



## Drumbeat: May 25, 2010

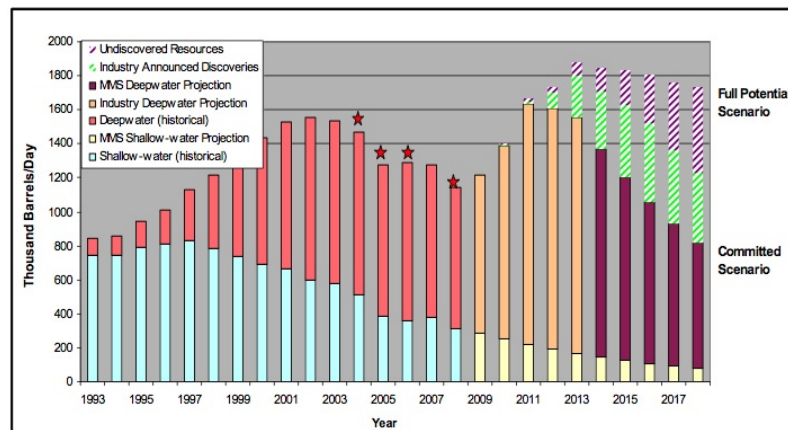
Posted by [Gail the Actuary](#) on May 25, 2010 - 9:22am

Topic: [Miscellaneous](#)

### [U.S. Deepwater Drilling's Future](#)

The EIA estimates "a vast majority" of projected increases in U.S. production in the near term will come from Gulf deepwater fields similar to the site of the Deepwater Horizon spill, which currently represent about 70 percent of all Gulf oil production. This share is expected to grow in the next few years. A 2009 U.S. Minerals Management Service (MMS) report [forecasting production](#) (PDF) in the Gulf of Mexico shows that as shallow-water production levels have fallen, deepwater production has taken up the slack.

This is the MMS forecast that is linked in the above article:



★ Indicates years with known anomalous data due to hurricane affected shut-in

Figure 2. - Gulf of Mexico Average Annual Oil Production.

oil spill.

### [Louisiana Fishermen Helping in Spill Cleanup Report Getting Sick](#)

Some Louisiana fishermen affected by the massive oil spill in the Gulf — including some hired by BP to help in the cleanup — are reporting cases of debilitating headaches, burning eyes and nausea, and some industry and public officials are pointing the finger at chemical dispersants as the cause.

### [Gulf oil plume darker; not good news, expert says](#)

Live video of the Gulf of Mexico oil spill shows the underwater plume getting significantly darker. A top oil engineering expert says that suggests heavier, more-polluting oil is spewing out.

The color of the oil gushing from the main pipe has changed in color from medium gray to black. Two scientists noticed the change, which oil company BP downplayed as a natural fluctuation that is not likely permanent.

But engineering professor Bob Bea at the University of California at Berkeley says the color change may indicate the BP leak has hit a reservoir of more oil and less gas.

### [BP Begins Testing as it Prepares Effort to Stop Gulf Oil Leak](#)

Testing for the so-called top kill will be done within the next 12 hours to 24 hours, BP Senior Vice President Kent Wells said on a conference call today. It's the most complex effort yet to stop the monthlong leak before August, when relief wells can plug it from the bottom.

### [Over 300 dead birds are likely Gulf spill victims](#)

More than 300 sea birds, nearly 200 turtles and 19 dolphins have been found dead along the U.S. Gulf Coast during the first five weeks of BP's huge oil spill off Louisiana, wildlife officials reported on Monday.

Tissue samples collected eventually will be analyzed to determine more conclusively if the animals were contaminated with oil from the BP spill.

### [ANALYSIS: Can batteries for EVs be manufactured cost-effectively?](#)

#### **Cutting battery costs is essential**

Cutting EV costs is a challenge and until manufacturing volumes ramp up significantly, scale benefits cannot be brought to bear; even with close to half a million EV batteries in their plans for the middle of the decade, Renault-Nissan told the conference that the cost of the battery to the end-customer will almost certainly be prohibitive. So, as well as looking for ways to shave cost throughout the manufacturing process, Renault-Nissan (along with most other VMs it seems certain) will lease the batteries to EV car buyers.

