



Drumbeat: June 1, 2010

Posted by [Gail the Actuary](#) on June 1, 2010 - 9:26am

Topic: [Miscellaneous](#)

[Obama administration moves to distance itself from BP on oil spill response](#)

Struggling to convey command of the worsening Gulf of Mexico oil spill, the Obama administration is taking steps to distance itself from BP and is dispatching Attorney General Eric H. Holder Jr. to the Gulf Coast to meet with federal and state prosecutors. The Holder trip could signal that the environmental calamity might become the subject of a criminal investigation.

Holder has said Justice Department lawyers are examining whether there was any "malfeasance" related to the leaking oil well, and investigators, who have already been on the coast for a month, have sent letters to BP instructing the company to preserve internal records related to the spill. But federal officials indicated that Holder's trip, which will include a news conference in New Orleans on Tuesday afternoon, will focus on enforcement of environmental laws and holding BP accountable.

lling of a second relief well resumed May 30, Allen said. It had been suspended for several days as BP and government officials, including Energy Secretary Steven Chu, weighed whether to use the rig that was drilling it to install a second blowout preventer atop the damaged one. BP decided not to, Allen said.

[BP shares plunge as plots new plan to contain spill](#)

BP fell by as much as 17 percent during London on Tuesday, wiping \$23 billion off its market value, and were trading down 13 percent just before the market closed. The shares were hit by weekend news that its latest attempt to plug its blown-out seabed well had not worked, sparking fears oil could leak into the Gulf until August.

The shares have lost more than a third of their value, or about 46 billion pounds (\$67 billion), since the leak started six weeks ago. The cost of dealing with the crisis now totals \$990 million, and is rising.

[How difficult are relief wells? Some comparisons with Montara](#)

A more recent incident, last year's Montara oil leak in the Timor Sea, was eventually stopped by a relief well operation after more than 10 weeks. It provides plenty of examples of just how difficult relief well operations can be even today.

[US Interior Dept. Offers Deepwater Drilling Moratorium Details](#)

The U.S. Interior Department said on Sunday that the moratorium requires oil and gas companies "to cease drilling new deepwater wells, including sidetrack and bypass activities." Sidetrack and bypass wells are typically drilled after exploratory wells have already been bored into the sea floor, and are frequently initiated when drilling companies are trying to work through issues that have occurred after the drilling, or "spudding" of an initial well.

The Interior Department also said that deepwater wells include any wells located 500 feet or more below sea level. Deepwater drilling is typically defined as drilling that occurs in depths of 1,000 feet or more.

[Total OPEC May Output Up 0.19% From April - Dow Jones Survey](#)

The Organization of Petroleum Exporting Countries saw overall crude oil output edge up in May, driven by higher production in Iraq, but the group's 11 quota-bound members pumped below the previous month's level, a survey by Dow Jones Newswires showed Tuesday.

The survey, which is based on input from oil traders, analysts and industry sources, estimates output by all 12 group members rose 0.19%, or 55,000 barrels a day, last month to 29.34 million barrels a day amid a sharp increase in production from Iraq.

[FACTBOX-Key political risks to watch in Mexico](#)

Raging drug violence, a tepid economic recovery, flagging momentum on economic reforms and declining oil output are all risks to watch for this year in Mexico, which needs to keep up investor confidence to maintain its debt ratings and emerge from recession.

[Sewage ... a solution for 'peak phosphorous'](#)

Phosphorous is a fertilizing nutrient that is vital to large-scale agriculture, and currently it can only be mined, but supplies are growing shorter and shorter.

Fortunately, there may be a solution. Ostara, a Canadian-based company backed in part by environmental legend Robbert Kennedy Jr., has patented a technique to extract

valuable chemicals out of the waste stream (i.e.: sewage).

The result is called "Crystal Green" a slow-release chemical fertilizer that contains high levels of phosphorous and is extracted from an abundant, ever-flowing resource ... sewage.

[Passing the Point of "Peak Water" Means Paying More for H2O](#)

We have passed the point of "peak water"--or the end of cheap, easy-to-access water--in several places around the globe, experts say.

Those places include the Great Plains in the southern and central U.S., California's Central Valley, northern China, the Nile River Basin in northern Africa, the Jordan River Basin in the Middle East, India, and more.

[195 Californias or 74 Texas to Replace Offshore Oil](#)

The Real Challenges of Energy Transition

Then there are some not-so-simple facts.

You can't simply substitute electricity for the heat value of displaced oil. You must also build an entirely new infrastructure of wires and electric engines and storage devices.

