



# Drumbeat: January 11, 2010

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#### **Devaluation Sparks Chaos in Caracas**

CARACAS -- President Hugo Chávez's decision to devalue Venezuela's bolivar and impose a complicated new currency regime may paper over some growing cracks in the economy, but it is also setting the stage for bigger problems down the road for the country's oil-rich nation and its populist leader.

Over the weekend, there were signs that Mr. Chávez's slashing of the "strong bolivar" currency could create as many problems as it solves in Venezuela's economy, provoking a wave of anxiety that sent Venezuelans scurrying to spend cash they feared could soon be worthless.

At Caracas's middle-class Sambil shopping mall, lines at cashiers reached 50-deep. Carmen Blanco, a 28-year-old accountant, waited to buy a 42-inch flat-screen television she doesn't need because she already has one at home.

"It doesn't make any sense to keep my savings," Ms. Blanco said Saturday. "I'd love to see how things work in a normal country."

#### China car sales 'overtook the US' in 2009

China has said it overtook the United States to become the world's biggest car and van market in 2009.

The China Association of Automobile Manufacturers said 13.6 million vehicles were sold within the country last year.

That compares with just over 10 million vehicles in the US, which was previously the world's largest market.

#### Ford sweeps Detroit Auto Show awards

DETROIT (CNNMoney.com) -- After finishing off an enviable year for a domestic automaker, Ford Motor Co. won both the North American Car and Truck of the Year

Awards presented Monday at the start of Detroit's North American International Auto Show.

The Ford Fusion Hybrid sedan won Car of the Year and the Ford Transit Connect van won Truck of the Year.

# Carolyn Baker And Keith Farnish Dialogue About The Great Transition

I would probably recommend, if I was forced to be prescriptive, the following first stages of withdrawal:

1) Reduce your consumption of new, non-perishable items to an absolute minimum, which will require a certain level of willpower and tenacity, particularly if you have children and live in an urban or suburban location. Combine the reduction in "newsumption" with the purchase of pre-owned items and the repair of existing items, and this becomes a lot easier.

2) Localise your activity, including where your food originally comes from (if you grow it yourself or communally, then you cut out all sorts of economic ties); how far you travel to obtain goods and services - including how far people providing these to you have to travel; how far you travel to "work" (see later); and where your energy comes from, so if you can generate it yourself, so much the better.

# Houston firm announces big find deep beneath Gulf shelf

Freeport Exploration Co. today announced what it said could be one of the largest oil and natural gas discoveries in the shallow waters of the Gulf of Mexico in decades.

The discovery was made at the Davy Jones ultra-deep prospect located on South Marsh Island Block 230 in about 20 feet of water and 10 miles off the Louisiana coast, the New Orleans company and Energy XXI, one of its Houston partners in the project, said in statements this morning.

# BP poised to become bigger than Shell again

BP Plc is poised to unseat Royal Dutch Shell Plc as Europe's largest oil company by market value for the first time in more than three years after reviving output growth and cutting costs at a faster pace.

#### Economists: Appliance rebates waste government money

Taxpayers will lose a significant portion of the \$300 Million they are shelling out for the

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federal government's appliance rebate program and the energy-saving program could actually increase energy usage, two University of Delaware economists say.

#### UK gas reserves down to six hours as imports fail to arrive

Britain's reserve of stored gas stood at just six hours at lunchtime today as imports from Norway failed to arrive.

National Grid issued an appeal for more gas to be pumped to the UK after unusually cold weather led to a shutdown of the Ormen Lange processing centre in the Norwegian Sea, interrupting gas flows to the UK at a time of peak demand.

It is the fourth time this month that the company has issued the notice to the market. The so-called gas balancing alert has been issued only five times in total since the system was introduced three years ago.

Cheer up! At least it's not 1947 - the winter of power cuts, no TV or baths and children sent to bed without dinner because there wasn't enough food

On Thursday, January 23, snow began to fall in the South East. It was the start of Britain's most severe and protracted spell of bad weather during the 20th century.

Housewife Florence Speed was one of millions who shivered. 'I was frozen today,' she noted in her diary. 'Gas is on at such low pressure. Worked with scarf over my head, mittens on, and a rug round my legs.'

