



## Drumbeat: May 28, 2010

Posted by [Gail the Actuary](#) on May 28, 2010 - 9:27am

Topic: [Miscellaneous](#)

### [Oil spill halted but unclear if it can be sustained](#)

The flow of oil and gas from the broken well in the Gulf of Mexico has been stopped by pumping mud into it however the challenge will be whether that can be sustained, the U.S. incident commander Admiral Thad Allen said on Friday.

Allen said the next 12 to 18 hours will be "very critical" in the effort to stop the gusher which has sent thousands of barrels of oil into the fragile ecosystem there, he said on ABC's "Good Morning America".

out of the well when the fluid, known as kill mud, is being forced in. But they haven't reached their objective of killing the well, the point where the weight of the mud column overwhelms the oil gusher completely. A BP spokesman compared the current situation to two cars pushing against each other with the accelerator pedal down.

### [Obama arrives in Gulf as top-kill effort continues](#)

US President Barack Obama arrived in Louisiana Friday to tour what has become the worst-ever US oil disaster, as energy company BP's critical top-kill operation to cap the ruptured well in the Gulf of Mexico entered its third day.

### [BP CEO gives 'top kill' 48 hours in Gulf spill](#)

BP Plc's (BP.L) critical "top kill" effort to smother a gushing oil leak in the Gulf of Mexico is making progress, but the company can't call it a success or failure until Sunday, Chief Executive Tony Hayward said.

Hayward said on Friday in a series of television interviews that the procedure, which began Wednesday afternoon, was operating "according to plan" and it would be another 48 hours before BP had "a conclusive view."

### [Loop Current Shift Could Spare Florida](#)

A dramatic change in the Gulf of Mexico's loop current has trapped a slick of oil in a huge circular eddy that scientists said Thursday appears likely to push slowly west instead of pumping the oil south into the Florida Keys.

The shift, which oceanographers have been watching strengthen for a week, has at the least reduced the imminent environmental threat for Florida. Tar balls predicted to be floating in the Florida Straits by now instead might not arrive for weeks, months or -- depending on lots of variables -- maybe at all.

### [The Gulf Of Mexico Before The Oil Spill](#) (Dave Cohen)

The oil leak on Mississippi Canyon seafloor of the Gulf of Mexico proceeds apace. It is not clear that recent actions have succeeded in plugging the leak. The widely dispersed petroleum is a great disaster, but I get the distinct impression that this oil is seen as despoiling a *pristine environment*. Nothing could be further from the truth. I get this impression because, to my knowledge, the sorry state of the Gulf of Mexico before the oil spill has not been discussed. Before the oil spill, the Gulf of Mexico was being ravaged by—

- coastal erosion
- hypoxia (very low oxygen)
- harmful algal blooms (red tides)

These ongoing, slower-acting environmental disasters have a common cause: human activity.

### [OPEC Oil Output Climbs to 17-Month High in May, Survey Shows](#)

Production climbed 187,000 barrels, or 0.6 percent, to an average 29.372 million barrels a day, the highest level since December 2008, according to the survey. Output by members with quotas, all except Iraq, climbed 167,000 barrels to 27.042 million barrels a day, 2.197 million above their target.

OPEC cut its quotas by 4.2 million barrels to 24.845 million barrels a day beginning in January 2009 as fuel demand fell during the worst recession since World War II. Compliance among the 11 members with quotas fell to 48 percent from 52 percent in April. All members with quotas exceeded their production limits.

### [Company: Restart of Alaska pipeline likely Friday](#)

The operator of the trans-Alaska pipeline system says oil should once again flow through the 800-mile line sometime Friday.

Alyeska Pipeline Service Co. had hoped that the line — shut down since a spill earlier in the week — could be restarted by Thursday night, but officials said the process of coming back online has taken longer than expected.

### [Iraqi Kurdistan oil output 'could hit 200,000 bpd this year'](#)

"Volumes could be quickly ramped up to 100,000 bpd and hit 200,000 bpd by year end," Natural Resources Minister Ashti Hawrami told the Middle East Economic Survey (MEES) in its edition to appear on Monday.

Iraqi Kurdistan halted oil exports -- of about 60,000 bpd, through a pipeline to neighbouring Turkey -- in October last year due to a payment dispute with Baghdad.

