



Drumbeat: January 12, 2010

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Topic: [Miscellaneous](#)

[EIA sees US natgas production down 3 pct in 2010](#)

NEW YORK (Reuters) - The U.S. Energy Information Administration on Tuesday slightly raised its estimate for domestic natural gas production in 2010 but still expected output this year to be down 3 percent from 2009 levels.

In its January Short-Term Energy Outlook, EIA said it expected marketed natural gas production to be down 1.8 billion cubic feet per day, or 3 percent, this year, primarily due to steep declines from initial production at newly drilled wells and the lagged effect of reduced drilling activity.

[World oil demand to grow 1.47 mln bpd in 2011 - EIA](#)

(Reuters) - The U.S. Energy Information Administration on Tuesday said it expected world oil demand to rise to 86.65 million barrels per day in 2011, up 1.47 million bpd from 2010.

[US gasoline likely to top \\$3 in spring, summer - EIA](#)

WASHINGTON (Reuters) - The price U.S. consumers pay for gasoline is expected to top \$3 a gallon this spring and summer, the Energy Information Administration said on Tuesday in its new monthly forecast.

"Pump prices are likely to pass \$3 per gallon at some point during the upcoming spring and summer," the EIA said. "Because of growth in motor gasoline consumption, the difference between the average gasoline retail price and the average cost of crude oil widens in 2010 before starting to level out in 2011."

[Bomb hits Russian gas pipeline - agencies](#)

MOSCOW (Reuters) - A bomb destroyed part of a main gas pipeline in Russia's Muslim region of Dagestan, agencies reported on Tuesday.

[White House garden 'ex-seeds' expectations](#)

WASHINGTON - To Michelle Obama, her White House garden is more than a plot of land. It's also a soapbox.

The South Lawn garden has given Mrs. Obama a platform to speak out about the country's childhood obesity problem, extol the benefits of eating fresh food, and teach children early to appreciate vegetables.

[U.S. Carbon Output to Climb 1.5% on Economic Growth, EIA Says](#)

(Bloomberg) -- U.S. carbon dioxide output from energy use should rise 1.5 percent this year as the economy recovers from the worst recession since the Great Depression, the Energy Information Administration said today.

Emissions from coal, oil and natural gas consumption should increase based on "projected improvements in the economy," the EIA said in its January Short-term Energy Outlook.

[Vatican says 'Avatar' is no masterpiece](#)

VATICAN CITY - The Vatican newspaper and radio station have called the film "Avatar" simplistic, and criticized it for flirting with modern doctrines that promote the worship of nature as a substitute for religion.

[U.S. Overtakes Russia as Biggest Natural Gas Producer](#)

(Bloomberg) -- The U.S. overtook Russia as the world's largest natural-gas producer last year as U.S. suppliers tapped unconventional resources while demand in Russia plunged amid the country's worst economic decline on record.

U.S. output advanced 3.9 percent in January through October to 18.3 trillion feet (519 billion cubic meters), according to the latest Department of Energy data. Russian output, about four-fifths of which comes from state-run OAO Gazprom, plunged 17 percent in the period to 462 billion cubic meters.

[Chevron Had \\$56 Million 4th-Quarter Refining Loss, Sankey Says](#)

(Bloomberg) -- Chevron Corp., the second-largest U.S. oil company, had fourth-quarter refining losses of more than \$600,000 a day as fuel demand faltered and costs

increased, Deutsche Bank analyst Paul Sankey said.

Profit from refineries and filling stations was “sharply lower” than in the third quarter because the margin between crude costs and gasoline and diesel prices narrowed, San Ramon, California-based Chevron said yesterday in a statement. The company’s refineries had about \$56 million in losses, offsetting gains from higher energy prices and a 9.2 percent jump in oil and gas output, Sankey said today in a note to clients.

[Saudi craving for oil comes at a price](#)

As Saudi Arabia’s economy has grown in recent years, industrial capacity and car ownership have increased exponentially with it.

It is no surprise that demand for oil is increasing at such a rate that, when combined with a shortage of gas and the inefficiency of power generators, supplies by the world’s biggest oil exporter are likely to be constrained, analysts warn.

Domestic Saudi consumption of oil jumped by 16.4 per cent year on year in August because of an unprecedented surge in the burning of crude, according to a report by the International Energy Agency in November. As a result, the IEA has revised up its forecasts for Saudi domestic oil consumption to 2.6m barrels a day in 2009 and 2.8m barrels a day this year.

