



## Drumbeat: February 9, 2010

Posted by [Gail the Actuary](#) on February 9, 2010 - 12:15am

Topic: [Miscellaneous](#)

### [Ghana Blocks Exxon Oil-Field Deal](#)

The government of Ghana blocked the estimated \$4 billion sale of a stake in a huge oil field, foiling months of talks between potential buyer Exxon Mobil Corp. and the stake's owner, Kosmos Energy LLC.

The government accused Dallas-based Kosmos of cutting Ghana's state-run oil company out of discussions about the field's development and then sharing information about the field with potential buyers without government permission. The government in recent months itself has scouted for partners to work with Ghana's oil company, including state-run China National Offshore Oil Corp.

Ghanaian Energy Minister Joe Oteng-Adjei said state-run Ghana National Petroleum Corp. would be the only entity allowed to buy the Kosmos stake in the so-called Jubilee field.

on cu m/d.

National Grid showed the system was 6 million cu m/d short, with demand estimated at 410 million cu m/d--still far outstripping seasonal norms.

### [Will Energy Plant Explosion Mean Higher Electric Rates?](#)

In order to make the project come together, the state authorized Connecticut Light & Power to promise 15 years' worth of payments to Kleen Energy — in essence locking ratepayers into a long-term deal.

According to the plant owners' website, that contract would guarantee a 'strike price' of \$13.40 per kilowatt/month. So if the wholesale market is paying \$10 per kilowatt, the utility would have to pay \$3.40 extra to Kleen Energy. But if the wholesale market is paying \$15.40, Kleen would, in effect, have to pay CL&P \$2.

These payments would account for 60 percent of the plant's revenues. With that contract, Kleen Energy was able to secure \$1.3 billion in financing, including a debt issue by Goldman Sachs, trade journal ProjectFinance reported last year.

### [Austin Energy Revamps Solar Incentive Program](#)

The municipal electric utility said the new approach saves \$2.4 million over the life of the program compared to the old way of administering the program for those customers.

Rather than provide an upfront rebate on the installation of solar systems, Austin Energy will pay for each kilowatt-hour of electricity produced over a 10-year period. This is known as a fixed performance-based incentive (PBI) and it achieves two goals. First, it provides a fixed payment flow to a system owner by which payback can be calculated and second, it encourages proper design and maintenance of systems to maximize their production.

Over the next five years, the PBI program is expected to pay, on average, 8 cents per kWh of solar energy produced with program funding sufficient for almost 260 solar systems, each up to 20 kW in size. Total PBI payments over the next 14 years under the plan are projected at \$4.8 million.

### [Venezuela offers carrot or stick in energy crisis](#)

Facing anger at a major shortfall in electricity supply, Venezuela President Hugo Chavez promised consumers and businesses big discounts for slashing energy consumption, but ordered fines if they do not comply.

### [Spain Power Grid Can Feed 10M Electric Cars-Iberdrola Chmn](#)

Spain's electricity system can supply power to some 10 million electric cars if charging were to be made at night when general demand is low, Ignacio Galan, chairman of electricity company Iberdrola SA (IBE.MC), said Tuesday.

A gradual buildup of an electric car fleet will help the European Union to reach its targets for greenhouse gas emission cuts and renewable power penetration, he added. Galan spoke during a meeting with European Union competition ministers in the northern Spanish city of San Sebastian, Iberdrola said in a release.

Galan cautioned, however, that electric cars still need to overcome hurdles related to batteries, the buildup of a recharge system, and regulation.

### [Global oil prices to rise, weak refining to continue: Barclays](#)

Global oil prices are set to strengthen while refining margins will remain weak over the next several years, Barclays Capital said in its Global Energy Outlook Monday.

The report cites Barclays' "preference for crude oil- and upstream-biased investments, relative to natural gas and downstream oil," adding there is "price support for crude in 2010 and even more so in 2011 as demand recovers, inventories return to balance and new supply slows."

In contrast, Barclays analysts said they "expect refining capacity additions to exceed demand growth at least until 2012."

### [Peak Oil Is a Crock](#)

The good news about supply? Peak oil is a crock. There's plenty of oil. It's just harder to get to it now than it was 20 years ago. By the way, there's also plenty of natural gas. Problem is, the natural gas is trapped in shale rock. And the oil is deep underground or below miles of sea or mixed with sand or in places where the underground pressure to bring it up has fizzled out.

