



## Drumbeat: June 3, 2010

Posted by [Gail the Actuary](#) on June 3, 2010 - 9:20am

Topic: [Miscellaneous](#)

### [BP comes closer to oil spill containment](#)

BP engineers have successfully cut through a leaking pipe spilling oil into the Gulf of Mexico and hope to proceed soon with capping the well in an effort to contain the hundreds of thousands of litres gushing from it daily.

The cut was made by underwater robots using giant shears, a method BP turned to after efforts to make the cut with a robot-controlled diamond-wire saw failed Wednesday when it became snagged.

U.S. Coast Guard Admiral Thad Allen called the cut "a significant step forward."

Crews will move immediately to cover the gushing well with a container known as a "top hat." It resembles an inverted funnel with a rubber seal, and is already suspended above the well 1,500 metres below the water's surface, Allen said.

The challenge will be to "fit it as good as you can," he said.

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### [BP: Not prepared for Gulf oil spill; pipe successfully cut](#)

British Petroleum successfully sliced off a pipe in an effort to contain the Gulf oil, Coast Guard Adm. Thad Allen said Thursday. But the cut is irregular and placing a cap over the spill will be more challenging, the Associated Press reports.

"We'll have to see when we get the containment cap on it just how effective it is," Allen said. "It will be a test and adapt phase as we move ahead."

### [BP spill losses hit reinsurers; premiums soar](#)

Reinsurers have bumped up prices for offshore energy-related insurance premiums by 50 percent following insurance industry losses of up to \$3.5 billion from the BP plc (BP.L) oil spill in the Gulf of Mexico, Moody's Investor Service said in a report on Thursday.

Total insured losses from the worst oil spill in U.S. history are expected to be between \$1.4 billion and \$3.5 billion, although losses would be significantly higher if BP had purchased liability insurance instead of self-insuring its risks through its captive insurance programme, said Moody's.

Like most larger oil companies BP is self insured for clean up costs, in its case through captive insurer Jupiter Insurance Ltd.

### [Gulf Coast oil spill could wreck region's tourism and fishing industries](#)

Beyond fishing and tourism, the offshore oil business is likely to feel the effects soon, too, as some exploration halts under a federal moratorium, analysts said, and new safety measures are required.

"It's clearly going to make deep-water exploration more costly," said Edward Morse, a Credit Suisse oil analyst. "My rough estimate is that it will have at most a 10 to 15 percent increase in costs developing crude from deep water."

For gulf regions from Texas to Key West, commercial fishing contributes \$1 billion to GDP, tourism and recreation contribute \$13 billion, and oil and gas contribute \$11 billion, according to figures from Charles Colgan of the National Ocean Economics Program.

### [Gas prices could dip to \\$2/MMBtu on mild summer weather: analysts](#)

As the potential arises for a mild summer, Energy Venture Analysis said "there are genuine concerns" that 2010 natural gas prices could revert back to what they were in 2009, or maybe enter the \$2.00/MMBtu range.

"As a result, for the second half of 2010 there is a greater potential for lower gas prices," the Arlington, Virginia-based consultant said.

EVA said its chief concern is that "excess supply could persist throughout 2011, which would cause gas prices to revert to the \$4.00/MMBtu range" and cause further fuel switching from coal to gas. This concern over continued excess supply is because of "the persistent high gas-directed rig count and the potential for higher liquefied natural gas imports because of excess global LNG supply."

### [Can industry be ready for the next Macondo?](#)

There hasn't been a major offshore blowout for many years, and in the meantime oil companies kept creeping out into ever-deeper waters. All the while, it seems not to have crossed anyone's mind that solutions to blowouts that had worked in 500 feet of water might not produce the same outcome at 5,000 feet -- where Macondo is sited. . .