Last year, the kingdom said it increased its production capacity to a record 12.5m barrels a day. But, to meet domestic and industrial power demand, it burns 1.25m barrels a day, according to the ministry of water and electricity.

[Aramco sees demand rising](#)

"Prices have started to recover and demand for oil is rising gradually," Reuters quoted Falih as telling Watan. "Aramco stands ready for all possibilities to supply energy."

The kingdom's oil output capacity stood at 12.5 million barrels per day, Falih added.

[Phil Flynn: When bullish is not just bullish enough](#)

Peak Freaks worried about peak oil, as opposed to peak demand, may find one more reason to rest at least a little easier. For the first time in seven years production at Pemex Oil in Mexico may actually rise. Bloomberg News reports that Petroleos Mexicanos, the state-owned oil company, may produce more crude in 2011 as new discoveries come on line, arresting seven years of plunging output. The company says it may produce 2.55 million barrels a day next year, up 50,000 barrels from 2009. What is more, the company plans to increase output to near 2.69 million barrels a day in 2010.

Bloomberg says that Pemex pumped 2.602 million barrels a day through November 2009. Pemex output entered its seventh year of declines this month, as the company aims to find new deposits and bring discoveries online to replace aging fields. Pemex Chief Executive Officer Juan Jose Suarez Coppel has said the company may pump 2.5 million barrels of oil a day in 2010. The company expects to add production from new fields that are part of its Crudo Ligerio Marino project as well as fields in the Campeche sound, the location of Cantarell, the world's third-largest field when it was discovered in the 1970s. Production at the \$11.1 million Chicontepec onshore field and additional onshore projects may also climb next year. Cantarell accounted for about two-thirds of the oil Mexico produced at the peak of production in December 2003, fell by 35 percent in November from the year-earlier period. The production declines cost Pemex about 300 billion pesos (\$23.4 billion) in lost sales last year. This forced Mexico's government, which relies on oil revenue to fund about a third of its budget, to raise taxes to narrow the widest budget deficit in about 20 years.

[The New Oil Index is About to Create Even More Opportunity for Investors](#)

Speculators in New York won't be calling the shots anymore. Not in oil, anyway.
The way we price it. The places we trade it. The companies that stand to profit most.
It's all about to change.

[Britain's 'energy crisis' not yet over](#)

LONDON (UPI) -- Britain's gas crisis is not yet over as demand continues to soar in times of a bitter cold spell.

Facing one of the coldest winters ever, British consumers are hoping that the gas flow continues unabated. While the cold has been easing over the past days, energy giant BP Monday announced it would close down a North Sea gas pipeline for a week of maintenance, putting further pressure on the British grid after a pipeline pumping in crude from Norway was temporarily shut down last week.

[How are farmers coping with the snow?](#)

Farmers are facing big bills as they struggle to deal with the heavy snowfall, with shed roofs collapsing, drinking water freezing and crops unable to be harvested.

[The Chavez Spiral](#)

With petroleum prices down around \$71 a barrel from a high of \$147 the Venezuelan government is struggling to make up for the revenue shortfall to save programs that

placate the poor by providing cheap food, fuel and other government giveaways. Making matters worse, the once mighty Venezuelan petroleum industry has been laid low by politicization, corruption and mismanagement; rather than producing 3.3 million barrels per day, industry analysts believe the production is closer to 2.3 million. Instead of maximizing profits by producing its quota, Venezuela's state-run oil fields are either underperforming or have collapsed altogether. Refining capacity also is in steep decline so Venezuela must import gasoline to meet internal needs--buying it at the market rate, selling it to domestic consumers at the much lower subsidized price and eating the difference.

[Shell CEO: Nigeria No Longer Drives Oil Output Growth](#)

Royal Dutch Shell PLC no longer looks to its troubled Nigerian operations to drive growth in its oil and gas output, said Chief Executive Peter Voser in comments posted on the company's website Tuesday.

"Nigeria is still a heartland for Shell, but we no longer depend on it for our growth aspirations," said Voser. "This gives us more flexibility in deciding when and how to develop oil and gas resources in Nigeria."