The question isn't whether the technology exists to get hundreds of billions of barrels out of the ground. The technology is there. But in many cases, deploying it is an expensive proposition.

How to light a fire under the oil companies? The answer doesn't lie in government subsidies and grants. That's the last thing the oil sector needs. Let the marketplace motivate them. Let supply run low and prices run high. With fat profit margins to fall back on, new technologies will be unleashed.

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### [Equipment for oil production in Jubilee Field arrive in Ghana](#)

The sub sea equipment required for the production of oil from the Jubilee Field off the Coast of Ghana in the Western Region, have begun arriving in the country.

"This is a strong indication that the operator of Jubilee Field, Tullow Ghana Limited, is ready to produce first oil by the last quarter of this year," the company said in a statement issued in Accra on Monday.

### [Using Smokestack Gases to Pump Oil](#)

Denbury Resources, Seeking Source of Carbon Dioxide for its Fields, to Scrub Emissions From Dow Chemical Plant

By mid-2011, Denbury plans to treat and ship its first batch of industrial emissions from a Dow Chemical Co. factory in Plaquemine, La., to its oil fields in Texas via a pipeline network it is building. Although the U.S. government recently announced funding for a host of other "industrial carbon capture" projects, the Dow project is unique because it appears to be economically viable without government aid.

Denbury wants to capture the entirety of the Dow plant's annual carbon-dioxide emissions, taking a liability off Dow's hands equivalent to the annual emissions of 27,000 cars. Denbury even would pay Dow as much as a few hundred thousand dollars a year pegged to rising or falling oil prices. Dow—the world's largest producer of ethylene oxide, a chemical building block used in products from beverage bottles to aircraft de-icers—says it "is open to similar [carbon dioxide] capture arrangements," spokesman David Winder said.

### [It's Official: The Oil Export Crisis Has Arrived](#) (Chris Nelder)

Last March, my study of the effect of peak oil on U.S. imports had brought Mexico to the fore ("The Impending Oil Export Crisis"). As our #3 source of imports, the crashing of its supergiant Cantarell field had put the future of our oil supply into serious jeopardy.

The possibility that Mexico's oil and gas exports to the U.S. could go to zero within seven years looked very real. . .

Now Venezuela has appeared on my radar for similar reasons...only this time we're really going to feel it.

### [Welder's torch may have been cause of gas explosion at power plant](#)

Investigators are focusing on a welder's torch as the possible cause of Sunday's deadly blast at the Kleen Energy Power Plant, sources said.

The explosion that killed five and injured more than a dozen occurred immediately after the purging, or cleaning, of the underground, natural-gas pipeline that runs about 800 to 1,000 feet through the Kleen Energy plant.

Sources familiar with the investigation and with the purging operation said that welding work wasn't entirely halted during or immediately after the purging Sunday morning. This operation can result in an accumulation of natural gas that must be vented from rooms and enclosures before other ignition sources, such as a welder's blow torch, can be safely introduced, experts said.

### [Gas-pipe purging linked to seven big explosions since 1997](#)

The cause of the explosion at the Kleen Energy natural-gas plant has yet to be determined. But a federal safety board had recently urged stronger safety codes for the process of gas-pipe purging, which was under way at the plant in Middletown, Conn.

### [US urged new safety standards days before Middletown explosion](#)

The US Chemical Safety Board, citing seven instances where workers died purging gas lines, released urgent new recommendations just three days before the Middletown explosion in Connecticut Sunday that killed at least five people.

### [Peak Oil in 5 Years: Virgin Boss Branson's Warnings](#)

Of course it should be taken into account that Branson runs a major UK rail operator when he talks of the urgency of government action on peak oil. Similarly, Solarcentury founder Jeremy Leggett is hardly an impartial bystander. . .

Only a few short years ago, Peak Oil seemed to be the topic of choice for paranoid bloggers, the more radical environmentalists and fringe survivalist groups. Now the conversation is getting decidedly mainstream. Heck, even some folks at the IEA say peak oil could come sooner than we think. Given the context of our recent financial upheavals, Branson and Leggett's warnings to play it safe rather than sorry seem timely indeed. How else are we supposed to vacation in space when the oil runs out?

### [Despite millions in tax credits, wind-energy firms aren't hiring](#)

Despite the Obama administration's efforts to create jobs making wind turbines in America, some companies say that sluggish demand for wind energy is holding them back.

