



Drumbeat: May 27, 2010

Posted by [Gail the Actuary](#) on May 27, 2010 - 9:22am

Topic: [Miscellaneous](#)

[Gulf Spill Bigger Than Valdez, Estimate Shows](#)

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Between 12,000 and 19,000 barrels a day are estimated to be spilling into the waters of the Gulf, said U.S. Geological Survey director Marcia McNutt, the leader of an inter-agency team created to measure the size and rate of the spill following criticism that a previous estimate of 5,000 barrels a day was inaccurate.

The announcement comes as Coast Guard Admiral Thad Allen said Thursday that BP PLC's effort to stop the flow of oil from a broken well in the Gulf of Mexico has so far "stabilized the wellhead" and stopped the oil and gas from coming up.

But Adm. Allen and a BP executive, in separate appearances Thursday, cautioned that the so-called top kill operation to seal the well, and stop a gusher of crude fouling the Louisiana coast, isn't complete.

Thursday vowed tougher regulations for the oil industry and said he is suspending action on 33 exploratory drilling operations in the Gulf and canceling or temporarily suspending pending lease sales and drilling in Virginia and the Arctic.

[API: The Impact of Delaying Offshore Development](#)

"We understand the concerns many people have about offshore drilling in the wake of this incident, and the frustration many feel toward oil companies. But this issue is much larger than the oil industry, since access to affordable energy impacts every sector of our economy, every state in our nation and every American family. Further, thousands of products - from toothpaste to iPods, cell phones to computers, and vitamins to vegetables - use oil and natural gas as a feedstock in the manufacturing process.

An extended moratorium on safely producing our oil and natural gas resources from the Gulf of Mexico would create a moratorium on economic growth and job creation--especially in the Gulf States whose people and economies have already been most

affected by the oil spill--by undercutting our nation's access to affordable, reliable, domestic sources of oil and natural gas.

[Scientists find evidence of large underwater oil plume in gulf](#)

The scientists, aboard a University of South Florida research vessel, found an area of dissolved oil that is about six miles wide, and extends from the surface down to a depth of about 3,200 feet, said Professor David Hollander.

The plume is clear, with the oil entirely dissolved.

"Here is a situation where, unless you're looking at the chemical fingerprints, [the oil] is absolutely not visible," Hollander said. "It's not some Italian vinaigrette or anything like that. It's absolutely, perfectly clear."

[USF researchers confirm massive underwater plume from gulf oil spill](#)

A news release from USF's College of Marine Sciences refers to it as "a wide area with elevated levels of dissolved hydrocarbons throughout the water column."

The thickest concentration, they found, was more than 2 miles beneath the surface — deeper than where the Deepwater Horizon well has been spewing oil for the past month — and about 20 miles northeast of the collapsed rig.

[Gulf Spill Bigger Than Valdez, Estimate Shows](#)

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[Gulf oil spill now largest in U.S. history as BP continues plug effort](#)

Scientists at the U.S. Geological Survey said the well has gushed 500,000 to 1 million gallons a day — greater than the original estimate of 210,000 gallons a day offered by the National Oceanic and Atmospheric Administration several weeks ago.

At that pace, at least 17 million gallons and possibly as much as 39 million gallons have spilled into the Gulf in the five weeks since the Deepwater Horizon rig exploded and sank 50 miles off Louisiana's coast, killing 11 crew workers and unleashing an ecological emergency. Exxon Valdez spilled about 11 million gallons into Alaska's Prince William Sound.

[Admiral Allen Approves One Section of Louisiana Barrier Island Project Proposal as Part of Federal Oil Spill Response](#)

The National Incident Commander for the BP oil spill, Admiral Thad Allen, today approved the implementation of a section of Louisiana's barrier island project proposal that could help stop oil from coming ashore and where work could be completed the fastest—as an integrated part of the federal response to the BP oil spill.

This step will save Louisiana the cost of construction for this section by integrating it with the federal government's ongoing oil spill response—thus paving the road for payment by BP, as a responsible party, or the federal Oil Spill Liability Trust Fund.