Building that new infrastructure will take decades of concerted effort and cost trillions of dollars...and require lots of petroleum, natural gas, and coal. We simply don't know how to build solar panels and wind turbines and wires and generators without them.

[Obama administration moves to distance itself from BP on oil spill response](#)

Struggling to convey command of the worsening Gulf of Mexico oil spill, the Obama administration is taking steps to distance itself from BP and is dispatching Attorney General Eric H. Holder Jr. to the Gulf Coast to meet with federal and state prosecutors. The Holder trip could signal that the environmental calamity might become the subject of a criminal investigation.

Holder has said Justice Department lawyers are examining whether there was any "malfeasance" related to the leaking oil well, and investigators, who have already been on the coast for a month, have sent letters to BP instructing the company to preserve internal records related to the spill. But federal officials indicated that Holder's trip, which will include a news conference in New Orleans on Tuesday afternoon, will focus on enforcement of environmental laws and holding BP accountable.

[BP oil spill: death and devastation – and it's just the start](#)

The White House says the BP oil spill is probably the greatest environmental disaster the US has faced, but the true impact on surrounding ecosystems could take months or even years to emerge. Experts say the unprecedented depth of the spill, combined with the use of chemicals that broke the oil down before it reached the surface, pose an unknown threat.

[We cannot deal with oil spill, admits U.S. military](#)

The U.S. armed forces do not have the technology or know-how to deal with the Gulf of Mexico oil spill, its highest ranking military officer admitted Monday.

Adml Mike Mullen, the chairman of the Joint Chiefs of Staff, said they had no more tactics left in their arsenal after BP's latest failure to plug the leak.

[Scientists to Back Dispersant Use, Despite Concerns](#)

A federally convened group of scientists is set to recommend that BP PLC and the government continue spraying chemicals into the Gulf of Mexico to help prevent leaking oil from washing ashore, even though the scientists have serious concerns about the potential long-term damage to sea life.

The group's report, due this week, comes after BP's latest efforts to plug the leaking Deepwater Horizon oil well failed. If further interim measures to cap the well don't work, large additional amounts of the chemicals, known as "dispersants," could be sprayed into the Gulf until relief wells can be completed and the gusher capped, which could take until late late summer.

[BP Set to Try Risky Move to Contain Flow](#)

William Abel, a veteran well control expert, said one of the dangers is that the robots will not succeed in making a clean cut, and the cap won't seal properly. Also, once the pipe is sliced, oil could surge out, obscuring the view for engineers who rely on live images streamed from video cameras attached to the robots. There are also doubts among outside experts about how effective the cap will be.

"The big unknown is how much oil it will capture," said Greg McCormack, director of the Petroleum Extension Service of the University of Texas at Austin. One of BP's earlier containment efforts, which involved inserting a tube into the leak connected to a mile-long pipe to the surface, only managed to collect about 2,000 barrels a day on average—a small fraction of the total flow.

Another potential hazard: Hurricane season is about to start, and in rough storms the

ship that is collecting oil from the leak—the Discoverer Enterprise—may have to temporarily disconnect from the cap system and move to safety. BP says it is building hurricane-related precautions into its plans for the containment system, which will be "continually refined."

[White House Aims to Crack the Whip](#)

Signs of a growing rift between the White House and BP were evident over the long holiday weekend. Obama environmental adviser Carol Browner on Sunday accused BP of having a "financial interest" in downplaying the scope of the spill, which she said is "without doubt the worst environmental disaster in our history."

At a congressional hearing on May 27, BP America chairman Lamar McKay said "I don't know" when asked by Rep. Edward Markey (D., Mass.) whether BP has a financial interest in underestimating the leak's size. Mr. McKay added "our position is to do everything we possibly can to stop this, provide as much data as we can as fast as we can, clean is up and deal all the economic claims."

BP didn't immediately respond to requests for comment on Monday.

The White House said that Energy Secretary Steven Chu on Saturday had directed BP to stop the top-kill procedure which it began on Wednesday, fearing it could weaken the well. The government also said it ordered BP to drill two relief wells, instead of one, as BP originally planned.

[Concern for Crew Cleaning Up Oil Spill](#)

Top Obama administration health officials are heading to the Gulf of Mexico amid increasing concern that the oil spill may be sickening some of the workers who are cleaning it up.

The administration has sent a mobile facility to provide medical care for workers here, a town on the Gulf coast that is serving as a staging area for cleanup operations for the spill, though it is still unclear if their symptoms are directly related to pollutants from the oil.

[Permit Snafus on BP Well](#)

Just a week before the Deepwater Horizon exploded, BP PLC asked regulators to approve three successive changes to its oil well over 24 hours, according to federal records reviewed by the Wall Street Journal.