### [NOAA Research Ship Gordon Gunter Expands Gulf Mission](#)

The NOAA Ship Gordon Gunter conducting sampling in the Gulf will expand its mission to use its sophisticated sonar equipment and other scientific instruments to help define the subsurface plume near the BP Deepwater Horizon oil spill site and adjacent area. The mission is a collaborative project among NOAA, academia and the private sector.

The Gunter will sail to the vicinity of the well head and begin a systematic survey using its 18 and 38 kHz sonar to define the shape and extent of the underwater plume. University of New Hampshire Joint Hydrographic Center scientists onboard will explore the feasibility of using mid-water mapping sonar to image the submerged plume in combination with new software that could result in 3-D images of what is happening underneath the surface.

If potential plumes are identified, the Gunter will deploy a unique autonomous underwater vehicle provided by the Monterey Bay Aquarium Research Institute. Called the Gulper, the vehicle will take discrete water samples at various depths to allow precise characterization of any oil, dispersants, or other substances in the plume.

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### [Obama halts deepwater drilling in Gulf](#)

President Barack Obama ordered all 33 deepwater oil rigs in the Gulf of Mexico to halt drilling and extended a moratorium on new deepwater wells, as BP temporarily suspended its latest effort to contain the US's biggest oil spill.

Declaring that BP was now operating under his administration's orders, Mr Obama used a rare televised press conference to try to assert control over the "tragedy" in the Gulf, as public frustration over the five-week-long disaster reaches boiling point.

### [Fixing oil spill my responsibility, Obama says](#)

Thrown on the defensive, President Barack Obama acknowledged his administration could have done better in dealing with the biggest oil spill in the nation's history and misjudged the industry's ability to cope with a worst-case scenario. Obama will make his second tour of the battered Gulf Coast on Friday.

"I take responsibility. It is my job to make sure that everything is done to shut this down," Obama declared in a lengthy news conference at the White House on Thursday. As he spoke, well owner BP struggled anew to plug the blown well that exploded five weeks ago, killing 11 workers and sending millions of gallons of polluting oil gushing out.

Obama's words marked a clear shift of emphasis for an administration that previously had said it was generally "in charge" but there were limits to what it could do — and that oil giant BP was responsible for stopping the flow and cleaning up the disastrous damage.

### [There Was 'Nobody in Charge'](#)

After the Blast, Horizon Was Hobbled by a Complex Chain of Command; A 23-Year-Old Steps In to Radio a Mayday

The vessel's written safety procedures appear to have made it difficult to respond swiftly to a disaster that escalated at the speed of the events on April 20. For example, the guidelines require that a rig worker attempting to contain a gas emergency had to call two senior rig officials before deciding what to do. One of them was in the shower during the critical minutes, according to several crew members.

The written procedures required multiple people to jointly make decisions about how to respond to "dangerous" levels of gas—a term that wasn't precisely defined—and some members of the crew were unclear about who had authority to initiate an emergency shutdown of the well.

### [BP spill brakes deep-water drilling industry expansion](#)

The Gulf accounts for 30% of the USA's domestic oil production. Existing production

won't be affected by the president's initiatives, nor will exploration in shallow waters.

The restrictions won't boost consumer gas prices in the short term because there's currently excess oil production globally, says Robert Peterson, industry consultant with Charles River Associates. The delays in drilling today will, instead, affect production years from now. . .

The delays will add up, says a report from consulting firm Wood Mackenzie. Earlier this month, before work was ordered halted on the 33 exploratory wells, Wood Mackenzie estimated that a six-month ban on new drilling would cause a 4% drop in deep-water Gulf oil production in 2011. Tighter safety regulations will also drive drilling costs higher, which could make some areas in the Gulf too costly to explore further.

More immediately, companies will have to adjust drilling plans. That may include deploying to other areas drilling rigs that cost up to \$500,000 a day to lease.

### [BP shows the need for a rethink of regulation](#)

One thing at least is certain after BP's makeover of the Gulf of Mexico into a sludge pit: corporate self-regulation and public oversight have failed. We need to rethink how companies operate in a fragile world and how governments monitor them.

### [BP well disaster stuns hardened oil men](#)

"It has a psychological effect not only on America, but our industry, and you try to overcome that," Farris told the Reuters Global Energy Summit in Houston this week.

Even energy lobbyists are changing their tack. Catherine Reheis-Boyd, president of the Western States Petroleum Association, readily conceded at a debate in San Francisco last week that what happened with the Horizon was a "game-changer."