# When the UK Needs Energy, Wind Farms Fail to Produce: Lack of Wind During Cold Snaps Could Create Energy Crisis

/EIN PRESSWIRE/ The recent cold spell in the UK has residents turning up the heat, but the lack of wind and subsequent failure to produce wind energy put into doubt the future of wind farms as a reliable energy resource.

During the cold surge, wind farms in the UK produced a fraction of the energy they're intended to produce due to the absence of wind. According to analysts, such conditions in the future means the UK could be in for a tough time when the country completes its goal of having wind energy account for 25% of the nation's electricity 10 years from now.

#### Saudi Aramco oil & gas project focus

"While oil fields in many basins throughout the world are becoming increasingly mature, the share of the Middle East in global oil supplies will steadily rise. I am proud to say that Saudi Aramco has played, and will continue to play, an even bigger role as one of the key suppliers of oil to India, Asia and the whole world," said Al Falih.

Here are the project specific excerpts from his keynote address.

#### Chesapeake warns of US gas dip

Oklahoma-based Chesapeake Energy said today there was a risk US gas prices could fall back to low levels if the economic recovery faltered, prompting the gas producer to boost hedging in recent months.

### Pakistan: Power cuts upset life, candle demand up

Electricity loadshedding has affected the daily routine of the twin cities' residents besides increasing the demand of candles and emergency lights.

The power outages during the day and night have disturbed the study routine of school going children and have also annoyed housewives in fulfilling their daily chores.

### Old Maoist Policy Makes China's Chill Worse

China's power supply system has been pushed to the brink again amid unusually cold weather. Holdover policies from China's Maoist past aren't helping.

China's energy sector remains one of the few industries where there are strong remnants of the old planned economy. While the prices of most things are set by the market, energy is still tightly controlled by the central government.

For example, while coal prices have been liberalized, state-set electricity prices have been kept relatively low. That's discouraged power producers from keeping costly inventories of coal.

# Attack on Pipeline Further Strains Nigeria

An attack on a crude-oil pipeline operated by U.S. oil giant Chevron Corp. is the latest in a series of political and security setbacks for this embattled West African nation.

#### Fusion breakthrough a magic bullet for energy crisis?

Sceptics and environmentalists may be locked into endless arguments around global warming, but there's little debate that an energy crisis looms large.

A Florida based research team, however, may have found a solution to the world's energy woes that could provide a clean and near limitless supply of energy in as little as a decade.

### Jobs await those with cutting skills

Local food is part of the reason for this shortage, and for all the right reasons. The independent meat processors represent small- and medium-sized companies, and despite the recession, they've held their own. They're poised for more growth as local food movement grows. Consumers are turning to them for homegrown and specialty items that most big box stores can't provide. Specialized workers are needed to accommodate these needs.

# BP, Chevron Urge California to Reject Carbon Auction Proposal

(Bloomberg) -- Oil refiners BP Plc and Chevron Corp. want California officials to reject a proposal that would force industrial companies to spend as much as \$21.9 billion a year on pollution rights auctioned by the state government.

California plans a cap-and-trade program starting in 2012 that would create a market for carbon dioxide permits, also called allowances, to cut emissions. Legislation to create a national cap-and-trade program in 2012 is stalled in the U.S. Senate and California is one of several states planning their own actions if a federal bill doesn't pass.

Driving the Volt past the limit: Drained of its battery power, the Volt finally reveals how it performs when running on gasoline.

What happened was both imperceptible and impressive. Forced to start generating its own electricity on the fly, the Volt's performance changed not a bit. Criticisms that the Volt running on gasoline power would perform like a cinderblock look to be wrong. While not all the questions about this car have been answered -- some will have to wait until wait until we have thousands of them on the road --we now know how the Volt will drive on gasoline power.

LNG Developers May Give Up Bigger Stakes in 'Buyer's Market'

(Bloomberg) -- Developers of Australian liquefied natural gas projects may offer potential customers larger stakes in their ventures as they jostle to win fuel-supply contracts, analysts said.