#### **Leasing batteries will be a significant solution**

Leasing batteries while buying the car may seem an odd concept to consumers, as the

car could well be worthless without the battery; what if you had bought the car but were unable to keep up the payments on the battery lease? Would you lose the car as well or would you actually end up with an effectively worthless asset? This question was not addressed in the conference, but it seems to be an important question which the industry needs to consider. Consumers may balk at the idea of buying a vehicle on which they do not own a crucial element.

### [Vermont town eyes landfill site for solar panels](#)

Bennington, Vermont may become one of the next municipalities to put an old landfill site to use as a solar energy array.

A report in the Rutland Herald says that two companies, Encore Redevelopment and Arno Group, are offering a proposal to town officials to deploy solar panels on the site, which three decades ago was a Superfund site polluted by industrial dumping.

### [Small wind turbines add megawatts to U.S. grid](#)

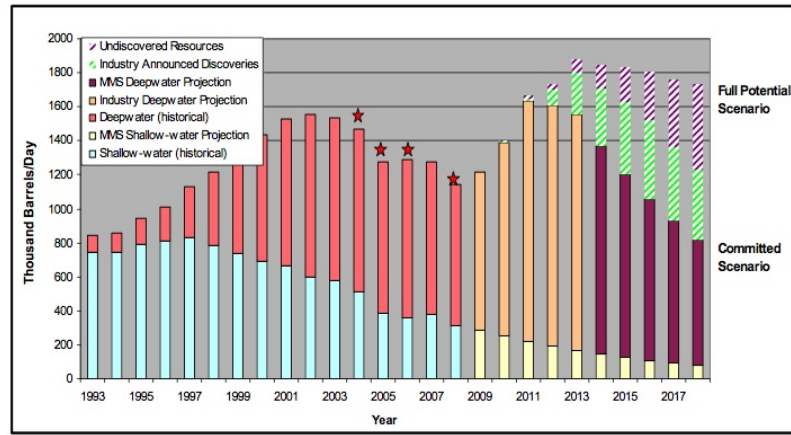
The installed capacity of the U.S. for small wind turbines--defined as under 100 kilowatts of capacity--grew by 15 percent last year compared to the year before, representing \$82.4 million in sales and almost 10,000 new units capable of 20 megawatts of generation, according to the report ([click for PDF](#)).

Consumer demand and improved technology are helping fuel sales, but the most important factor was the passage in October 2008 of a 30 percent tax credit for renewable energy systems.

### [U.S. Deepwater Drilling's Future](#)

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## [Geely to be maker of world's cheapest car](#)

Chinese automaker Geely will soon usurp Tata Motors' crown as producer of the world's cheapest car. Geely is developing its own mini car, called the Gleagle IG, that will be even more affordable than Tata's Nano. With a \$2,250 price tag, it beats the Nano by almost a grand.

## [New Nuclear Energy Grapples With Costs](#)

John Rowe, chief executive of Chicago-based Exelon, operator of the nation's largest fleet of nuclear power stations, says the economics of the electricity business have changed sharply in just the past two years, dimming the prospects for a significant number of new nuclear reactors in the United States.

## [U.S. Carbon Dioxide Emissions in 2009: A Retrospective Review](#)

In 2009, energy-related carbon dioxide emissions in the United States saw their largest absolute and percentage decline (405 million metric tons or 7.0 percent) since the start of EIA's comprehensive record of annual energy data that begins in 1949, more than 60 years ago. While emissions have declined in three out of the last four years, 2009 was exceptional. As discussed below, emissions developments in 2009 reflect a combination of factors, including some particular to the economic downturn, other special circumstances during the year, and other factors that may reflect persistent trends in our economy and our energy use.

## [US EIA: World Energy Use Seen +49% 2007-35 on Emrg Econ Growth](#)

Strong growth in developing countries will drive energy consumption up 49% from 2007

to 2035, with China and India leading the way, the U.S. Energy Information Agency said Tuesday in its annual International Energy Outlook.