The unusual rapid-fire requests to modify permits reveal that BP was tweaking a crucial aspect of the well's design up until its final days.

One of the design decisions outlined in the revised permits, drilling experts say, may have left the well more vulnerable to the blowout that occurred April 20, killing 11 workers and leaving crude oil gushing into the Gulf of Mexico.

The Minerals Management Service approved all the changes quickly, in one instance within five minutes of submission.

[BP Was Concerned About Well Control Six Weeks Before Incident](#)

E-mails released by the House Energy and Commerce Committee show BP told regulators they were having trouble maintaining control of the well six weeks before it exploded in the Gulf of Mexico, Bloomberg reported.

"We are in the midst of a well control situation on MC 252 #001 and have stuck pipe," BP executive Scherie Douglas wrote in an e-mail to Frank Patton, the U.S. Minerals Management Service's drilling engineer for the New Orleans district on March 10. "We are bringing out equipment to begin operations to sever the drillpipe, plugback the well and bypass."

[Gulf oil leak sets off 'unbelievable array' of legal issues](#)

Fishermen and property owners along the Gulf Coast have filed hundreds of lawsuits since April against oil company BP and its contractors amid a legal landscape that has changed dramatically since the Exxon Valdez tanker spill sullied Alaska's Prince William Sound 21 years ago.

The Valdez spill prompted Congress to pass the 1990 Oil Pollution Act — intended to give fishermen and others harmed by such spills a quicker route for settling their claims — and nearly two decades of litigation over that spill also has redefined centuries-old maritime law on the issue.

[Obama Needs To Put BP Under Temporary Receivership](#)

It's time for the federal government to put BP under temporary receivership, which gives the government authority to take over BP's operations in the Gulf of Mexico until the gusher is stopped. This is the only way the public know what's going on, be confident enough resources are being put to stopping the gusher, ensure BP's strategy is correct, know the government has enough clout to force BP to use a different one if necessary, and be sure the President is ultimately in charge.

If the government can take over giant global insurer AIG and the auto giant General Motors and replace their CEOs, in order to keep them financially solvent, it should be able to put BP's north American operations into temporary receivership in order to stop one of the worst environmental disasters in U.S. history.

[Scientists warn of unseen deepwater oil disaster](#)

NEW ORLEANS (AP) -- Independent scientists and government officials say there's a disaster we can't see in the Gulf of Mexico's mysterious depths, the ruin of a world inhabited by enormous sperm whales and tiny, invisible plankton.

Researchers have said they have found at least two massive underwater plumes of what appears to be oil, each hundreds of feet deep and stretching for miles. Yet the chief executive of BP PLC - which has for weeks downplayed everything from the amount of oil spewing into the Gulf to the environmental impact - said there is "no evidence" that huge amounts of oil are suspended undersea.

BP CEO Tony Hayward said the oil naturally gravitates to the surface - and any oil below was just making its way up. However, researchers say the disaster in waters where light doesn't shine through could ripple across the food chain.

[Gulf oil spill threat widens](#)

Louisiana (Reuters) - Oil from BP's out-of-control Gulf of Mexico oil spill could threaten the Mississippi and Alabama coasts this week, U.S. forecasters said on Monday, as public anger surged over the country's worst environmental disaster.

On Tuesday, President Barack Obama will hold his first meeting with co-chairs of an oil spill commission he tapped to probe the worst oil spill in U.S. history and make policy recommendations about U.S. offshore oil drilling.

The commission will be similar to those that looked into the explosion of the space shuttle Challenger in 1986 and the Three Mile Island nuclear accident in 1979.

[Oil Spill gutting confidence – and staining reputations](#)

In the US, which assumes no engineering challenge is beyond conquer - nor does it lack the private capital to achieve it - the brackish rouge beneath the waves that is slowly strangling the Louisiana shore not only stains the sea and the sands.

That creeping black is also gutting confidence, upturning myths and ruining reputations.

When Americans learned at the weekend that British Petroleum (BP) - which drilled the hole in the seabed nearly two kilometres under the sea - had attempted to seal it 16 times since Thursday by forcing shredded rope, plastics, old tyres and even golf balls into the failed, four-storey high blow-out preventer, the crudity of the assault seemed strangely out of step with our times.

[Oil: Investors move to safer havens in spite of strong demand](#)

But higher prices have weakened resolve among its 11 quota-bound members, notably Iran and Venezuela, says David Kirsch, director of market intelligence at PFC Energy, a consultant. Opec is now pumping 1.4m more barrels a day than a year ago, in spite of no official change to output policy.