"A number of projects are targeting final investment decisions in 2010, so there's a lot of direct competition," Mark Greenwood, an analyst at JPMorgan Chase & Co., said by

phone today. "There's certainly demand out there in the 2015 timeframe, but a number of projects are marketing gas at the moment, and customers have choice."

#### Researchers to map High Arctic island

An upcoming research expedition to an Arctic island could help kickstart a new wave of oil and gas exploration in Canada's Far North.

The research team, led by Keith Dewing of the Geological Survey of Canada, will travel to Ellef Ringnes Island next summer to collect data from areas where petroleum resources were first discovered nearly half a century ago.

### Russia's output of crude oil up, gas down in 2009

MOSCOW (Xinhua) -- During the past year, Russia's crude oil output increased while the gas output plunged, said the state enterprise Central Dispatching Department of Fuel Energy Complex (CDU TEK) on Monday.

Statistics showed that the crude oil output climbed 1.2 percent year-on-year to 494.2 million metric tons, while the natural gas output slashed by 12.4 percent to 582.4 billion cubic meters.

# Coal shortage, electricity rationing continue in China as cold weather lingers

BEIJING (Xinhua) -- China was still suffering from coal shortage because of the lingering cold weather and electricity rationing continued in five provinces and municipalities, including the country's major coal producer Shanxi Province.

As of Sunday, coal reserves in 598 major power plants were decreasing and could sustain for nine days. Coal storages in 205 power plants could not run for seven days, a national alarming level, according to the National Power Dispatch and Communication Center.

# Talisman budgets for shale gas spending

Talisman Energy Inc. TLM-T plans to spend \$5.2-billion on capital projects in 2010, a 10-per-cent increase over 2009.

The Calgary-based international oil and gas company says North American shale properties will receive \$1.6-billion of that, or more than one-third of the total.

# S. Africa Must Choose Between Jobs and Power Supply

(Bloomberg) -- South Africa's power regulator will this week be told by labor unions and companies that the electricity price increases that the national power utility says it needs to avoid blackouts will slow economic growth, boost inflation and cost jobs.

# Tullow Oil Plc Plans to List in Uganda, Daily Monitor Reports

(Bloomberg) -- Tullow Oil Plc plans to sell shares on the Uganda Securities Exchange in April, Daily Monitor reported, citing Elly Karuhanga, the Tullow Uganda Chairman. Tullow held talks with the Uganda Security Exchange and the Capital Markets Authority about the planned cross-listing of the London-listed company, the Kampalabased newspaper reported. Tullow is to cross-list in Uganda to allow locals benefit from its success, it added.

# A pipeline to prosperity in Afghanistan

Last month saw a dramatic shift in one country's control of its largest natural resource when the 1,833km China-Turkmenistan natural gas pipeline was inaugurated. The pipeline runs from Turkmenistan's Samandepe gas field to central China. This was a geo-political coup for Turkmenistan, freeing Ashkabad from Russian domination of pipeline routes coming out of central Asia. Securing multiple pipeline routes out of the Caspian Sea as a means to circumvent Russia was also the basis for the Baku-Tbilisi-Ceyhan oil pipeline, which freed Azerbaijan from Moscow's domination.

#### Nigerian Group to Protest President's Absence, Power Vacuum

(Bloomberg) -- Nigerian opposition figures and rights activists plan a protest march in the capital, Abuja, tomorrow over the power vacuum they say has been created by President Umaru Yar'Adua's absence from the country since November.

Save Nigeria, which includes opposition parties, pro- democracy groups and humanrights campaigners, is organizing the march, Bamidele Aturu, a supporter of the group, said on Jan. 8 by phone from his law office in Lagos, the commercial hub.

# Road Projects Don't Help Unemployment

Even within the construction industry, which stood to benefit most from transportation money, the AP's analysis found there was nearly no connection between stimulus money and the number of construction workers hired or fired since Congress passed the recovery program. The effect was so small, one economist compared it to trying to move the Empire State Building by pushing against it. ...Transportation spending is too small of a pebble to quickly create waves in the nation's \$14 trillion economy. And starting a road project, even one considered "shovel ready," can take many months, meaning any modest effects of a second burst of transportation spending are unlikely to be felt for some time.