Total energy demand in the non-OECD countries increases by 84%, compared with an increase of 14% in the OECD countries, the report said.

With rising demand the EIA reference case expects the average world oil price to continue the upward trend resumed last year, "with prices rising to \$108 per barrel by 2020 (in real 2008 dollars) and \$133 per barrel by 2035."

### [New Yorker: OIL SHOCKS](#)

In an immediate sense, the causes of the catastrophe are technical. . .

But the real causes of the disaster go, as it were, much deeper. Having consumed most of the world's readily accessible oil, we are now compelled to look for fuel in ever more remote places, and to extract it in ever riskier and more damaging ways. The Deepwater Horizon well was being drilled in five thousand feet of water, to a total depth of eighteen thousand feet. (By contrast, the Santa Barbara well was drilled in less than two hundred feet of water, to a total depth of thirty-five hundred feet.) While the point of "peak oil" may or may not have been reached, what Michael Klare, a professor at Hampshire College, has dubbed the Age of Tough Oil has clearly begun. This year, the United States' largest single source of imported oil is expected to be the Canadian tar sands. Oil from the tar sands comes in what is essentially a solid form: it has to be either strip-mined, a process that leaves behind a devastated landscape, or melted out of the earth using vast quantities of natural gas.

### [BP: Tube Siphoned More Oil Underwater Monday](#)

BP PLC spokesman John Curry told The Associated Press on Tuesday that the tube collected some 256,200 gallons of oil on Monday.

The collections were further evidence that a previous estimate of the underwater spill is too low.

### [Oil companies have a rich history of U.S. subsidies](#)

Some say the Gulf of Mexico catastrophe can be linked to Congress' policy of oil-friendly tax breaks and financial benefits. . .

An increasing number of analysts say the waiver program has pushed drilling into fragile and remote areas where emergency response plans were inadequate.

"If it wasn't profitable for them to do it, then that's a good argument for leaving the oil in the ground," said Robert Gramling, who studies the history of the oil industry at the

University of Louisiana, Lafayette. The government-subsidized rush to deep-water exploration led to a situation where the industry was doing "things that were technically possible but were beyond our ability to undo them if we find out we have a problem."

### [Online maps, apps help track oil spill](#)

His idea was to use Google's global-mapping feature to put the massive spill into perspective. His program overlays the size and shape of the spill onto maps of major cities like New York or Los Angeles and also lets users compare it to their hometowns.

[See the map and use it to view the spill in relation to your town.](#)

### [US Justice Official Seeks Higher Spill-Liability Cap](#)

U.S. Associate Attorney General Thomas Perelli on Tuesday will call for an increase in the cap on damage claims that BP Plc (BP, BP.LN) and other companies would have to pay for spills such as the one in the Gulf of Mexico.

But he will stop short of recommending a specific cap.

### [Regulators Accepted Gifts From Oil Industry, Report Says](#)

Employees of a federal agency that regulates offshore drilling—including some whose duties included inspecting offshore oil rigs—accepted sporting-event tickets, lunches and other gifts from oil- and natural-gas companies and used government computers to view pornography, according to a new report by the Interior Department's inspector general.

The report—which hasn't been made public by the inspector general but was described Tuesday in an email from Interior Secretary Ken Salazar—notes "a number of violations" of federal regulations and agency ethics rules by staffers assigned to the Lake Charles, La., office of the Minerals Management Service, a unit of Interior that manages the nation's offshore oil and gas resources, Mr. Salazar said in his statement.

### [BP exploring new option to siphon off spill oil](#)

The London-based company said on Tuesday it had plans to remove a damaged part from the ruptured well and put in place a tube which would capture most of the oil and gas flowing into the sea, calling it the LMRP cap containment option.

BP already has one tube in place which is siphoning off an average 40 percent of the 5,000 barrels of oil the company estimates is leaking out of the well each day.