### [Spill Could Make BP Vulnerable](#)

BP is likely to eventually stop the flow of oil from its explosion in the Gulf of Mexico. After that happens, the autopsy of the spill will begin in earnest. But if the information dribbling into the public domain proves correct, the British energy giant will be a weakened creature — so weak it will be vulnerable to a takeover.

### [BP Risks Big Fines and Loss of Major U.S. Contracts](#)

White House lawyers are beginning to wrestle with whether BP's actions leading up to the disaster warrant barring the company from future federal contracts or oil leases, a

process called debarment.

BP is the single biggest supplier of fuel to the Department of Defense, with Pentagon contracts worth \$2.2 billion a year, according to government records. BP is also the largest producer of oil on federal waters in the Gulf of Mexico, which makes it a significant contributor of revenue to the government.

### [BP, Regulators Are Grilled On Hill Over Key Decisions](#)

Rep. Jay Inslee, (D., Wash.) asked Mr. McKay why oil rig workers started putting cement in the well to ensure the pipes were sealed in place, despite insufficient equipment.

Some "centralizers," designed to prevent voids in cement, were missing because "somebody delivered the wrong ones to them," so BP used only six instead of 20, Mr. Inslee said at a later hearing. . .

During another of five congressional hearings Thursday into the disaster, two Transocean Ltd. workers who were aboard the rig when it exploded told members of the House Judiciary Committee that there were safety issues with the rig.

Douglas Harold Brown, the chief mechanic and acting second engineer on the rig, said Transocean, the rig's operator, had reduced the number of crew members in the engine room from six to three, which put employees behind in completing preventative maintenance. One worker was eventually added back, but "that still left us two people short," Mr. Brown said.

### [Storm: Hurricane outlook, oil spill a possible double whammy for Gulf](#)

That early outlook issued Thursday by the National Oceanic and Atmospheric Administration doesn't say that any one part of the Atlantic or Gulf is targeted, only that there will be more tropical-storm bullets to dodge than normal -- 14 to 23 -- with as many as 14 developing into hurricanes and up to seven becoming major hurricanes, with sustained winds of at least 111 mph. . .

NOAA climate scientists say several factors are making for more storms being predicted this year. Seawater-surface temperatures, for example, are up to 4 degrees Fahrenheit above normal in the area of the Atlantic where storms need heat to fire up.

Another major factor is that the El Nino pattern that causes tropical-wind patterns to break up hurricanes has disappeared. NOAA forecaster Gerry Bell said the higher-end estimates for the season were included because it appears the reverse La Nina pattern that encourages hurricane development is taking hold.

### [Hurricane plus oil equals more problems](#)



A predicted busy hurricane season this summer is on a collision course with an unprecedented oil spill in the Gulf of Mexico, and the results are anyone's guess, weather experts say.

"The problem is that this is a man-made experiment we wish we hadn't made," said Jenni Evans, a professor of meteorology at Penn State University.

### [Alaska oil pipeline supply cut to 8 pct of normal](#)

Alaska North Slope oil producers have cut their flow of crude to 8 percent of normal levels as the Trans Alaska Pipeline remained closed for a third day, the pipeline operator said on Thursday.

There is still no estimate of when the pipeline will reopen, after it was closed on Tuesday following an unexpected power outage that triggered a spill from an overflowed storage tank at a pump station along the 800-mile (1,287-km) pipeline.

### [Sen. Kerry makes his case for an energy bill](#)

Senator Kerry made three basic arguments for the bill, and they deserve to be heard.

The first is jobs and the economy. He says the bill will create 200,000 jobs annually over 10 years, and return America to leadership in the "mother of all markets." The technology boom of the 1990s was a \$1 trillion market with 1 billion users, he said; the market for energy is \$6 trillion, with 6 billion users.

Not one American business is among the world's top 10 solar producers, he laments. Meanwhile, China is investing \$400 billion in alternative and renewable energy.

Second, national security. The bill will lead to a 40 percent to 50 percent drop in dependence on OPEC, he claims. "We send \$100 million a day to [oil-producing] Iran. Does that make sense?"

Third, health and environmental reasons: melting glaciers, "climate refugees" of displaced people around the world, diminished wildlife habitat from a warming planet.

Interestingly, he put these reasons last. It's at the core of climate change legislation, but as even Al Gore found out, the environment doesn't poll among voters the way the economy does.