It will also allow assessment of the effectiveness and environmental impacts of this strategy in one of the areas most at risk of long-term impact by BP's leaking oil.

[Obama Suspends Arctic Oil Drilling Until 2011](#)

The Obama administration, under pressure to act over the Gulf of Mexico oil disaster, announced Thursday that it will suspend consideration of any applications for exploratory drilling for oil in the Arctic until 2011 and said that a moratorium on permits to drill new deepwater wells will continue for six months.

President Barack Obama, in a news conference, vowed tougher regulations for the oil industry.

Mr. Obama said the "oil industry's cozy and sometimes corrupt relationship" with federal regulators underscores the need for more oversight.

[Gulf oil spill: Head of Minerals Management Service quits \[Updated\]](#)

Elizabeth Birnbaum has resigned her post as head of the U.S. Minerals Management

Service, the beleaguered federal agency that oversees offshore oil drilling.

Interior Secretary Ken Salazar announced the resignation Thursday morning at a House subcommittee hearing on the oil leak in the Gulf of Mexico.

Salazar said Birnbaum resigned on her own terms, and he praised her as a good public servant.

[US oil spill clean-up boats recalled after crews fall ill](#)

All 125 commercial fishing boats helping oil recovery efforts off Louisiana's Breton Sound area have been recalled after four workers reported health problems, officials said.

The crew members aboard three separate vessels "reported experiencing nausea, dizziness, headaches and chest pains" mid-afternoon Wednesday, the US Coast Guard said in a statement.

"No other personnel are reporting symptoms, but we are taking this (recall) action as an extreme safeguard," said Coast Guard Chief Petty Officer Robinson Cox.

[7 Gulf oil spill cleanup workers hospitalized](#)

Seven workers helping to clean up the Gulf oil spill remain hospitalized after they reported dizziness, headaches and nausea while working on boats off the Louisiana coast.

West Jefferson Medical Center spokeswoman Taslin Alfonso said Thursday that doctors believe the likely cause is chemical irritation and dehydration from long hours working in the heat.

[US wind energy market facing constraints in 2010: IHS study](#)

The recession-induced drop in power demand and lower electricity and natural gas prices have "had a profound effect on utility willingness to ink power purchase agreements," IHS said.

In addition, the study said that increased transmission congestion and reduced utility demand have reduced growth in traditional "wind hot spots" such as Texas, Minnesota and California, forcing developers to look to states with less ideal wind resources and more difficult development conditions.

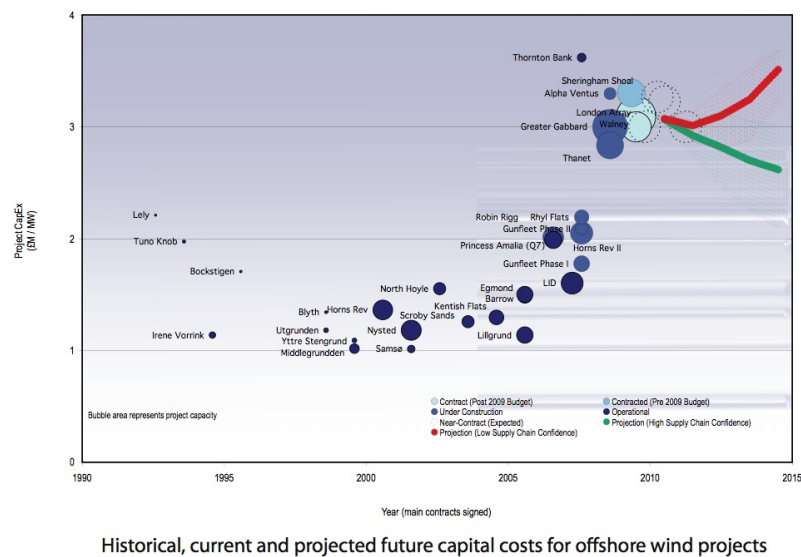
"Transmission remains one of the greatest barriers to the development of US wind projects," the study said, adding that "[c]oordinated national policies will be necessary to more efficiently link the US' vast wind resources to high-demand regions." But even if those policies are in place, IHS said there "will be a lag of several years" before those projects begin operating. "A national renewable energy standard or federal energy

policy legislation along with a streamlined transmission siting and cost allocation process are the essential ingredients to building a robust future US wind market."