[Nigeria May List Stock of Petroleum, Phone Companies](#)

(Bloomberg) -- Nigeria may begin trading shares in state-owned Nigerian National Petroleum Corp. and Nigerian Telecommunications Ltd. on the domestic stock exchange this year, the head of the bourse said.

[Nigeria: Fuel shortage and the destruction of local refineries](#)

The focus has shifted to refineries. It is no longer news to read or hear that the JTF has destroyed what it classified as illegal refineries. What is news is the number of refineries that would be smashed by the task force. By the last count, at least 878 facilities not licensed to refine petroleum products have been destroyed by task force in the Niger Delta. At least 12 of such facilities were destroyed in January 2009. One hundred and fifty were destroyed in November the same year. In that operation, over 2,000 drums of refined petroleum products and 16 fuel tankers loaded with refined products worth millions of naira were confiscated in addition to 10 other assorted cars and buses used for the operations.

[Death of rationalization](#)

When the consequences of peak oil start to make themselves known, it will become cheaper to hire an extra person if that reduces the energy consumption or the capital tied up in machinery. If not sooner, then it will eventually no longer be profitable to

replace a machine that (finally) breaks down with a new machine instead of having an extra person at hand.

[Michael Klare: US turns persuader not policeman](#)

Many of us who supported Obama hoped he would achieve substantial progress during his first year in office. These expectations have not been met. The disappointment many of us feel is to some degree the product of inflated expectations. Because we expected so much, it is natural that we lament the lack of progress on the issues he championed so forcefully during his election campaign. But this also reflects a misreading of Obama's temperament and the environment in which he is forced to operate. A methodical, pragmatic leader, he is not prone to dramatic actions. And being painfully aware of the limits to American power – limits greater than those faced by any recent US president – he is disinclined to undertake any initiatives that would further strain America's already overtaxed capabilities.

[In New York City, a Chilly Library Has Its Rewards](#)

Under a little-known contract provision titled "Extreme Temperature Procedures," unionized workers at branches of the New York Public Library can accrue compensatory time when the temperature inside dips below 68 degrees for a couple of hours. Similar clauses exist for libraries across the city.

[Plugging into electric wheels in Detroit](#)

Focusing on alternatives to gasoline, auto makers are rolling out more electric cars and hybrids at this year's show.

[Navistar to get \\$37M for 'super truck'](#)

Navistar International Corp. said Tuesday it will receive more than \$37 million in federal funding to develop a new "super truck" in partnership with the U.S. Department of Energy.

The goal of the program is to develop new technologies resulting in a 50 percent improvement in fuel efficiency.

[Obstacle No. 64 to dealing with climate change: The cult of celebrity](#)

Chris Mooney and Sheril Kirshenbaum, among others, detail the consequences to one of the most notable scientists who did bridge the gap between science and celebrity in last year's book, *Unscientific America*. Carl Sagan was denied membership in the National

Academy of Sciences in large part because he had dared to go public.

It took until NASA's chief climatologist, James Hansen, was well into his 60s that he finally conceded he was obliged to get involved in public policy debates, if for no other reason than the science his field was producing implied a miserable future for his descendents. His first book, *Storms of my Grandchildren*, wasn't published until he was 68, and in it he devotes much space to explaining why he took so long, even though the dangers posed by climate change had been clear long ago.

[GM's Lutz: Higher gas tax would help](#)

Bob Lutz wouldn't seem a likely candidate to argue for significantly higher gasoline taxes, or to suggest that such taxes would be a good thing for the auto industry. But in a meeting with journalists at the auto show Monday, he did just that.

"If the rise in gasoline prices is gradual, I think that all of us in the industry would frankly welcome that, because there is nothing more illogical than forcing fuel-saving technology when gasoline is extremely cheap," he said when asked about any concerns about oil again rising above \$80 a barrel.

Lutz was asked if that means he would favor higher gasoline taxes, as in Europe where taxes drive fuel to more than \$5 a gallon. He said he couldn't speak for GM, but he said he saw a lot of value in a steady tax rise to much higher levels.

[Gas Pains: The Problems with a Gas-Fired Bridge to Clean Energy](#)

Natural gas is often seen as the "bridge fuel" to a clean-energy future—it's abundant, reliable, and has about half the emissions of coal. Today, a couple of reminders of just how tricky it can be to really make that gas-powered energy revolution a reality.