The company said it would be ready to try to fit the new tube by the end of the month, but in the meantime it would attempt in the next few days to plug the leak using heavy fluids -- the so-called "top kill" option that BP has given a 60 to 70 percent chance of success.

(This option is discussed in Heading Out's post today.)

### [U.S. Turns Up Heat on BP](#)

While some critics have asked why the White House doesn't take control of the cleanup, Coast Guard Admiral Thad Allen, speaking at the White House Monday, said he wouldn't recommend it. He said the government doesn't have more technology or expertise than the oil giant to deal with the leaking well, anyway.

"To push BP out of the way, it would raise a question: Replace them with what?" said Mr. Allen, who's leading the federal disaster teams in the Gulf. He said he had consulted with leaders of rival oil companies, who told him that BP appears to be doing what they would do.

### [The Latest on the Oil Spill](#)

**THE NUMBERS:** It has been 34 days since the first explosion on the Deepwater Horizon rig. The spill's impact on shore now stretches across 150 miles, from Dauphin Island, Ala., to Grand Isle, La., officials said.

**THE MONEY:** The total cost to BP to date is about \$760 million, or \$22 million a day, compared with an initial estimate of \$6 million a day last month, the company said.

### [Obama administration conflicted about relying on BP to stop gulf oil spill](#)

"BP is the responsible party, but we need the federal government to make sure that they are held accountable and that they are indeed responsible. Our way of life depends on it," Jindal said at a news conference in Galliano, La., with Homeland Security Secretary Janet Napolitano and Interior Secretary Ken Salazar.

With the realization that images of spoiled beaches and oil-covered animals are likely to become much worse in the coming weeks, the administration is torn between a political imperative -- that it take a hard line with the oil giant -- and a practical one -- that it has no choice but to rely on the company to stop the flow.

### [Gulf oil spill: White House orders BP to cut use of dispersant by half](#)

The White House directed BP to cut its use of chemical dispersants to break up the Louisiana oil slick by as much as 50% yesterday, reflecting concerns that the clean-up of the spill could be worsening the economic disaster in the Gulf of Mexico.

Jackson directed the EPA last week to seek out alternative chemicals within 24 hours, but admitted yesterday that BP had continued to use Corexit to break up the spill.

She and the coast guard commander, Mary Landry, defended the use of the chemical, arguing it had prevented a more devastating landfall of heavy crude.

### [Gulf oil spill: BP ordered to dramatically scale back use of dispersants](#)

We are not satisfied that BP has done extensive analysis of other dispersant options," Jackson said. "They were more interested in defending their original decisions than studying other options." Jackson said that the Coast Guard, not BP, will make the ultimate decision about the daily amount and manner of dispersant use and that the product could be scaled back by 50% to 75%.

Subsea injections, which had never been administered at 5,000 feet, had been effective and would continue, Jackson said. But the surface applications of dispersant, in particular, would be lessened even as skimming and controlled burns continue.

### [U.S. Senators, Cabinet Members visit Gulf spill](#)

Coast Guard Rear Admiral Mary Landry admits she was not satisfied with the deployment of boom and other resources this weekend as oil migrated into Barataria Bay.

As a result, she says she's ordering a doubling of response teams along the Gulf coast.

Governor Jindal wants her to take it a step further and order additional Coast Guard commanders with decision making authority to the coast to more quickly respond as oil washes ashore.

### [Protesters demand BP be shut down over oil spill](#)

A group of costumed and semi-nude protesters marched onto the grounds of BP's U.S. headquarters in west Houston Monday morning, calling for the company to be held accountable for the oil spill in the Gulf of Mexico and for the government to act.

### [BP oil spill pushes Louisiana to desperate, massive 'berm' plan](#)



Increasingly defiant of British Petroleum executives and federal officials, state and local officials in Louisiana say they are prepared to take emergency measures into their own hands to protect the state's wetlands from encroaching oil from the BP oil spill.

Some marine scientists, however, say that Gov. Bobby Jindal's plan to dredge sand onto coastal barrier islands to keep the spill offshore may take too long to be effective, could possibly damage the coastal environment, and could undermine long-term efforts to rebuild the state's eroding coastline.