Mixed messages on offshore wind's future

While capital costs would usually fall as an industry grows, offshore wind is seeing the reverse. The UK wind energy trade association, RenewableUK, in a [paper](#) of its own, attributes this to supply chain issues. More specifically, they list:

- Reduced competition within the wind energy supply chain combined with an increase in demand for supplies, particularly from onshore wind.
- Contracts drawn up between suppliers and customers during the sector's early years caused losses to suppliers, as high early competition amongst suppliers set low future price projections, before costs later rose once the true costs and technology challenges were realised.
- With over 80% of UK offshore wind capital value being imported, the fall of the pound against the euro and fluctuating commodity prices have forced prices up.



Cost per MW projections from [British Wind Energy Association](#). [Click for larger image.](#)

Accounting for increasing energy use by the US food system

Energy used by the US food system accounted for 80% of the increase in American energy use between 1997 and 2002, according to a recent report from the USDA's Economic Research Service. Other remarkable conclusions of the analysis include:

- Food system energy use increased by 22.4% while total energy use rose by just 3.3%.
- On a per capita basis, total energy use actually fell by 1.8%, but food system energy use

was still up by 16.4%.

[JM Greer: The World After Abundance](#)

What's going on here is precisely what *The Limits to Growth* warned about in 1973: the costs of continued growth have risen faster than growth itself, and are reaching a level that is forcing the economy to its knees. By "costs," of course, the authors of *The Limits to Growth* weren't talking about money, and neither am I. The costs that matter are energy, resources, and labor; it takes a great deal more of all of these to extract oil from deepwater wells in the Gulf of Mexico or oil sands in Alberta, say, than it used to take to get it from Pennsylvania or Texas, and since offshore drilling and oil sands make up an increasingly large share of what we've got left – those wells in Pennsylvania and Texas have been pumped dry, or nearly so – these real, nonmonetary costs have climbed steadily.

[The Peak Oil Crisis: After the Spill](#) (Tom Whipple)

It is not yet clear whether the drilling industry, or the government for that matter, wants government inspectors aboard every drilling rig participating in critical operational decisions that could result in a blowout. With a million dollars a day at stake, it is unlikely that the industry wants relatively low level inspectors deciding that the cement needs another day or so to dry properly. The upside of course is that should the unthinkable happen, the industry is in a good position to pass the liability on to the government if it signed off on the procedure.

There are obviously billions of dollars and the fate of nations involved in this question, for if offshore drilling takes substantially longer and becomes substantially more expensive, then so does our oil.

[BP decisions Set Stage for Disaster](#)

A Wall Street Journal investigation provides the most complete account so far of the fateful decisions that preceded the blast. BP made choices over the course of the project that rendered this well more vulnerable to the blowout, which unleashed a spew of crude oil that engineers are struggling to stanch.

BP, for instance, cut short a procedure involving drilling fluid that is designed to detect gas in the well and remove it before it becomes a problem, according to documents belonging to BP and to the drilling rig's owner and operator, Transocean Ltd.

BP also skipped a quality test of the cement around the pipe—another buffer against gas—despite what BP now says were signs of problems with the cement job and despite a warning from cement contractor Halliburton Co.

Once gas was rising, the design and procedures BP had chosen for the well likely gave this perilous gas an easier path up and out, say well-control experts. . .

Finally, a BP manager overseeing final well tests apparently had scant experience in deep-water drilling. He told investigators he was on the rig to "learn about deep water," according to notes of an interview with him seen by the Journal.

[BP Used Riskier Method to Seal Oil Well Before Blast](#)

Several days before the explosion on the Deepwater Horizon oil rig, BP officials chose, partly for financial reasons, to use a type of casing for the well that the company knew was the riskier of two options, according to a BP document.

If the cement around the casing pipe — used to line the well — did not seal properly, gases could leak all the way to the wellhead, where only a single seal would serve as a barrier.