# Your Tax Dollars At Work

The U.S. Department of Energy's decision to dole out \$47 million in research funding to improve energy efficiency in data centers is an interesting approach to the problem. It's also one that will stir up some controversy for years to come.

# 10 Alternative Energy Options Plays for 2010

Do you like to take risks, want to fight climate change and prepare for the impact of peak oil? If you would also like a chance to make a big return on your investments, here are ten investments you can make that might do all of those things.

### TransAlta to expand N.B. wind farm

TransAlta Corp. TA-T says it will spend \$100-million to expand the Kent Hills wind facility in New Brunswick, southwest of Moncton.

The Calgary-based company announced Monday that the electricity produced at the expanded wind farm will be sold to New Brunswick Power under a 25-year distribution agreement.

#### Irrational fears give nuclear power a bad name, says Oxford scientist

The health dangers from nuclear radiation have been oversold, stopping governments from fully exploiting nuclear power as a weapon against climate change, argues a professor of physics at Oxford University.

Wade Allison does not question the dangers of high levels of radiation but says that, contrary to scientific wisdom, low levels of radiation can be easily tolerated by the human body.

#### EU Carbon May Avoid Drop on Utility Buying, Deutsche Bank Says

(Bloomberg) -- European Union emission-permit prices may avoid a decline in coming weeks as utilities buy the allowances, according to Mark Lewis, Deutsche Bank AG's carbon analyst in Paris.

"The incumbent generators have a daily need to buy," while industrial companies with surplus permits don't have an "equivalent" need to sell, Lewis said today by telephone. While Lewis has forecast prices will probably fall as factories sell some spare allowances, that's not guaranteed, he said.

#### Australia: Federal and Victorian governments hunt for carbon storage places

THE federal and Victorian governments will start looking for greenhouse gas storage basins in Bass Strait next month, kick-starting up to \$6 billion worth of appraisal and development expenditure over the next 15 years.

Victoria's Department of Primary Industries plans a seismic survey in February and March of potential storage areas south of the big producing fields in Bass Strait's Gippsland Basin.

# Kurt Cobb: Making society forecast-proof

The trouble with forecasts is that they are almost always wrong. That's in part because the accuracy of forecasts deteriorates rapidly with time. I might predict quite well what I will be doing tomorrow. But predicting accurately what I will be doing exactly one year from today or exactly 10 years from today is exceedingly difficult if not impossible, even if I already have something planned.

How much harder it is then to predict the state of complex systems such as the world's energy delivery systems 10, 20 or 30 years hence.

...And yet, we have premised our entire future on business-as-usual forecasts made by leading energy consulting firms and government agencies. Strangely, some of these forecasts come without even the slightest hint about how unreliable they may be. A forecast from the highly influential energy consulting firm Cambridge Energy Research Associates tells us we have precisely 3.74 trillion barrels of remaining recoverable oil in the world. It concludes that a peak in world oil production is still at least 20 years off and is to be followed by an "undulating plateau that may well last for decades." Neither a range nor an error bar can be found in this forecast.

# Oil rises above \$83 amid strong Chinese demand

Oil prices jumped above \$83 a barrel Monday amid signs of strong Chinese demand for crude, a weakening U.S. dollar and a strong flow of speculative funds into commodities.

CAMARILLO, Calif. - The average price of regular gasoline in the United States is up 14 cents over a three-week period to \$2.74.

#### U.S. Economic Energy Efficiency: 1950-2008

As the above graph illustrates, the amount of energy (in BTU) required to produce a dollar of GDP has been dropping steadily, from close to 20,000 BTU in 1949 to 8,500 BTU in 2008. Just how fast has that drop been occurring?

#### Corruption-plagued Iraq joins oil transparency group

BAGHDAD (Reuters) - Iraq joined a global transparency initiative Sunday in a bid to heal its reputation as a nation plagued by corruption and misuse of its vast oil wealth.

# Russian energy group with the power to plunge Europe into darkness

Gazprom has so much natural gas under the tundra of Siberia that its energy resources are equivalent to all the oil and gas fields owned by western energy companies put together.

# Saudi Aramco Maintains February Oil Volumes to Asia

(Bloomberg) -- Saudi Arabian Oil Co., the world's largest producer, will supply full volumes of crude to refiners in China, South Korea and Taiwan for February.