### [Feds: Government can't push BP aside on oil spill](#)

The White House is facing increasing questions about why the government can't assert more control over the handling of the catastrophe, which unfolded after a BP offshore drilling rig blew up April 20.

All of BP's attempts to stop the leak have failed, despite the oil giant's use of joystick-operated submarine robots that can operate at depths no human could withstand. Millions of gallons of brown crude are now coating birds and other wildlife and fouling the Louisiana marshes.

BP is pinning its hopes of stopping the gusher on yet another technique never tested 5,000 feet underwater: a "top kill," in which heavy mud and cement would be shot into the blown-out well to plug it up. The top kill could begin as early as Wednesday, with BP CEO Tony Hayward giving it a 60 to 70 percent chance of success.

Allen said federal law dictated that BP had to operate the cleanup, with the government overseeing its efforts.

### [BP CEO admits impact of Gulf oil spill underestimated](#)

BP's chief executive Tony Hayward admitted Monday that he had underestimated the possible environmental impact of the massive oil spill in the Gulf of Mexico.

Hayward, who visited oil-soaked Fourchon Beach Monday, told journalists that he was "devastated" by what he was seeing at Fourchon Beach, one of the few sandy beaches in Louisiana whose vast marchland is now threatened by oil spill.

### [Nuclear regulation offers a model for oil controls](#)

The oil spill in the Gulf of Mexico has led the interior secretary to propose separating oil regulation and leasing in his department. His proposal does not go nearly far enough. . .

Congress should . . . Sever the connection between leasing and regulation, including taking regulation out of the Interior Department. This is easy to do because the NRC exists as a model of how to do it.

## [Oil Industry Awaits Federal Spill Report](#)

Oil companies and the oilfield service firms that assist them await the report, due to be released Friday, with concern: A prolonged ban on drilling on the one hand, and the near certainty of expensive new industry standards and safety measures on the other, could take a serious toll on their bottom lines.

The temporary ban on offshore drilling, which went into affect April 20, could easily be prolonged for months or even years, as the U.S. and other nations determine whether to resume full scale deep-water drilling. An extended ban would lead to short-term declines in revenue for the companies involved, which would undoubtedly affect their share prices. Depending on their current resources and positioning within their industry, new regulations might also affect their ability to increase revenue and market share long-term.

## [Institute formed to work on challenges facing US wind](#)

An independent public-private collaboration, the National Institute for Renewable Energy (NIRE), has been formed to work on solving key scientific and technology challenges facing the US wind industry.

The Texas Tech University System, the Innovate Texas Foundation, and The Wind Alliance unveiled their plan during the American Wind Energy Association's (AWEA) Windpower 2010 conference in Dallas.

## [U.S. cities face deepening fiscal problems](#)

(Reuters) - Most U.S. cities face worsening economies, and local governments will have to cut personnel or stop construction over the next few years, according to a survey released by the National League of Cities on Monday.

Three in four city officials reported that overall economic and fiscal conditions have worsened over the past year, the league reported, and more than six in 10 said poverty has intensified.

Almost all -- 90 percent -- said unemployment was a problem for their communities and that joblessness has mounted over the last year.

## [Climate Fears Turn to Doubts Among Britons](#)

A survey in February by the BBC found that only 26 percent of Britons believed that “climate change is happening and is now established as largely manmade,” down from 41 percent in November 2009. A poll conducted for the German magazine Der Spiegel found that 42 percent of Germans feared global warming, down from 62 percent four years earlier.

The lack of fervor about climate change is also true of the United States, where action on climate and emissions reduction is still very much a work in progress, and concern about global warming was never as strong as in Europe. A March Gallup poll found that 48 percent of Americans believed that the seriousness of global warming was “generally exaggerated,” up from 41 percent a year ago.

### [Blair lands job with Silicon Valley’s Khosla Ventures.](#)

Tony Blair’s lucrative list of business activities lengthened yesterday with a job as an adviser to a Silicon Valley venture capital firm, Khosla Ventures, that specialises in promoting environmentally friendly technology.