### [The Eternal Energy Crisis](#)

In the nearly 40 years since Mr. Nixon's warnings about oil's threat to national independence, and the more than 30 years since President Carter donned his cardigan beside the roaring White House fireplace and told the nation to lower its thermostats,

U.S. oil consumption has almost doubled, the dollar has been substantively devalued, the price of a barrel of oil has risen to \$80 with spikes to \$125, and the U.S. now imports 60 percent of its oil, a billion dollars a day piled on to its bone-cracking current-account deficit.

No easily imaginable tactical blunder has gone unimplemented. As the American automobile industry floundered toward bankruptcy, the one popular area that was tariff-protected was relatively high-gasoline-consumption SUVs and small trucks. As the financial storm clouds gathered over Detroit (well before that city's skies were made even murkier by the smoking crotch of the Nigerian petro-panties bomber), General Motors drove into the future and over the cliff in the gas-guzzling Hummer, like the Polish army deploying more horse cavalry to meet German and Soviet tanks in 1939.

### [Stocks, oil prices rally amid news over China's holdings](#)

Oil prices climbed for the second day in a row Thursday after Chinese officials denied reports that they're reconsidering the country's holdings in European bonds.

### [Drilling and Dollars](#)

In case you can't read the reduced-size text above, it shows that when President Obama announced that he was opening more areas to offshore drilling at the end of March, oil prices shot up. Then when the moratorium on offshore drilling was put in place after the Deepwater Horizon tragedy, oil prices took a nosedive. As the freeze was expanded and extended, prices kept moving down.

### [Wyoming aims to save the next generation of coal with carbon sequestration](#)

"There's more than enough capacity to handle all the CO<sub>2</sub> emissions Wyoming is going to generate for almost the next 100 years," said State Geologist Ron Surdam.

Even if CO<sub>2</sub> injections began today, state leaders believe it would do little to preserve Wyoming's existing coal-fired power generation and coal-export industry. The latter accounts for about one-third of state revenue.

That's because the CO<sub>2</sub> would not come from Jim Bridger or any other existing coal-fired power plant in the 37 states that burn Wyoming coal.

The technology to capture CO<sub>2</sub> from existing coal-fired power plants remains technically and economically elusive, according to both those who support and those who oppose coal. Most agree that today's carbon capture technology would create a parasitic load, gobbling up about 20 percent of the electrical generation output on a coal-fired unit.



## [Geothermal Companies Vie for African Development Contracts](#)

East Africa is famous for its national parks like the Serengeti, the continent's highest mountain Kilimanjaro, and its exceptional safaris, but now it's being celebrated by energy companies for its geothermal resources.

Most of Africa's geothermal resources are located in its Rift Valley, one of the geologic wonders of the world. The Rift Valley spans roughly 3,700 miles (6,000 kilometers) across East Africa and runs through Kenya, Ethiopia, Djibouti, Eritrea, Tanzania, Uganda, and Zambia.

## [Daimler looks beyond Tesla with BYD electric-car partnership](#)

Daimler announced today that it is partnering with BYD to build a new brand of electric cars via a joint venture called Shenzhen BYD Daimler New Technology. Together, they have invested \$88 million into the development of the product, which will be targeted at Chinese consumers.

## [Enbridge Asks Regulators to Approve Northern Gateway Oil Pipeline](#)

Enbridge filed a regulatory application for the construction of two 728-mile underground pipelines stretching from Edmonton, Alberta, to Kitimat, British Columbia. One pipeline would export up to 525,000 barrels a day of crude oil from Alberta's oil sands region and the other would import up to 193,000 barrels a day of condensate, which is used to dilute thick oil sands oil so it can flow through pipelines.

## [Social conflicts jeopardize Peru's growth engine](#)

Peru (Reuters) - Peru has lured mining companies to pour \$35 billion into new projects over the next decade, but more and more investors are facing unpredictable local opposition and the threat of violence or lawsuits.

Building the mines, almost all financed by foreign companies, will bolster Peru's position as a top global minerals exporter and strengthen the engine that made it the fastest growing economy in Latin America for much of the past decade.

## [IEA sees downside risk to oil demand](#)

The IEA's next monthly Oil Market Report is due to be released on June 10. The May report said global demand would rise by 1.62 million barrels per day (bpd) in 2010 -- a

slight downward revision from the previous estimate.