The growth in wind-farm installations in the U.S. was a product of federal stimulus spending. Nonetheless, wind-equipment manufacturers cut as many as 2,000 jobs last year. According to the American Wind Energy Association, a trade group, the drop in U.S. jobs is due, in part, to the lack of a long-term national policy that would require a certain percentage of American electricity to come from renewable sources.

About half the wind turbines installed in the U.S. were made overseas.

A check with some companies that want to get into the wind-manufacturing business found that even some qualifying for clean-energy-manufacturing tax credits aren't able to create jobs quickly because they don't see enough demand for wind energy.

### [China denies \\$US60bn coal deal with Clive Palmer's Resourcehouse](#)

CHINA's largest power company has denied it has signed a \$US60 billion (\$69.4bn) deal with mining millionaire Clive Palmer.

Mr Palmer said on the weekend his company, Resourcehouse, had signed a \$US60bn, 20-year coal export contract with China Power International Development. Announcing the Palmer said it was Australia's biggest ever export contract and would bring Resourcehouse's giant China First thermal coalmine in Queensland a step closer to reality. But China's state-controlled Xinhua news agency International Development, a unit of major power producer China Power Investment Corp, has denied the reports that it had signed a \$US60bn coal-supply deal with Resourcehouse.

### [Clive Palmer corrects 'error' as China denies price talks have begun](#)

MINING millionaire Clive Palmer has corrected his announcement of a \$US60 billion (\$69.5bn) coal-supply deal with China, after a Chinese company official said price talks had not yet started. Mr Palmer had said on the weekend that his company, Resourcehouse, had signed a major, 20-year coal export contract with China Power International Development.

### [China Plans to Increase LNG Imports on Gas Shortage](#)

China plans to increase its imports of liquefied natural gas to ease a domestic shortage of the fuel, the official Xinhua News Agency reported today, citing Zhang Guobao, head of the National Energy Administration.

China's gas companies should sign more long-term LNG contracts in order to take advantage of a global surplus of the fuel, Zhang was quoted as saying in the Xinhua report.

### [More on Virginia's Quest to Explore for Oil and Gas](#)

API is closed today due to the weather. The heavy snowfall has made travel - including commuting - to and from the nation's capital extremely difficult and even dangerous. Today, I'm working from a remote location where I have heat, electricity and connectivity, making me much more fortunate than many of my colleagues who live in



areas with downed trees and power lines.

On the Internet today, I had the opportunity to read an interesting article in the Los Angeles Times, which describes some of the issues surrounding Virginia's desire to explore for oil and natural gas 50 miles off its coastline.

### [Energy realism: ExxonMobil and wind](#)

In other words, wind power is already amongst the cheapest source of electricity, and if any minimal accounting for some externalities is put in place (such as a price for carbon emissions), it becomes the cheapest. Of course, as we know, "cheapest" does not necessarily translate into "most profitable."

### [Does peak demand = peak supply?](#)

Last week's post about Tony Hayward's comments on 'peak demand' attracted some good comments. Here's our response as a post - since it got rather long:

Firstly, audio of the Hayward interview is now online here. There are some other interesting comments that weren't picked up in the print reports, including the world's ability - and particularly China and India's - to handle high oil prices.

### [The dirty fuel/developing countries conundrum](#)

Despite the largely disappointing outcome of Copenhagen and the fact that worldwide emissions are growing apace, there are still optimists in the clean energy sector. These individuals would have us believe there is a kind of unassailable momentum made up of political sentiment, fear of regulation, and consumer and shareholder insistence.

There's some evidence for this argument, though it's mostly limited to developed countries, where demand for some types of energy are peaking anyway. For example: a couple of weeks ago we looked at a report about the death of US coal. The news flow since then on coal has yielded quite a few arguments in favour of the optimistic line. The chief executive of Alstom, which makes all kinds of power plant turbines, was reported as saying at Davos that renewables and nuclear growth will outpace coal.

### [Chavez declares "electricity emergency" in Venezuela](#)

Despite its huge crude reserves, the South American OPEC member relies on hydro-electricity for 70 percent of its power needs, and a drought has hit supply since late 2009.

"We are ready to decree the electricity emergency, because it really is an emergency," Chavez said in the first edition of a show on state radio air waves called "Suddenly Chavez."