But if industry is having problems halting the flow of crude at what has now become the fairly routine water depth of 5,000 feet, think of the difficulties if a Macondo-like blowout had occurred at today's outer limits of 8,000 or 9,000 feet. Every solution would take longer and cost more, due to the extreme depths. And ironically, more oil might gush out because deep wells often contain more hydrocarbons, which is the lure of industry's enchantment with deeper waters.

### [Deepwater Horizon spill – BP turns to shears to cap well](#)

Officials said the slick sighted off Florida consisted in part of "tar mats" about 150 meters (500ft) by 600 meters in size.

### [DOI implements deepwater moratorium with notice to lessees](#)

The notice directs lessees and operators to cease drilling any new deepwater wells, including wellbore sidekick and bypass activities; prohibits the spudding of any new deepwater wells; and puts lessees and operators on notice that, with certain exceptions, the US Minerals Management Service not consider drilling permits for deepwater wells and related activities for 6 months.

Operators which are current drilling any well covered by the notice must proceed to secure the well at the next safe opportunity and take all necessary steps to cease operations and temporarily abandon or close the well until they receive further guidance from the regional supervisor for field operations, according to DOI.

It said that activities necessary to support existing deepwater production may continue, but operators must obtain approval of those activities from DOI. The moratorium does not apply to workovers, completions, abandonments, nonemergency and emergency interventions, and waterflood, gas injection, and disposal well operations, according to a guidance table issued with the order.

### [Dan Bednarz: Deepwater Horizon and the Addiction to Growth](#)

The Gulf of Mexico oil blowout carries the emotional wallop and learning potential of a near-death experience. First, it certifies that the age of cheap and plentiful oil is over. Second, it reveals that our collective faith in technology to overcome any challenge posed by nature is a dangerous delusion. Third, it may be the event that sets our nation on the path to genuine economic and ecological sustainability.

### [John Michael Greer: Magical Thinking](#)

The fantasy of technological potency that leads the great majority of Americans, and slightly smaller majorities elsewhere in the industrial world, to think that any imaginable difficulty must have a promptly available technical solution, has been wearing thin for some time. Still, the spectacle of one of the world's largest oil companies trying to shove chunks of used automobile tire down an undersea gusher in a failed attempt to stanch the flow has enough of a comic opera quality to lead to hard questions about just how well prepared we are to handle the downside of our own technologies once those have been pushed to the wall by the hard limits of geology and physics.

### [Charles Creson Wood: The Questions You Ask Create The Future You Manifest](#)

The construction of future scenarios is dependent on asking the right questions. . .

Among the old-fashioned and ill-informed questions that we have been asking is this favorite of politicians: "How can we sustain economic growth and expansion?" . . .

Another ill-informed and old-fashioned question that many people are still asking is: "In the wake of energy shortages and high prices, how can we maintain the globalized transportation and distribution system that we currently employ?" . . .

Yet another ill-informed and old-fashioned question many of us have been asking is: "How are we going to replace all the fossil fuel energy we currently use with renewable energy systems?"

### [Government investigates resource shortages](#)

The British government is making a review of current, ongoing global shortages of vital raw materials.

This will go beyond the notion of peak oil to look at the supply of a series of key natural resources, following rises in commodity prices, food riots and accusations that various countries - particularly China and Japan – are beginning to stockpile important minerals in an attempt to protect their businesses from global competition.

### [Sharon Astyk: When You Should Not Adapt in Place](#)

So here's my list of when to think seriously about getting out. There will be exceptions in every case - my claim is not "you definitely must go" but "think hard about what you are choosing."

### [Nuclear Option on Gulf Oil Spill? No Way, U.S. Says](#)

Stephanie Mueller, a spokeswoman for the Energy Department, said that neither Energy Secretary Steven Chu nor anyone else was thinking about a nuclear blast under the gulf. The nuclear option was not — and never had been — on the table, federal officials said.

“It’s crazy,” one senior official said.

