling supplies.

### [Dutch court to hear Shell case](#)

A district court in The Hague has agreed to hear petitions filed by four Nigerian men who allege that Royal Dutch Shell was negligent in cleaning up a 2005 oil spill that damaged their farms and fisheries.

### [Wanted: green engineers](#)

Regardless of the outcome of the Copenhagen conference in December 2009, one of the most pressing anti-climate-change needs will be the ability to get things done in 2010 and beyond. The commitments already made by some large economies require an extremely large capacity to get new energy systems in place quickly. That includes making sure that there are the people around to design and build them.

The infrastructure needed to make a large dent in the world's emissions is daunting. What is unusual is not the scale of investment, but that much of it has to be spent on new capabilities. With the use of coal worldwide expected to double by 2030, for example, carbon capture and storage (CCS) technologies will be crucial. The amount of pipelining, geological surveying and chemical engineering needed for this is not unprecedented compared with what already exists in the oil, gas and mining industries. But it is vastly larger than today's CCS capacity, and the people needed cannot just be

borrowed from the current fossil-fuel industry.

### [PG&E Customer Revolt May Threaten Rollout of Obama's Smart Grid](#)

(Bloomberg) -- Consumer backlash and cost concerns may cause delays in the nationwide rollout of "smart" utility meters at the center of the Obama administration's \$8 billion push to update the U.S. electricity grid.

PG&E Corp., owner of California's largest utility, halted meter installations in Bakersfield, north of Los Angeles, after hundreds of customers complained that readings weren't accurate. The meters, part of a so-called smart-grid initiative billed as clearing the way for more renewable-energy use, are designed to help consumers conserve power during periods of peak demand.

### [Energy Star appliance rebates, announced in July, won't be available for months in many states](#)

Rebates to buy energy-efficient appliances, announced by the U.S. government in July, are so far available only in Delaware and won't be offered in many states until spring.

The \$300 million "cash for appliances" program, funded by the federal economic stimulus, is being rolled out gradually, state-by-state. In contrast, the popular "cash for clunkers" car trade-in program was national, so all buyers were eligible the same day.

### [Toyota Tsusho to Produce Jatropha as Alternative Fuel](#)

(Bloomberg) -- Toyota Tsusho Corp., the trading affiliate of Toyota Motor Corp., plans to start growing jatropha next year as it bets that higher crop yields and oil prices will make the plant a profitable alternative fuel.

The Nagoya-based company is in negotiations with a Philippine banana plantation to produce the leafy green shrub, Makoto Hattori, a project development manager, said in an interview, without naming the company or disclosing the size of the investment.

### [Ethanol Industry: Protect Corn to Save Second-Gen Biofuels](#)

The latest line from two ethanol industry groups suing California over its low-carbon fuel standard goes something like this: Second-generation biofuels will die unless corn-based ethanol is protected.

### [China to Be World's Third-Largest Windpower Producer](#)

(Bloomberg) -- China will become the world's third- biggest producer of electricity from wind by the year-end as it taps more renewable sources of energy and reduces the use of polluting coal, a government official said.

The country's windpower capacity will reach 20,000 megawatts this year, Shi Lishan, deputy director of new energy at the National Energy Administration, said during a Webcast today. In 2004, the capacity was 764 megawatts, Shi said.

### [Kazakhstan Says It Became the Biggest Uranium Producer in 2009](#)

(Bloomberg) -- Kazakhstan this year became the world's biggest uranium producer, overtaking Canada, after it boosted output 63 percent, according to the Central Asian nation's state-run mining company.

Kazakhstan mined 13,500 metric tons of uranium as of Dec. 21 and will mine at least another 400 tons before the end of the year, Almaty-based, Kazatomprom said in a statement e-mailed today.

### [Audio slideshow: Life on the water](#)

If water levels rise in Vietnam's Mekong Delta as a result of climate change, more and more people may have to adapt to life on water. But some of them have been living that way for years. The Can Tho floating market is one example.

People buy from farmers and act as wholesalers to the small boats which sell the fresh produce to locals along the river. They are mostly rowed, with crossed oars, so the environmental cost of the journey from field to bowl is minimal.

### [Sarkozy scrambles to salvage carbon tax](#)

PARIS — French President Nicolas Sarkozy faced an embarrassing setback Wednesday after the high court struck down a planned carbon tax to fight global warming, just days before it was to kick in.

The constitutional court ruled that too many exemptions to the tax on carbon dioxide emissions created inequalities and unfairly placed the burden of cutting down wasteful energy use on a minority of consumers.



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