[Petraeus: Iran's nuclear infrastructure can be bombed](#)

The deployment in the Middle East of the USS Dwight D. Eisenhower carrier strike group in the first week of January adds muscle to the words of Gen. David Petraeus, CENTCOM commander, on Jan 10 that Iranian nuclear infrastructure, albeit strengthened against attack with enhanced underground tunnels, wasn't fully protected.

"Well, they certainly can be bombed," he said to CNN. "The level of effect would vary with who it is that carries it out, what ordnance they have and what capability they can bring to bear."

[Why Investors Are Crazy For Rare-Earth Metals](#)

For now the world is still obsessed with the price and geopolitics of oil.

Every other commodity remains secondary.

But while the internal combustion engine will be with us for awhile, the world is changing, and oil will *slowly* fade in importance.

[The Mekong River Under Threat](#)

Until the 1980s the Mekong River flowed freely for 4,900 kilometres from its 5,100-metre high source in Tibet to the coast of Vietnam, where it finally poured into the South China Sea. The Mekong is the world's twelfth longest river, and the eighth or tenth largest, in terms of the 475 billion cubic metres of water it discharges annually. Then and now it passes through or by China, Burma (Myanmar), Laos, Thailand, Cambodia and Vietnam. It is Southeast Asia's longest river, but 44% of its course is in China, a fact of capital importance for its ecology and the problems associated with its governance.

[CNBC's Kilduff: \\$100 Oil in Next Six Months: Network contributor says China pushing prices higher; blasts the peak oil theory as dated](#)

Peak oil is a theory that there exists a point in time when the maximum rate of global petroleum extraction is reached. However, a recent BusinessWeek article disputed this theory and Kilduff explained that when this idea was conceived, there wasn't the technology to confirm such a theory.

“With new technologies every day, Larry,” Kilduff said. “This was thigh problem with the peak oil theory from the beginning. How could you have the hubris to tell me that we had the knowledge and the science to help us find this oil? Our cell phones were as big as cars. Now they fit in your pocket, right? Now, the same thing goes for satellite technology that can find oil and new drills that can get to places without harming the lands anywhere near what we had in the '50s and '60s and '70s.”

['Peak oil' expert confronts the challenge it poses](#)

Dr Bentley said yesterday: “The world's supply of conventional oil is close to peaking and may already have peaked.

“What is economically significant is the possible sharp decline once the peak has passed.

“A 3% or 4% reduction per year will quickly cause large price increases and, possibly, rationing. Any large scale switching of supply from oil to gas for things like electricity generation, transport or heating, will simply bring forward the date of the supply peak for gas.”

['Peak oil' a myth](#)

During his era of cheap oil it is understandable that Hubbert failed to appreciate the impact that rising oil prices would have on consumption and, consequentially, on oil production. Worldwide "peak oil" is a myth stemming from the failure to recognize that a worldwide shortage of any commodity in demand results in higher prices, thereby stifling demand.

[Markets misled us in runup to recession](#)

Currently, we face enormous costs from climate destruction, energy depletion, rising economic debt and eroding civic disunity. Our markets enabled us to borrow from each of these resources. This is why our recovery must be built on increased conservation, improved energy efficiency and more renewable, local energies. These are the best choices for our personal and social development.

Since the 1980s, we have been borrowing against the future. No one cared about climate change. And no one researched peak oil production. Most economists thought the growth in global imports would be good for the U.S. economy. A growing concentration of media ownership encouraged us to consume our way to happiness. Now many are depressed and obese.

There must be a better way in the 21st century.

[Iraqi oil may rival Saudi Arabia](#)

NEW YORK (CNNMoney.com) -- Iraq's ravaged oil industry is on the verge of a major reconstruction and experts now believe that by the decade's end it could rival the world's top oil producers.

But major challenges lie ahead.

[Oil falls to near \\$81 on reports of warmer weather](#)

Oil prices fell to near \$81 a barrel Tuesday on expectations a frigid cold spell in parts of the U.S., Europe and Asia will ease in coming weeks, weakening crude demand.

By early afternoon in Europe, benchmark crude for February delivery was down \$1.16 cents to \$81.36 a barrel in electronic trading on the New York Mercantile Exchange.

[ANALYSIS - China's power woes give little impetus to oil prices](#)

BEIJING (Reuters) - China's winter power supply crunch, the fourth in six years, is unlikely to trigger major oil imports like those seen five years ago.