Government and private nuclear experts agreed that using a nuclear bomb would be not only risky technically, with unknown and possibly disastrous consequences from radiation, but also unwise geopolitically — it would violate arms treaties that the United States has signed and championed over the decades and do so at a time when President Obama is pushing for global nuclear disarmament.

### [BP Searches for Another Way to Slice Through Pipe](#)

BP officials were casting about for another way to slice through a leaking riser pipe located a mile underwater after a diamond-studded wire saw operated by a robot got stuck and was later found to be ineffective.

A technician involved in the effort said that the wire saw had cut less than halfway through the riser when it stopped being effective. The technician, who spoke on condition of anonymity because he was not authorized to comment on the work, said that it appeared that there was other material in the riser — including, perhaps, some of the objects pumped into the well during the failed “top kill” procedure last week — that was dulling the saw.

### [Oil Companies Weigh Strategies to Fend Off Tougher Regulations](#)

When the Obama administration imposed new restrictions last week on offshore drilling in the wake of the BP oil spill, officials carved out an exemption that received little public attention: Companies working in shallow waters, unlike deep-sea operators like BP, could again begin drilling for oil and gas.

The decision, which followed a furious appeal from lawmakers allied with the oil industry, represented a surprising victory for the shallow-water drillers in the midst of what could prove the biggest environmental disaster in United States history. And it reflected the intense lobbying efforts at work from all sides, as Congress and the administration consider ways to prevent another drilling disaster off the nation’s coasts.

### [Anger about oil spill turns to protests of BP](#)

Phil Flynn, senior market analyst at PFGBest Research in Chicago, says it is understandable that people want to get back at BP for the company’s role in the worst environmental disaster in a generation. But not filling up at their neighborhood station

will not do it, he adds.

"It's a noble effort, but it's really going to hurt the wrong people," Flynn says. BP's 22,400 stations largely are independently owned, family businesses with little connection to the company outside of the sign out front. Even if the boycott slows the sale of BP gasoline at the branded outlets, BP will just sell their gas to no-name stations, he says.

### [Oil industry goes deep in search of more finds](#)

The only place to find oil is to look in ever-deeper waters," said Professor Cutler Cleveland, director of the Boston University Center for Energy and Environmental Studies.

Studies suggest oil companies are right to focus on deepwater wells. Although they have begun to explore only half of the known deepwater basins, they have already found the equivalent of more than 40 billion barrels of oil. Geoscientists predict that well over 100 billion barrels remain to be found, according to a study by Exxon Mobil.

### [Who's less popular than BP right now?](#)

Unsurprisingly, the company's 'ethical ranking' has taken a big tumble in the past month, according to Covalence, which tracks corporate reputation: . . .

So another five companies still come out lower, amongst BP's sector.

And who's right at the bottom?

That would be Halliburton, at 580th out of 581 companies, across all sectors.

### [UN urges global move to meat and dairy-free diet](#)

A global shift towards a vegan diet is vital to save the world from hunger, fuel poverty and the worst impacts of climate change, a UN report said today.

As the global population surges towards a predicted 9.1 billion people by 2050, western tastes for diets rich in meat and dairy products are unsustainable, says the report from United Nations Environment Programme's (UNEP) international panel of sustainable resource management.

### [Struggle for Central Asian energy riches](#)

Moscow has had agreements with Beijing to build a gas pipeline into China since 2002, but the two sides have been haggling ever since over the price of the gas supplies.

But some analysts question whether Russia will have sufficient reserves to supply the gas pipeline, given the expected decline in its production over the next 20 years and the lack of investment in new fields since the collapse of the Soviet Union in 1991.

"It [the pipeline to China] will have to tap reserves already going to Europe," says Mikhail Kroutikhin.

"It is not economic, but Prime Minister Putin wants it to be built."

### [Bumper Kenya maize harvest contaminated by toxins](#)

Health experts say the maize contained high levels of lethal aflatoxins, which have killed at least one child.

The government has pledged to buy and destroy the contaminated maize.

