



## Drumbeat: June 16, 2010

Posted by [Leanan](#) on June 16, 2010 - 9:27am

Topic: [Miscellaneous](#)

### [Jeff Rubin - America's oil supply: What's Plan B?](#)

America's Plan A for the future of its oil supply was shaky to start with. Hurricanes, and the devastation they've brought to offshore oil platforms in the Gulf of Mexico, had already put the kibosh on earlier dreams of reversing the nearly 40-year decline in domestic oil production. Ironically, oil production in the Gulf had climbed back to pre-Katrina levels only months before the blowout at the deep-water Macondo well became America's all-time worst environmental disaster.

President Obama won't lift the moratorium on deep-water drilling until the Macondo gusher is, at minimum, fully capped. But whether he lifts it after that may not matter. BP has already lost over 40 per cent of its market capitalization. If Chapter 11 bankruptcy protection is the ultimate sanctuary from the staggering economic and environmental costs the firm will face, how eager will other oil companies be to follow in its deep-water footsteps?

---

conomic earthquake. The collapse of financial markets 60 days later was the after-shock.

This is what I call peak civilisation and it's an end game for the second industrial revolution.

As you know, leaders are dealing with the after shock: the financial bubble. As long as they are all dealing with this, they are not grasping the historic importance of what is happening.

### [Saving Energy, and Its Cost](#)

A 1990 bill signed by the first President Bush forced coal plants to buy permits if they were going to emit the sulfur dioxide that caused acid rain. With the price of emissions suddenly higher, the plants looked for innovative ways to reduce pollution — and succeeded more rapidly and cheaply than experts had predicted.

This history is the basic argument for putting a price on carbon today, and the next several weeks are likely to determine whether that happens. The chances of Congress's passing a permit — or cap-and-trade — system that applies to the whole economy are low. But it could still create a version that covered power plants, if not factories and transportation. That would be no small thing.

### [Iran says to set terms for any new nuclear talks](#)

(Reuters) - Iran is ready to resume stalled nuclear talks with major powers if terms Tehran will announce soon are met, President Mahmoud Ahmadinejad said on Wednesday, a week after the oil producer was hit by a new round of sanctions.

### [BP's Options to Limit Liability From the Oil Spill](#)

As the oil spill in the Gulf of Mexico worsens, the financial markets are rife with speculation about BP's next steps to control its growing liabilities — a pot that the oil giant has further stirred by hiring investment advisers to assist it in managing these liabilities.

This speculation runs the gamut from insolvency to a takeover to a \$20 billion escrow account to administer claims from the oil spill. But just how realistic are any of these options? Here is a brief analysis:

### [Statoil Terminates Rig Contracts](#)

Norwegian state-controlled oil major Statoil ASA responded to the U.S. moratorium on offshore drilling by suspending its contracts for two drilling rigs in the Gulf of Mexico. The rigs belong to Transocean Ltd. and Maersk Drilling.

### [Norway, Sovereigns Lose \\$5 Billion on BP After Spill](#)

(Bloomberg) -- The governments of Norway, Kuwait, China and Singapore have lost 3.4 billion pounds (\$5 billion) on BP Plc's share slide since the Gulf of Mexico oil spill started in April, data compiled by Bloomberg show.

### [Orkla to Shut Energy, Emission Hedge Funds This Month](#)

(Bloomberg) -- Orkla Finans AS, in the industry's latest retreat, made a "strategic decision" to close its 85 million-euro (\$105 million) Energy Fund and Carbon Fund.

Orkla's energy fund, which traded commodities including Nordic and German electricity, natural gas and emission permits, lost 12 percent this year through April. The specialist carbon fund gained 3.1 percent, according to data on Bloomberg.

### [A Gas Mileage Bonus From Aluminum](#)

Stricter gas mileage requirements may be a headache for car manufacturers, but the aluminum industry views them as good news.

In the last few years, car makers have switched from steel to aluminum for wheels, hoods, transmission cases, heat exchangers like radiators, and other components.

With tougher standards looming, the aluminum industry is taking aim at the basic shell and skeleton of the car, known in the industry as the “body in white.”