Khosla recently raised \$1bn from investors to pump into promising technologies aimed at cutting carbon emissions. He is a proponent of ethanol fuel as an alternative to petrol, and he has come in for criticism for benefiting from US government subsidies towards food-based ethanol production.

### [Heart of Dryness: Reversing the Politics of Water Scarcity from the Kalahari to Suburbia](#)

The dark side of drought and water scarcity isn’t economic stagnation; it is political implosion.[1] Scarce water fragmented society and curtailed liberty. It eroded trust. When drought-struck, the local governments from Atlanta to Los Angeles rationed individual water consumption to one-tenth of what people normally consume each day. [2] It cracked down on private well pumps, claimed and regulated waters for public consumption.

Outside the Kalahari, these political responses are almost universal. Conflict is inevitable, as most recently witnessed in Boston supermarkets as families brawled over the last bottled water. “Other hazards tend to pull people together,” said Michael Hayes, director of the National Drought Mitigation Center, speaking of water’s power. “With a drought, because it’s a limited resource, it tends to drive people apart.

### [Peter Gleick: Water and Misleading Advertising and Marketing—Where are the FDA and FTC?](#)

Consumers can find water “ionizers,” vibrationally charged interactive water, energy enhanced water infused with luck or love, weight-loss waters, super-oxygenated water machines, magnetized water, rhythm-structured water, and on and on. Many of these are described in detail in my new book “Bottled and Sold: The Story Behind Our

Obsession with Bottled Water.” They are just some of the magical bottled waters and devices pushed on ignorant consumers or people with real health concerns who don’t know where else to turn for help.

Pseudoscientific claims for bottled waters can be found in brochures, health stores, and magazines, and especially on the Internet. As use of the Internet has exploded, we are seeing a proliferation of websites that make explicit, unsubstantiated, outlandish, and often blatantly fraudulent claims about the health benefits of bottled waters. And we’re sucking it up by the gallon.

Water Number: 115 liters of bottled water, per person, per year. Twenty years ago, Americans drank around one gallon (under 4 liters) of bottled water a year, mostly from office coolers. Today, on average each American drinks around 30 gallons (115 liters) each year, mostly from single-serve plastic bottles that we throw away. Why? There are many reasons, also discussed in the new book. But one of them is intensive advertising and marketing to move us off of tap water and onto commercial products.

### [Auto dealers’ exemption from new financial rules gains support](#)

As Congress formally began the process of merging Senate and House versions of massive financial regulatory overhaul legislation, the Senate on Monday voted to instruct its negotiators to largely exempt auto dealers from oversight by a new government agency designed to protect consumers from shady lending.

Senate Banking Committee Chairman Christopher J. Dodd (D-Conn.), who will be one of the key negotiators on the final bill, opposed the exemption. He noted the strong opposition by top Pentagon officials, who have written senators in recent weeks opposing the amendment. Those officials said the military receives frequent complaints about auto dealers who take advantage of service members.

### [Rising home sales likely to cool despite low rates](#)

The tax credit is now gone. And economists caution that Americans are facing so many financial obstacles that falling rates alone won’t be enough to lift the housing market.

"Although mortgage rates have fallen sharply, the combination of high unemployment, heavy indebtedness and tight credit suggest to us that demand will stumble," said Paul Dales, an economist at Capital Economics.

The big question facing the housing market is what happens now that the government's tax credits have expired.

"What really matters right now is consumer confidence and job growth and home prices not going down much from here," said Josh Levin, a homebuilding analyst at Citigroup Inc. "That really matters a lot more than rates."

[Oil falls below \\$70 as risk aversion returns](#)

Oil fell below \$70 a barrel on Tuesday on growing concern that Europe's debt crisis would derail the global economic recovery, prompting investors to sell riskier assets in a flight to dollar safety.

"The fact that the dollar is strengthening is a sign of risk aversion and deleveraging. People are moving away from crude oil," Nunan said, adding that Fibonacci chart analysis showed prices would head toward \$66.24.



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