The crop was harvested in the drought- and famine-prone Eastern Province and went bad because farmers lacked the appropriate storage facilities.

### [Warren Buffett defends credit rating agencies](#)

Giving testimony in New York, Mr Buffett said the agencies "made the wrong call," but added that so did everyone else, including himself.

He said the US had been in "mass delusion" for not recognising that the housing market had overheated.

"The entire American public was caught up in a belief that housing prices could not fall dramatically," said Mr Buffett.

He added that if he had known how far the US housing market would collapse, he would have sold his investment firm's stake in Moody's, which currently stands at 13%.

### [Sustainability: Choices, choices, choices](#)

A group of experts convened under a UN umbrella has been taking a look at what aspects of our global society are the least sustainable; which things are depleting natural resources fastest, which are causing the most environmental damage, and which are the biggest threats to the prosperity of future generations.

It's bad news, I'm afraid, because the biggest culprits are the things we need most fundamentally: food and energy.

When it comes to the Earth's self-replenishing resources, wood and fish are the ones we are using least sustainably.

Farming, meanwhile, is fingered as the principal reason why natural habitat is being lost for so many plants and animals, with high consumption of meat - relatively heavy on land and water use - flagged up as a particularly unsustainable aspect of western diets.

More than half of the crops we grow are used to feed farm animals.

### [Obama pushes Kerry's climate bill](#)

"Pittsburgh, I want you to know, the votes may not be there right now, but I intend to find them in the coming months," Obama said. "I will make the case for a clean energy future wherever I can, and I will work with anyone to get this done, and we will get it done. The next generation will not be held hostage to energy sources from the last century. We are not going to move backwards, we are going to move forward."

"Without a major change in our energy policy, our dependence on oil means that we will continue to send billions of dollars of our hard-earned wealth to other countries every month - including countries in dangerous and unstable regions," Obama said. "In other words, our continued dependence on fossil fuels will jeopardize our national security. It will smother our planet. And it will continue to put our economy and our environment at risk."

### [Electric Car Bills in Congress Seen as Route to Oil Independence](#)

WASHINGTON—Seven Democratic and Republican legislators are proposing a prescription for the country's oil addiction—dangling federal subsidies to prod drivers from the pump to the plug.

Though there are minor variations between them, both pieces of legislation aim to electrify half of all cars and trucks by 2030. How to start? First, by stirring up bait that's a mix of grants, rebates and other incentives to lure communities into competing for a chance to incubate the plug-in technology that will put 700,000 electric vehicles on the road within six years.

### [BMW Test Prompts Electric-Car Questions](#)

DETROIT—Limited numbers of battery-powered cars are expected to hit American roads over the next 12 months, but a test of one electric vehicle is raising questions about how far drivers will be able to go before needing a recharge.

For the past year, BMW AG has leased about 300 electric Mini Cooper compacts to regular consumers in the New York metro area, New Jersey and Southern California. In



a survey by BMW and in interviews, participants said they have been getting about 100 miles, or 161 kilometers, per charge—about a third fewer than BMW had expected.

### [Austin chosen to receive free electric car charging stations](#)

Austin has been named as one of nine cities nationwide set to benefit from a new program that will distribute free electric vehicle charging infrastructure.

The ChargePoint America program, sponsored by California based Coulomb Technologies, will offer both public and home-based charging stations to individuals and businesses. In addition to Austin, the program is being offered in Sacramento, Los Angeles, San Francisco, California and Redmond Washington as well as Detroit, New York, Washington DC and Orlando, Florida. The stations will work with the new electric versions of the Ford Focus, Chevy Volt and Smart's ForTwo electric vehicles.

### [Production Costs Climb for Canadian Oil Sands, Companies Say](#)

June 2 (Bloomberg) -- The financial crisis and the global recession had limited effect on efforts to lower production costs for Canadian oil sands, companies including Statoil ASA and Canadian Oil Sands Trust said.