With electricity cuts weighing on Chavez's popularity ahead of important legislative elections in September, the government blames the shortages on the drought and soaring demand during five years of economic growth until 2008.

### [Amtrak cuts some Tuesday service](#)

Amtrak has cut several routes for Tuesday in advance of the approaching snowstorm due to downed trees and power lines on railroad tracks along certain routes.

### [Iran says it will build 10 nuclear plants, beef up military](#)

Ali Akbar Salehi, head of Iran's Atomic Energy Organization, announced that Tehran had informed the United Nations' nuclear watchdog that it intended to launch construction of 10 new nuclear-fuel plants in the Persian calendar year starting March 2010 and begin producing 20%-enriched uranium to provide fuel for a Tehran medical reactor.

### [Iran Starts Higher Uranium Enrichment](#)

Iran says it has begun enriching uranium to a higher level, defying international efforts to curb its nuclear activity.

Iranian state media reports the process started at Iran's Natanz facility Tuesday in the presence of International Atomic Energy Agency inspectors.

Iran told the IAEA Monday of its plans to enrich uranium to 20 percent in order to fuel a medical nuclear reactor.

Western powers are concerned that if Iran is able to enrich uranium to 20 percent, it could eventually produce weapons-grade uranium through the same process.

### [Biggest Boeing plane; successful first flight for 747-8 freighter](#)

Boeing Co.'s giant 747-8 freighter — the biggest plane the company has ever built — successfully completed its first flight Monday, a year later than originally planned. The huge plane took off from Everett's Paine Field shortly after noon and returned to Paine at 4:18 p.m. PST after an approximately 3½-hour flight.



### [Lookout deck of world's tallest tower in Dubai unexpectedly shuts a month after opening](#)

Electrical problems are at least partly to blame for the closure of the Burj Khalifa's viewing platform — the only part of the half-mile high tower open yet. But a lack of information from the spire's owner left it unclear whether the rest of the largely empty building — including dozens of elevators meant to whisk visitors to the tower's more than 160 floors — was affected by the shutdown.

### [The CTA's cold truth](#)

Chicagoland commuters have grown accustomed to going to sleep with the threat of massive service cuts under their pillows, only to wake and find their problems magically gone. When Monday's rush hour dawned, though, the Chicago Transit Authority's \$95.6 million deficit was still there. The bus wasn't. The CTA has been to the brink of disaster many times. It was often a bluff; there was always a bailout. It's no wonder unions and passengers seemed to expect this year's deficit to disappear. As the deadline loomed, the usual cries went up for the mayor, the governor, the General Assembly to "get involved." But the state's broke. The city's strapped. The fairy's dead.

### [Federal government closes: Why can't they all work from home?](#)

closing down the federal government costs \$100 million a day in lost productivity. Why can't bureaucrats, you know, telecommute? Like everybody else does in this Era of the iPhone.

The answer to that is, they do. At least, some of them do. About 9 percent of eligible federal employees have approved telework agreements that allow them to work from home, according to an Office of Personnel Management (OPM) report from August 2009.

### [Young joins Murkowski in seeking study of deep-water Arctic port](#)

U.S. Rep. Don Young has introduced a bill aimed at studying the potential for an Arctic deep water port. The measure is a companion bill to one introduced in December by U.S. Sen. Lisa Murkowski.

### [Hawaii charges ahead with electric vehicles](#)

Starting this month, state and county agencies buying new vehicles are required to give priority to electric vehicles, alternative-fuel vehicles and hybrids. And by the end of next year, government and private parking lots open to the public must have at least one space for electric vehicles and a vehicle charger for every 100 parking spaces.

### [Oil weighed down by demand jitters](#)

Oil sank below \$72 a barrel today, after rising nearly 1% the day before, weighed down by nagging worries over an uncertain demand outlook and the fiscal health of some euro zone countries.

### [Petrobras steps up drilling at Reconcavo](#)

Brazil's National Petroleum Agency (ANP) authorised Petrobras to start exploratory drilling ahead of schedule at Block REC-T- 168 in northern Brazil during a 2 February board meeting, the ANP said in a document on its website. Petrobras has found oil or natural gas at 11 exploration wells it has drilled in the basin since 2001, according to ANP data, Bloomberg reported.