In 2004, during the country's worst power shortage in decades, hundreds of small firms and factories in booming eastern and southern province export hubs were behind a surge in China's diesel imports as they snapped up stand-alone generators.

This time, it's the economically less developed central provinces that have been worst hit as a bitter cold snap sent residential power consumption surging, and unlike five years ago there is a surplus of generating capacity.

[Oman Exports Fell 22% in Year to November on Lower Oil Prices](#)

(Bloomberg) -- Oman's exports in the first 11 months of 2009 fell 22 percent from a year ago as oil prices declined, the nation's economy ministry said on its Web site.

[The 2009 Drilling Rig Correction - A Retrospective](#)

When we began to focus on the potential for an industry correction in the spring of 2008, we never anticipated that it would be as severe or as swift as it turned out to be. When the drilling rig count was in its freefall period early in 2009, we began to look for analog time periods to see if we could gauge the severity of this downturn. After comparing various historical drilling rig corrections, we settled on the 1981-1986 period as the one we wanted to model.

[Second group claims Togo team attack](#)

A second separatist group has claimed it was behind last week's deadly shooting on the Togolese football team in Angola's oil-rich enclave of Cabinda.

The attack was initially claimed by Rodrigues Mingas, head of the Forces for the Liberation of the State of Cabinda-Military Position (FLEC-PM), who lives in exile in France.

But a larger group known as the Front for the Liberation of the Enclave of Cabinda-Armed Forces of Cabinda (FLEC-FAC) has said they had opened fire on Togo's convoy on Friday, killing two of the squad.

[Nigerian Gunmen Kidnap Four Shell Workers in Ambush](#)

(Bloomberg) -- Nigerian gunmen kidnapped three Britons and a Colombian working for

Royal Dutch Shell Plc during an ambush at Obehi, near the West African nation's oil hub of Port Harcourt, police said.

"Their police escort was shot dead and the driver was shot and injured," Rita Inoma-Abbey, a police spokeswoman, said in a telephone interview today from Port Harcourt. "We've sent our men after them."

[ExxonMobil makes Black Sea splash](#)

ExxonMobil is joining a Black Sea exploration agreement with Brazilian energy company Petrobras and Turkey's state oil company TPAO.

['Golden' Brazil Asset May Help Devon Top \\$7.5 Billion Sale Plan](#)

(Bloomberg) -- Devon Energy Corp., the biggest independent U.S. oil and natural-gas producer, may beat a target of generating as much as \$7.5 billion from asset sales as Brazil tightens its grip on the oil industry, boosting the value of the company's holdings in the country, Oppenheimer & Co. said.

[Coal Price Forecast Raised at ANZ on Stronger Chinese Demand](#)

(Bloomberg) -- Power-station coal price forecasts for this year were raised 19 percent by Australia & New Zealand Banking Group Ltd. on rising demand from China because of government stimulus measures and cold weather.

[Environment at risk as public transit falls out of favor](#)

In the war over the future of public transit in the eco-obsessed Bay Area, the biggest casualty could prove to be the environment.

[India can be solar power leader: PM](#)

NEW DELHI — Indian Prime Minister Manmohan Singh laid out ambitious plans to make his country a global leader in solar power on Monday as he launched a government initiative to boost use of the technology.

Solar can help secure India's energy independence and tackle climate change, Singh said, as well as offering new opportunities for industry in a country with a crippling shortage of power.

[China scraps limits on foreign wind turbine parts](#)

BEIJING (AFP) – China has scrapped restrictions on the use of foreign parts in wind power turbines, state media reported, as the nation seeks access to more advanced technology to meet its clean energy targets.

[Migratory birds bear brunt of climate-charged weather](#)

(PhysOrg.com) -- As global climate change fuels more frequent and intense hurricanes and droughts, migratory birds, especially those whose populations are already in decline, will bear the brunt of such climate-fueled weather, suggest a pair of new studies.

[Kyoto to Copenhagen: Why UN's glacial global warming talks need overhaul](#)

Copenhagen, Denmark – Take 45,000 participants, complex global-warming issues, and negotiators from more than 190 countries. Add a last-minute dash of presidents, premiers, and prime ministers, and what do you get?

Evidence at the recent Copenhagen climate talks that the whole process is overdue for an overhaul, according to several specialists.



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