Saudi Aramco, as the company is known, will provide 100 percent of cargoes sold under long-term contracts next month, according to a Bloomberg News survey of refinery officials in the three Asian nations, who asked not to be identified because of confidentiality agreements with the company.

# Shell Shuts Ormen Lange Gas Field After Bad Weather

(Bloomberg) -- Royal Dutch Shell Plc said its Ormen Lange natural-gas field, Europe's third-largest, halted output this weekend and remains closed because of bad weather.

"Production at Ormen Lange has been shut as a result of continued bad weather in Norway" and Shell is working to resume operations, David Williams, a company spokesman, said today by telephone from The Hague. Shell operates the Norwegian field.

### U.S. government to release emergency heating subsidies

WASHINGTON (Reuters) - The U.S. government is set to provide more than \$1 billion over the next several weeks to help low-income families pay their energy bills, an agency spokesman said on Friday.

# Oil tops China-Nigeria talks agenda

ABUJA — China's Foreign Minister Yang Jiechi held talks with Nigerian officials Friday on oil exports to energy-hungry Beijing.

China was looking for imports but negotiations with Nigeria had only started, said Yang, who is on a tour of Africa.

# Peak oil demand funds

There are plenty of peak oil investment funds, but this is the first peak demand - or post-oil, as they call it - fund that we've heard of. The idea behind London-based Beetle Capital is not only everything peaks, but that the world is already in a peak oil phase and will soon enter a phase that is not just post-oil, but post-growth.

Report on Global Peak Oil Forecasts and Valuation Review of Oil and Gas Producer Odyssey Petroleum as Exceptional Risk-Reward Scenario



Forecasts vary widely for future world oil production. The classical Hubbert type model (seen in the report as purple line showing peak oil as having already occurred) remains popular among many learned analysts. Some analysts have tweaked their variant of Hubert's bell-shaped curve and place peak oil as a near term event. Other, more optimistic forecasts, such as one by the U.S. government (seen in green), take into account expectations for the discovery of new oil fields and technology's push to get more oil out of old fields. Full development of non conventional sources such as tarsands

and oil shales may keep the curve rising for several decades (depicted in red line).

#### Baby Boomer Demographics, Household Formation and the Hoax Economy

The other obvious difference today is the massive debt overhang occurring concurrently with peak Boomer peak demographic drag effects AND Peak Oil.

There is no historical or demographic precedent in modern western history for what we face. One has to go all the way back to the Middle Ages to find anything remotely similar in terms of scale of combination of resource depletion, population constraints, risk of large-scale pandemics, and climate change.

#### World Future Energy Summit dissects renewable energy issues

As one of its several founding convictions, the International Renewable Energy Agency (IRENA), which is closely associated with the summit, quotes Saudi Arabia's King Abdullah on its website to argue that diversification away from oil is a wise insurance policy. The Middle East is rich in oil, but once the "oil boom" is over, "...all of us must get used to a different lifestyle," the king said. "Peak oil" in Saudi Arabia and Kuwait is expected to occur in 2014 and 2013 respectively, according to IRENA. On the website it points to the potential profit that lies in alternative energy projects, particularly in solar energy projects in areas with abundant sunlight.

"Preparing for the future is not a threat," said IRENA interim director-general Helene Pelosse. "Many oil producing countries are blessed with sun — renewable energy thus presents them with the unique opportunity to diversify their national energy mix."

#### Our view on alternative power: Cape Wind battles reflect lack of energy seriousness

The steady winds that blow along the nation's coastlines are an untapped energy resource that could reduce the need for coal, oil and natural gas. In fact, one group proposed placing enough windmills in Nantucket Sound to supply 75% of the Cape Cod area's electricity needs.

That was nine years ago.

The battles since then vividly illustrate why wind energy still provides just one-half of 1% of the nation's energy, and why all alternative energy accounts for less than 5%. Virtually everyone agrees that the country's dependence on coal and foreign oil is destructive. But when the time arrives to actually do something, the response is too often "not here" or "not now."