Crude prices have fallen from a 19-month high of \$87.15 a barrel reached in early May to around \$73 on concern that Europe's debt crisis would derail the global economic recovery.

### [Bankruptcy talk spreads among Calif. muni officials](#)

Antioch's leaders earlier this month said bankruptcy could be an option for the cash-strapped city of roughly 100,000 on the eastern fringe of the San Francisco Bay area.

Orange County Treasurer Chriss Street would not be surprised if more local governments across the Golden State sound a similar alarm.

### [Shell Agrees to Buy Natural-Gas Exploration Company](#)

Royal Dutch Shell PLC said Friday it has agreed to buy East Resources Inc., a closely held U.S. natural-gas explorer, for \$4.7 billion, in a transaction that underscores the frenzied global interest in North American shale-gas production.

Warrendale, Pa.-based East Resources is one of the biggest players in a natural-gas exploration area known as the Marcellus Shale, with control of 1.25 million acres across a territory that stretches from West Virginia to New York.

### [Barreling Toward Peak Oil](#)

People throw around the term "peak oil," but that doesn't mean the system will run out of oil. It means the amount of oil you're gaining by finding new oil fields—and bringing them onstream—is equal to the losses you're taking as other fields run down. The U.S. was the first country to peak in 1970, but that was a seamless transition since the oil companies just brought in more oil on tankers. Now the U.S. is importing about 67 percent of its oil.

The business of peaking is now usual: There are 30 non-OPEC countries with significant production. Thirteen of these have peaked or are about to peak, and they contribute some 52 percent of the oil volume outside OPEC.

World oil production will peak sometime between 2015 and 2020. The plateau should last for three to five years. The price will go up, since the supply isn't rising and demand will be strong. That will scare people.

### [BP: Not 'Beyond Petroleum' but just beyond peak; Market cap blues](#)

For all its blunders, greed and abysmal safety and environment record, BP isn't solely to blame. That's akin blaming illegal aliens for being in Arizona. They are there and elsewhere because of our insatiable appetite for cheap labor. The financial mess: the "American dream and endless, debt-based consumption. And how many of those angry with BP will be willing to give up their long, single-occupancy auto commute.

This is what peak oil looks like: Not merely higher costs to find and refine the largely inferior petroleum remaining, nor the national security implications of the worldwide chase for remaining oil supplies. It means riskier and riskier means of production. Welcome to the future. What author James Howard Kunstler calls the "era of happy motoring" is over.

### [Vestas, Siemens Wind Bets at Risk on Cheap Gas, Subsidy Loss](#)

Vestas Wind Systems A/S, Siemens AG and Suzlon Energy Ltd. may end up with underused U.S. factories as cheap natural gas and a lack of federal support reduce wind turbine deliveries this year by as much as 50 percent.

Vestas, the world's largest maker of wind turbines, is spending \$1 billion to expand annual production capacity in Colorado to 3,000 megawatts and hire 2,000 workers to sell and build turbines. Siemens plans to open a parts factory in Kansas this year, and already manufactures blades in Iowa.

They're betting that the U.S. will pass a law that requires utilities in every state to buy electricity from renewable resources.

### [Rich countries pledge \\$4B to stop deforestation](#)

OSLO, Norway (AP) -- Developed nations pledged more than \$4 billion Thursday to finance a program meant to help poor countries protect their forests and slow global warming.

An agency monitoring the aid will be up and running before U.N. climate talks start in Cancun, Mexico, later this year, the European Union's climate commissioner said at a conference on deforestation in Oslo.

Also, Indonesia agreed to a two-year moratorium on issuing new permits for forest destruction as part of a \$1 billion deal with Norway that would pay Indonesia a fixed sum per ton of CO2 emissions reduced through rain forest preservation. Norway has had a similar deal with Brazil since the mid-1990s.

### [EPA Encourages Ways to Travel Green by Checking into an Energy Star Labeled Hotel](#)

WASHINGTON - The U.S. Environmental Protection Agency (EPA) is encouraging

people to travel green while on the road this summer, and choosing hotels that have earned EPA's Energy Star is a great place to start. Energy Star labeled hotels are independently verified to meet strict energy efficiency performance levels set by EPA. Hotels that have earned the Energy Star perform in the top 25 percent of hotels nationwide, use at least 35 percent less energy and emit at least 35 percent less greenhouse gas emissions than their peers - making an environmentally friendly lodging choice a snap when planning a summer vacation.



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