The cartel's desire to keep prices steady – and relatively high, by historic standards – is also challenged by a spurt of new oil from non-members. Russia, for example, has defied expectations with increased output.

Opec's next scheduled meeting is October. "The prospect of prices going below \$70 and remaining there for several months will really change the dynamics within Opec," says Mr Kirsch. Oil's recent volatility could also disturb the tacit truce between producing and consuming countries, who acknowledge prices between \$70 and \$80 are enough to stimulate drilling without derailing fragile economies.

[Caltech studies fish schools to improve wind farms](#) May 31, 2010

Researchers at the California Institute of Technology are testing new wind farm configurations based on observations of schools of fish. By using vertical wind turbines and placing them better in relation to each other, wind farms may be able to produce 10 times the amount of energy per acre than is currently generated.

[Pacific volcano erupts near Marianas islands](#)

SAIPAN, Northern Marianas (AP) -- A volcanic eruption near the Pacific's Northern Mariana Islands shot clouds of ash and vapor nearly eight miles into the sky, federal scientists said.

The eruption occurred early Saturday and appeared to come from an underwater volcano off Sarigan, a sparsely inhabited island about 100 miles north of the U.S. commonwealth's main island of Saipan.

The Northern Marianas are about 3,800 miles southwest of Hawaii.

[China's shift away from cheap labor hard on all](#)

SHANGHAI (AP) -- Global manufacturers struggling with life-or-death pressures to control costs are finding that the legions of low-wage Chinese workers they rely on have limits.

"The 80s and 90s generation workers need more care and respect and need to be

motivated to work with enthusiasm," said Guangdong party chief Wang Yang, who has backed efforts to shift Guangdong up the industrial ladder away from reliance on exports of low tech, cheap products.

That transition is taking hold across China. Manufacturers, under pressure to deliver low prices in home markets, are struggling to attract and keep young workers who, brought up in an era of relative affluence, are proving less willing than earlier generations to "eat bitterness" by putting up with miserable working environments and poor wages. The strike at Honda also reflects broader trends of growing dissatisfaction among China's long-suffering workers with lagging wages and generally harsh working conditions.

[Country-by-country look at Europe's debt crisis](#)

LONDON (AP) -- Europe's governments are struggling to deal with a mountain of debt made worse by the past three years of global financial and economic turmoil.

Here are thumbnail sketches of how some of the countries involved are faring - and what they're doing to escape the crisis.

[Turkmenistan starts new \\$2 billion gas pipeline](#)

SHATLYK, Turkmenistan (AP) -- Turkmenistan on Monday started work on a \$2 billion gas pipeline that aims to boost its export capacity and increase the reclusive nation's economic and political clout in the global gas market.

President Gurbanguli Berdymukhamedov hailed the new 620-mile (1,000-kilometer) pipeline - dubbed East-West - stressing that Turkmen firms would build it on their own.

Turkmenistan's gas wealth has long been the focus of intense rivalry between Russia, China and the West. Russia had a lock on most of the country's gas exports until last December, when a major China-bound pipeline went into operation.

By building the new pipeline on its own, Turkmenistan will essentially get the final say about the ultimate destination of the natural gas: Russia, or the West.

[Algerian president fires CEO of state oil firm](#)

ALGIERS, Algeria (AP) -- Amid a growing corruption scandal, Algeria's president has fired the CEO and all top managers at the state-owned oil firm that dominates the North African country's economy, local media reported Monday.

CEO Mohammed Mezian and the four vice presidents of oil company Sonatrach were officially removed by presidential decree Sunday, the official APS news agency and other media reported, quoting the official government register.

They had already been jailed or placed under house arrest because of an investigation into the suspected embezzlement of hundreds of millions of dollars.

[Hurricane Fears Push Oil Prices Higher](#)

Oil prices continued the gains made last week, reaching \$74.51 cents a barrel in electronic trading on the New York Mercantile Exchange. Despite Monday being a holiday in the US and the UK, predictions that this could be the worst hurricane season in five years, has investors nervous that supply lines could be disrupted in the same manner that Hurricane Katrina affected operations in the Gulf Coast in 2005.

[New pipeline won't sate Asian oil demand—Enbridge](#)

Alberta, May 31 (Reuters) - The planned C\$5.5 billion (\$5.3 billion) Northern Gateway pipeline will not be big enough to satisfy demand for Canadian oil sands crude from Pacific Rim nations, Enbridge Inc (ENB.TO), the line's backer, said in regulatory filings.