Using a different type of casing would provide two barriers, according to the document, which was provided to The New York Times by a Congressional investigator.

[BP worker takes 5th, making prosecution a possibility](#)

A top BP worker who was aboard the Deepwater Horizon in the hours leading up to the explosion declined to testify in front of a federal panel investigating the deadly oil rig blowout, telling the U.S Coast Guard he was invoking his constitutional right to avoid self-incrimination.

The move Wednesday by BP's Robert Kaluza raises the possibility of criminal liability in the April 20 explosion that killed 11 and five weeks later continues to spew hundreds of thousands of gallons of oil into the Gulf of Mexico each day.

[Gulf oil spill: Governor calls for permission to dredge](#)

Louisiana Gov. Bobby Jindal took another boat tour of the oil spill area Wednesday and later repeated his call to get federal permission to dredge sand and create barrier islands to protect inland estuaries.

The Army Corps of Engineers is fast-tracking the application but must allow other agencies to comment, according to federal environmental law.

[A timeline of the disastrous BP oil spill in the Gulf of Mexico \(photos\)](#)

Since the Deepwater Horizon rig sank into the Gulf of Mexico on April 22, more than 200,000 gallons of oil a day have been pouring into the sea from the well it was drilling. Response teams have been working day in and day out to contain and clean up the floating oil, while experts have attempted so far unsuccessfully—to shut off the flow of oil from the wellhead. The leaked oil has already washed up on the delicate Louisiana shoreline, and may soon reach the coasts of other gulf states as well, closing down fisheries and threatening the region's fragile ecosystems.

[Gulf oil spill: Results of 'top kill' operation won't be known for 24 hours](#)

It will be at least 24 hours before BP officials will know whether their high-risk effort to plug the wellhead spewing crude into the gulf has succeeded, the Chief Executive Tony Hayward said Wednesday afternoon.

He said the effort is proceeding as planned and cautioned that the televised images of the oil plume do not give an indication of how the operation is going or whether the oil flow is increasing or decreasing.

[White House leak reveals Barack Obama's reaction to news of oil spill](#)

The administration has repeatedly put responsibility for the cleanup on the oil firm. "We will keep our boot on their neck until the job is done," the interior secretary, Ken Salazar, said this week.

But a CNN poll suggests the focus on BP has distracted from the administration's own efforts, showing for the first time that the majority of Americans, 51%, disapprove of Obama's handling of the crisis.

Commentators are also increasingly complaining about lax oversight by his administration before the spill, and a hands-off approach to the cleanup.

[Obama warns on "risky" fossil fuels](#)

President Barack Obama said the US would not be able to sustain the kind of "risky" exploitation of fossil fuels that caused the Gulf of Mexico oil spill, as he prepared to announce sweeping new regulations for offshore drilling.

On Thursday the White House will release the results of a 30-day review that it asked the Department of Interior to conduct about the safety and regulatory regime that was in place before the Deepwater Horizon rig exploded. Previous reports have suggested numerous regulatory and technical failings.

The review could have wide-reaching implications for other energy companies involved in offshore drilling, such as Royal Dutch Shell, which has invested \$3bn looking for oil in Alaska.

[Oil Spill Response: New Ad Demands Leadership on Climate Legislation from Senate Democrats \(Video\)](#)

A leading environmental group is upping the ante in the climate change debate, making a major ad buy targeting predominantly Democratic senators to get them to push for more progressive energy legislation in the wake of the oil spill in the Gulf.

Repackaging an ad that has already aired nationally, the Natural Resources Defense Council is now taking its effort local. The group is airing the same spot in key strategic states in an effort to compel more legislative leadership on the climate front.

[Poll: Majority give Obama, feds failing grade on oil spill response](#)

Nearly three-fourths of those surveyed Monday and Tuesday say BP is doing a "poor" or "very poor" job in handling the calamity. Six of 10 say that of the federal government. And a 53% majority give Obama a poor rating.

The catastrophe has boosted concern about the environment over development of new energy supplies -- a long-time balancing act in American politics.

Now, a majority say protection of the environment should be given priority, "even at the risk of limiting energy supplies."