Cape Wind could not have picked a worse location to crowd with 130 massive steel towers. The desecration of tribal land is just the tip of the iceberg; the Coast Guard has told fishermen they will have to earn their livelihoods elsewhere, and the FAA has called the project "a presumed hazard" to aviation safety. Cape Wind presents a menace to tourism, a danger to threatened birds and marine life, and an end to the majestic beauty of Cape Cod and the Islands.

# China Drops '70% Home-Made' Rule for Wind Turbines

(Bloomberg) -- China, the world's third-biggest producer of wind power, has dropped a rule stipulating that more than 70 percent of the wind turbines used in the country must be made domestically, whether by foreign or local companies.

The policy has been scrapped recently and there is no longer a quota, Shi Lishan, deputy director of renewable energy at the Beijing-based National Development and Reform Commission, said by telephone today. The change will spur foreign investment in the industry, according to a China Business News report.

# Economists start to consider that money can't buy happiness

With the issue of climate change becoming ever more urgent and a growing recognition that economic growth does not make people any happier, there are growing calls for growth and the endless consumption of ever more material goods to be downgraded as political goals.

The pursuit of growth and endless rises in consumption every year have become part of the national psyche, since Harold Macmillan told the electorate they had "never had it so good". The idea that more, bigger and cheaper is better is a powerful one, and it will be hard to dislodge. It affects the way we think, the things politicians aim for and how journalists report events.

# Campaign to get kids walking, biking to school to fight global warming

Advocates of a Marin campaign to get more kids walking and biking to school are expanding their initiative, fueled by a \$175,000 grant to combat global warming.

# Meg Whitman's climate change strategy

In what may be a risky political move, the GOP candidate for governor has come out strongly against the state's law on regulating greenhouse gas emissions.

#### Report: 2009 was a warm year in USA

Despite an unusually chilly year in the Midwest, the national U.S. temperature was slightly above average in 2009, according to the National Climatic Data Center.

This marked the 13th consecutive year the nation experienced a warmer-than-normal average temperature. Since the late 1980s, 21 of the last 24 years have been unusually warm in the USA. Beginning in late 1800s, when accurate weather records began, the country has been warming at a rate of about 0.1 degree per decade, according to the climate center.

#### Pope denounces failure to forge new climate treaty

VATICAN CITY – Pope Benedict XVI denounced the failure of world leaders to agree to a new climate change treaty in Copenhagen last month, saying Monday that world peace depends on safeguarding God's creation.

# U.K. to Meet Carbon Goals Only Due to Recession

(Bloomberg) -- The U.K. is only on track to meet its self-imposed greenhouse gas reduction targets because of the recession, a panel of lawmakers from the nation's three main political parties said.

The Environmental Audit Committee said Britain should step up efforts to reach an international agreement on capping emissions of heat-trapping gases and ensure they peak "as soon as possible." The findings were published in a 51-page report in London today.

#### Farm Bureau Fires Back Against Climate Bill's 'Power Grab'

The largest U.S. farm group will "aggressively" fight back against any attempts to change the landscape of American agriculture -- including the farm bill or animal rights campaigns, American Farm Bureau Federation Bob Stallman said yesterday.

# As the World Burns

Our collective response to the emerging catastrophe verges on suicidal. World leaders have been talking about tackling climate change for nearly 20 years now — yet carbon emissions keep going up and up. "We are in a race against time," says Rep. Jay Inslee, a Democrat from Washington who has fought for sharp reductions in planet-warming pollution. "Mother Nature isn't sitting around waiting for us to get our political act

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together." In fact, our failure to confront global warming is more than simply political incompetence. Over the past year, the corporations and special interests most responsible for climate change waged an all-out war to prevent Congress from cracking down on carbon pollution in time for Copenhagen. The oil and coal industries deployed an unprecedented army of lobbyists, spent millions on misleading studies and engaged in outright deception to derail climate legislation. "It was the most aggressive and corrupt lobbying campaign I've ever seen," says Paul Begala, a veteran Democratic consultant.

# Tenth Annual Weblog Awards: The 2010 Bloggies

Most people on Twitter seem to be putting us in the Topical Blog category, but there are other places one could nominate us.

You have to submit three blogs in each category that you submit to...then you also have to submit an email address and click on a link they send you to confirm your vote.

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