The company, which filed for regulatory approvals for the 525,000 barrel per day oil line last week, said in the filing that the potential market for Canadian crude in China, Japan, and South Korea could be as high as 1.75 million barrels a day, more than three times the capacity of the proposed line.

The estimate excludes the possibility of further demand from refiners on the U.S. West Coast, which will need to replace declining production from Alaska's North Slope, Enbridge said.

[Crescent Point's 'game-changer' buoys Bakken prospects](#)

“Crescent Point has a dominant position in two of the largest and most economic unconventional resource plays in Western Canada, the Lower Shaunavon and Bakken,” said Saxberg.

“These mainly untapped resource pools provide Crescent Point with over 5,000 drilling locations and the potential to add over 500 million barrels of reserves, which could potentially double our current net asset value.”

[IEA sees 2010 boost in energy spend](#)

Investments in the upstream oil and gas sector worldwide will rise between 9% and 10% in 2010 versus the previous year, a senior energy economist for the International Energy Agency (IEA) said today.

Money spent on exploration and development projects would however still be about 10% below its investment peak seen in 2008, Reuters cited Trevor Morgan as saying at an industry event.

"We don't actually see much of an increase in capacity on a net basis in the next 5 years," said Morgan.

[Euro, stocks down on fears of coming slowdown](#)

After the most volatile month of trading since the wake of Lehman Brothers' failure in the fall of 2008, investors now focused on pricing in to what extent reduced demand from the more fiscally austere euro zone would hit production in economies like China and South Korea.

Dealers brushed aside stronger-than-expected May export growth figures from Korea, which precede the rest of Asia, and solid Australian retail sales, taking more interest in forward-looking manufacturing indexes from China and India.

China's factories scaled back production last month and eased back hiring in response to a critical drop in new orders, an official survey showed on Tuesday.

[Global rebound anemic: Roubini](#)

(Reuters) - Advanced economies face years of anemic growth and the risk of a double-dip recession as their citizens cope with sluggish employment and highly indebted governments, economist Nouriel Roubini said on Monday.

"Labor market conditions will remain very weak in some advanced economies," said Roubini, known as Dr. Doom and most famous for having predicted the U.S. housing crisis.

"Savings will have to rise faster than consumption for the coming years. That is why growth will remain anemic," Roubini, who heads U.S.-based economic consultants RGE Monitor, told attendants at a seminar in Sao Paulo.

[Key confident cycleway will add more jobs](#)

The national cycleway project, which the Prime Minister lauded as a huge job-creator at last year's national jobs summit, has created 70 in a year.

"I'm confident we'll have 500 jobs on these schemes and I am confident 2000km will be completed by the end of 2011," he said yesterday, after the Herald reported that construction had yet to begin on three out of seven "quick-start" cycle trails he announced last winter.

[Women's Role in a Warming World](#)

Women are likely to be hit harder by climate change than men due their social roles and the simple fact that a majority—as much as 70 percent—of the world's poor are women. As a result, they are much more devastated by natural disasters than men. One researcher concludes that women are 14 times more likely than men to die in a natural disaster such as a tsunami. Experts predict climate change will only exacerbate such inequities.

[Melbourne Bike Share. On a bicycle built for...more than two \(Video\)](#)

WEIGHING 18 kilograms, they aren't light. But perhaps that will be what saves these sturdy bicycles from damage and vandalism.

The electric-blue bicycles proved surprisingly easy to use.

[Forest City opens bicycle park](#)

FOREST CITY — Colleen Hovinga and her two sons, Joey and Danny, put their bicycles in a bike rack in the new bicycle park in downtown Forest City just minutes after the it was officially declared open last month.

Artists Andy Sinnwell of Forest City and Steve Johnson of Clear Lake used bicycles to create sculptures in the park.

[Virus Ravages Cassava Plants in Africa](#)

The threat could become global. After rice and wheat, cassava is the world's third-largest source of calories. Under many names, including manioc, tapioca and yuca, it is eaten by 800 million people in Africa, South America and Asia.

The danger has been likened to that of *Phytophthora infestans*, the blight that struck European potatoes in the 1840s, setting off a famine that killed perhaps a million people in Ireland and forced even more to emigrate.

That event changed the history of all English-speaking countries.

[Iran well blaze 'may take 6 months to douse'](#)

A fire at an Iranian oil rig near the Iraq border has killed three people and left at least

10 injured, with officials saying it could take up to six months to extinguish the blaze.

[What Will it Take to End Our Oil Addiction?](#)

Energy savings throughout the economy, such as through better building codes, will be needed to free up natural gas and electricity resources. This can then allow oil users to switch to these other fuels without overly straining supplies and prices.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).