The 55%-39% divide on that question was a reversal of American views in March, before the April 20 explosion sent crude oil spewing into the gulf.

[Rig mechanic says BP was in a rush despite problems](#)

Hours before the fatal accident that sank the Deepwater Horizon oil rig in the Gulf of Mexico, workers for the rig's owner quarreled with BP officials who wanted to finish the drilling job despite problems, a mechanic told a Coast Guard committee in Louisiana on Wednesday.

Douglas Brown, the rig's chief mechanic, testified that three officials for rig owner Transocean Ltd. balked at the desire of a BP "company man" to remove drilling mud from the pipe connecting the rig with the well.

"There was a slight argument [that] took place.... The [BP] company man was saying, 'This is how it's going to be,' " said Brown, who could not identify the BP official.

After the midmorning meeting, Brown said, Transocean worker Jimmy Harrell grumbled, "Well, I guess that's what we have those 'pinchers' for" — apparently referring to the shear rams on the blowout preventer on the seafloor.

[Gulf oil spill: Is MMS so corrupt it must be abolished?](#)

On Wednesday, Sen. Ben Nelson (D) of Nebraska introduced legislation to mandate a two-year waiting period between government and industry jobs in order to reduce industry influence on regulators. The legislation, called the Stop Cozy Relationships with Big Oil Act, would also make gift-acceptance, a key focus of the most recent MMS investigation, a felony with a possible 15-year prison sentence.

The reality, however, is that the MMS needs industry expertise to properly manage America's oil riches, says Inspector General Kendall.

[BP Deepwater Horizon operations were six weeks behind schedule, documents say](#)

BP's drilling operations were about six weeks behind schedule when the Deepwater Horizon rig exploded April 20, according to documents cited Wednesday at a hearing examining the cause of the Gulf of Mexico oil spill.

Reading from BP documents that have not been made public, BP safety leader Steve Tink said his company had applied to use the Deepwater Horizon in another oilfield on March 8, 43 days before the accident.

BP was paying Transocean, the company that leased the rig to BP and ran it on BP's behalf, \$533,000 a day, Transocean safety official Adrian Rose testified.

[Exploratory oil drilling in Arctic halted until 2011](#)

The Obama administration Thursday will suspend planned exploratory oil drilling in the Arctic Ocean off Alaska until at least 2011, a casualty of the Gulf of Mexico oil spill.

The suspension will be part of a report that Interior Secretary Ken Salazar will give to President Obama, who's likely to address the suspension as well as other proposals stemming from Salazar's report, at a White House news conference Thursday.

The move will stop Shell from drilling five wells in the Chukchi and Beaufort seas off northern Alaska weeks before it had hoped to start work, an administration official said.

[American faith in technological magic exacerbates frustration with Gulf of Mexico oil leak](#)

"Americans believe that there must be a technological fix. If a problem is not solved, they tend to assume incompetence," said David Nye, the author of "Technology Matters: Questions to Live By."

"This is not about logic, it is about being a victim of forces beyond the control of local

politics, so people bump it up to the next level," said Nye, a professor of the Center for American Studies at the University of Southern Denmark.

And the last next level is the Oval Office where, as everyone knows, the buck stops.

[Project delays threaten oil supply: Technip](#)

PARIS/LONDON (Reuters) - The world will face an energy shortage in two years if oil and gas companies delay investment decisions in new projects due to the economic crisis, the head of oil contractor Technip (TECF.PA: Quote, Profile, Research) said on Wednesday.

Oil prices have plunged 20 percent from the 19-month peak of \$87.15 hit in early May, on concern about the euro zone debt crisis and austerity steps that may hurt economic growth.

"If the price of oil was to collapse again to around \$50 to \$55 a barrel, then we would probably see customers rethinking their plans," Thierry Pilenko, the head of Technip, which builds refineries, oil rigs and gas plants, told the Reuters Energy Summit.

But any more delays in approving new production projects would lead to a global energy crunch, he said.

[Oil prices jump as market panic recedes](#)

New York's main contract, light sweet crude for delivery in July, jumped 2.76 dollars to 71.65 dollars a barrel at the end of Wednesday trade.