“Both operating expenditures and maintenance capital have been on a rising trend and when oil prices accelerate, that trend accelerates along with it and we got a very good taste of that in the last five years,” Marcel Coutu, chief executive officer of Canadian Oil Sands said today at an Oslo conference. “When oil prices crash, those operating costs unfortunately lag and it takes some time for them to come down.”

The Norwegian company estimates break-even prices for projects using steam assisted gravity drainage technology at \$65 to \$75 a barrel, Skinner said. Cost for new supply is at \$60 to \$80 a barrel, depending on whether it's from drilling or mining, Greg Stringham, vice president for oil sands at the petroleum association, said at the conference.

### [Oil surges to near \\$74 after API stock draw report](#)

(Reuters) - Oil prices jumped on Thursday after an industry group report said U.S. crude inventories fell more than expected last week.

By 0123 GMT, U.S. crude for July was up 93 cents a barrel at \$73.79, while Brent crude for July delivery was up 90 cents a barrel at \$74.65, after rising earlier as high as \$74.81.

### [Call to ban timber logged illegally](#)

**STRONG** Australian laws should be established to stop imports of illegally logged timber, often connected with organised crime and in some cases the Taliban, US campaigners and politicians are urging.

In an interview with The Age, EIA forests campaign director Andrea Johnson in Washington said that illegal timber entered Australia through China as decking and flooring and through Vietnam and Malaysia as furniture.

It is estimated that 10 per cent of the timber imported into Australia comes from illegally logged sources.

### [Make Bikes in the U.S., or Go Abroad to Cut Costs?](#)

A **SMALL** bicycle company for big riders, Super Sized Cycles, manufactures and adapts bicycles for overweight riders who are too big for conventional bikes. The five-year-old business, which is based in Vermont, had sales last year of \$104,000.

### [Biking culture gets a makeover](#)

(Reuters) - At a Dutch Bike shop, you can forget about spandex, helmets, pedal clips or any of the other typical biking paraphernalia. The Seattle, Washington-based retailer wants to take customers - mostly baby boomers - back to the carefree days of childhood, when riding a bike was full of whimsy.

### [High speed rails expected in 2030](#)

**SPRINGFIELD**, Mass. (WWLP) - It will be a matter of decades, but subsequent generations will eventually enjoy high speed rail travel from Springfield to places like New York City, New Haven and Boston.

If the Massachusetts, Connecticut and Vermont Departments of Transportation have their way, you may be commuting long-distance to work in twenty years.

### [Baltic Dry Index Says 'Buy' Shipping, Commodities: Pro \(Video\)](#)

The Baltic Dry Shipping Index, a leading economic indicator used by market insiders to gauge global demand for dry commodities, surged over 20 percent to trade at the highest level in six months.

"And once you got past the iron ore negotiations back in March and April, you saw a surge in activity of iron ore heading towards China such that it created quite a bit of

busy ships right now."

But Mavrinac cautioned that the indicator doesn't necessarily measure broad-based global economic strength, as the surge is primarily driven by China.

### [Pending home sales at 6-month high](#)

(Reuters) - Pending home sales hit a six-month high in April, data showed on Wednesday, but falling demand for home loans pointed to ebbing activity in the vital housing market due to the expiration of a popular tax credit for buyers.

### [China clean energy goal will require hydro projects: official](#)

(Reuters) - China will not achieve its clean energy development targets for 2020 unless it starts building big hydropower projects soon, China's top energy official said, supporting industry calls for fast project approvals.

"Considering current hydropower capacity, projects under construction, and building cycles, China needs to start building around 120 gigawatts (GW) of hydropower projects in the six years through 2015," said Zhang, who is also a deputy head of the National Development and Reform Commission, which is in charge of approving large projects.

China has 197 GW of hydropower generating capacity, or 23 percent of its total installation. Coal is the source of more than three quarters of electricity.



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