### [Praxair Awarded ExxonMobil Contract for Enhanced Oil Recovery Project](#)

Under the new contract, Praxair will install a new production facility to meet ExxonMobil's requirements for nitrogen. Operations from the new supply network are scheduled for start-up in the second half of 2011. Praxair will produce 85 million cubic feet per day of high-pressure nitrogen and additional quantities of liquid argon.

"We are pleased to be working with ExxonMobil on this exciting EOR project" said John Panikar, vice president, South Region, North American Industrial Gases.

ExxonMobil currently uses Praxair's nitrogen gas to increase the amount of oil recovered from its Hawkins plant. ExxonMobil will utilize additional nitrogen to help them recover more oil and natural gas reserves.

### [Husky Energy announces third significant gas discovery in South China Sea](#)

An exploration well in the waters south of Hong Kong tested natural gas at an equipment restricted rate of 57 million cubic feet per day, with indications the Liuhua 29-1 well could produce more than 90 million cubic feet of gas per day in the future.

Husky chief executive John Lau says the discovery, and two others in the same block, support earlier estimates of up to six trillion cubic feet of natural gas initially in place for the area.

### [ENI, PPL start offshore oil, gas exploration](#)

Although Pakistan has never been successful in exploring oil and gas reserves in offshore areas in the country, it is once again making all efforts to achieve the goal in the Arabian Sea.

The ENI Pakistan and Pakistan Petroleum Limited (PPL) have joined hands and started drilling Shark-1 offshore well on January 17. Total cost of the project is estimated at \$44 million. The Minister for Petroleum and Natural Resources Syed Naveed Qamar said this at a press conference on Monday after returning from the drilling site.

Shark-1 is located in Indus M Block in the Arabian Sea, which is 87 kilometres southwest of Karachi. The block is a joint venture between ENI of Italy having a 70 per cent working interest and PPL with 30 per cent share.

### [REpower signs turbine towers deal with Welsh firm](#)

REPOWER UK, the British division of the German renewable energy giant, has signed an agreement to buy most of its wind turbine towers from a domestic manufacturer. Edinburgh-headquartered REpower previously sourced the towers from its German parent company but yesterday revealed a deal with Welsh manufacturer Mabey Bridge.

### [India likely to face coal shock](#)

India could face a 'coal shock' sooner than later if the power utilities do not wake up to the fuel security risks from stagnating domestic production and start planning long-term coal imports to meet the fuel shortage. Although big power producers like NTPC are already meeting domestic coal shortages with imports, they have not shown any urgency to get into long-term import contracts.

### [New Ukraine leader may still drive hard bargain on gas](#)

Ukraine's likely new president has a more pro-Russian tinge but Kyiv's desperate public finances may mean he drives just as hard a bargain on gas issues as his confrontational, Western-leaning predecessor.

### [Aramco's Laser Invention is Used to Fingerprint Oil](#)

Occasionally scientists develop an invention that turns out to have far more applications than originally thought. The Research and Development Center (R&DC) has built a truly unique instrument designed to identify oil by using a laser. The laser is used to excite

the fluorescence spectra of oil within extremely short time frames — two to five nanoseconds. All the fluorescence data is coalesced, and two dimensional diagrams are produced, which serve as oil spectral fingerprints.

### [Oil Climbs Above \\$71 on Weather, Geopolitical Tensions](#)

Reversing a steep sell off after three consecutive sessions on the downside, crude oil futures on the New York Mercantile Exchange saw an uptick in trading Monday as concerned investors abandoned the dollar's safe havens to bet on riskier markets.

### [Peak oil in Davos: Oh yes it is, oh no it isn't.](#)

The title above was borrowed from the Financial Times. Last week the World Economic Forum in Davos celebrated its 40th anniversary and one of the sessions addressed the world's energy security. The chairperson for the session was Daniel Yergin, the founder of CERA (Cambridge Energy Research Associates). Before his departure to Davos the Wall Street Journal (WSJ) wrote: "All the world loves a bringer of good news, so energy guru Daniel Yergin should by all rights be guaranteed a warm welcome at Davos this week". The news that he bore with him was that "the awful day of 'peak oil', when the world will have depleted its finite hydrocarbon resources to the point where it can never again increase production, is still a long way off". If, in fact, it becomes apparent that oil production actually reaches a peak then Daniel Yergin has a cop-out, "The big determinants (to global energy supply) are the above-ground risks — politics, the quality of decision-making, and costs and so on".



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