London's Brent North Sea crude for July soared 2.19 dollars to 71.74 dollars.

Oil had plunged on Tuesday on fears that the eurozone financial crisis could turn toxic for the global economic recovery.

[Flannery: I've changed my mind on carbon capture](#)

THE environmentalist Tim Flannery has withdrawn his support for carbon capture and storage as an answer to combating climate change, saying he now believes it would be economically unachievable.

The former Australian of the Year, who has championed CCS and projects such as Santos' \$700 million Moomba storage project in South Australia, said he had changed his view on the idea of capturing carbon and storing it underground during a trip to Germany last week.

[Nissan's Ghosn gambles big on electric cars](#)

Nissan Motor Co. CEO Carlos Ghosn made the rounds in the U.S. the last two days pumping up his electric-car plans. He said the automaker and its global partner, French carmaker Renault SA, will be able to build 500,000 electric cars a year by 2014. To back up his bold plan, he announced a \$1.7 billion investment in a lithium-ion battery plant in Smyrna, Tenn. All told, Nissan is dropping \$5 billion from 2007 to 2012 for its ambitious play to be the leader in electric cars. The U.S. government loaned Nissan \$1.4 billion of the cash for the battery plant. So in essence, we all have a piece of his gamble.

[Honda may develop electric car batteries in China](#)

May 27, 2010 (China Knowledge) - Japanese auto maker Honda Motor Co is looking to China to develop electric car batteries, as it aims to tap the country's technology and vast resources, CEO Takanobu Ito said yesterday, Reuters reported.

"If there is a suitable chance, we hope to work with China to (develop) batteries," Ito said, adding that a major breakthrough is needed in battery technology and it would take 10 to 20 years before battery-run electric cars became common patterns.

[GM set to develop electric car for south Asia on its own](#)

General Motors looks set to go it alone in developing a battery-powered car for south Asia based on its best-selling mini-car, the Spark, after its partner, Reva Electric Car, sold a controlling stake to an Indian competitor.

Mahindra & Mahindra, India's biggest sport utility vehicle maker, said yesterday that it had bought a 55 per cent controlling stake in Bangalore company Reva, one of the biggest producers of commercial electric cars in the world.

GM, based in Detroit, said in a statement: "We may not continue with the Spark [electric vehicle] programme with Reva in the light of this development and will pursue our own electric vehicle programme." Under its alliance with Reva, announced last year, GM was to provide the vehicle platform and manufacturing facilities for the car, which was to begin production this year. Reva was to provide technology for the battery, electric motor and power management.

[Record Production from Bakken oil Wells](#)

Initial flow results showed a peak rate of 3,171 and 5,035 barrels of oil equivalent a day (BOEPD). With these results, this company now has the two top producing wells in the entire Bakken play.

For the Second Quarter, this company will be producing as much as 6,800 boepd. By the end of the year, it is expected to be 10,000 boepd.

Alaska Oil Pipeline Shut Second Day After Power Outage

The Trans-Alaska Pipeline, owned by BP Plc (BP) and other oil majors, remained shut a second day Wednesday, cutting most supply out of Alaska oilfields, following an oil spill triggered by a power outage.

Pipeline operator Alyeska Pipeline Service Co., owned by BP, ExxonMobil Corp. (XOM), ConocoPhillips (COP) and other oil companies, said North Slope oil producers have been asked to cut oil sent to the pipeline to 16%. That's roughly 107,000 barrels a day, down from an average of 670,000 barrels a day, said Alyeska spokeswoman Michelle Egan.

UK gov't discloses size of its nuclear stockpile

Britain offered its first public accounting of its nuclear arsenal Wednesday, disclosing that it has a stockpile of 225 warheads in a move that offers transparency to non-nuclear states in hope of winning stricter global controls on the spread of atomic weapons.

Britain had earlier disclosed that it possessed 160 operational warheads, but Hague's comments that the country's "overall stockpile of nuclear warheads will not exceed 225 warheads" was the first time the maximum size of the total stockpile was revealed. The Foreign Office later said the 225 figure was the number of warheads the country now holds.



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