### [Reliance Industries Said to Plan Bid for Power Plant](#)

(Bloomberg) -- Reliance Industries Ltd., India's biggest company by market value, plans to build at least one power plant in the country, marking the oil company's entry in commercial electricity generation, two company officials said.

### [Alaska Polar Bear Habitat Plan: State Official Objects To Ban Due To Impact On Oil Industry](#)

ANCHORAGE, Alaska — The federal plan for designating more than 187,000 square miles as polar bear critical habitat is too large and will lead to huge, unnecessary costs for Alaska's petroleum industry, opponents of the proposal told the U.S. Fish and Wildlife Service Tuesday night.

### [Jeff Rubin - America's oil supply: What's Plan B?](#)

America's Plan A for the future of its oil supply was shaky to start with. Hurricanes, and the devastation they've brought to offshore oil platforms in the Gulf of Mexico, had already put the kibosh on earlier dreams of reversing the nearly 40-year decline in domestic oil production. Ironically, oil production in the Gulf had climbed back to pre-Katrina levels only months before the blowout at the deep-water Macondo well became America's all-time worst environmental disaster.

President Obama won't lift the moratorium on deep-water drilling until the Macondo gusher is, at minimum, fully capped. But whether he lifts it after that may not matter. BP has already lost over 40 per cent of its market capitalization. If Chapter 11 bankruptcy protection is the ultimate sanctuary from the staggering economic and environmental costs the firm will face, how eager will other oil companies be to follow in its deep-water footsteps?

### [Just don't raise gas prices](#)

Time and again, polls show large majorities support change, but they won't pay a dime for it. Corporations can pay. Or governments. Whatever. Just make sure they get their

cheap gas, dammit.

In 1985, after a decade of steadily rising oil prices and steadily improving energy efficiency, the price of oil plummeted and American politicians refused to set a tax floor to ensure that the transition away from an oil-based economy would continue. It was obviously the right thing to do and if it had been done the world would be a much better place today. But it wasn't done because people wouldn't support it. Cheap gas is a human right, after all.

### [Obama sets battle plan on oil spill, energy reform](#)

WASHINGTON (Reuters) – President Barack Obama on Tuesday laid out what he called a battle plan to tackle the BP oil spill and exhorted Americans in warlike terms to embark on a mission to reduce their reliance on fossil fuels.

The president used the solemn setting of the Oval Office for a televised address to counter criticism he has not shown enough leadership in America's worst environmental crisis but offered few specifics on how he intended to get the job done.

### [Factbox: Main points from Obama's Oval Office speech](#)

WASHINGTON (Reuters) – President Barack Obama spoke about the BP oil spill in a speech from the Oval Office on Tuesday evening, laying out a "battle plan" for going forward.

Here are some key points Obama raised in the televised address to the nation.

### [Obama's Oval Office Speech Translated Says "Drill Baby Drill"](#)

Tearing away the rhetoric and reassurances from President Obama's Oval Office speech on the BP oil spill one is left with a sense his biggest message was Peak Oil is nearly upon us because we are running out of oil, but worse, there is nothing to replace it with, so we still need to "drill baby drill" despite the now obvious catastrophic risks.

Normally when a United States president addresses the nation from the Oval Office it is to announce something of grave significance to the nation such as a war. President Obama's first use of this White House tradition was no different, but the enemy he seemed to be declaring war on was Peak Oil.

### [Obama's Oval Office speech fizzles](#)

At one point I thought the president was about to do what I'd hoped for, unrealistically, this afternoon – explain why he was wrong to drop his opposition to expanded offshore oil drilling, and recommit to his old position. He didn't. He only said that he had endorsed opening up more offshore drilling "under the assurance that it would be absolutely safe -- that the proper technology would be in place and the necessary precautions would be taken. That obviously was not the case in the Deepwater Horizon rig, and I want to know why." He then committed to a National Commission to study the disaster and explore what new environmental protections are needed. (If he paid any attention to the House Energy Committee's grilling of top oil industry execs today, he'd know the industry has no idea to cope with a disaster of this magnitude.)

### [I Didn't Watch The President's Speech...](#)

Never letting a crisis go to waste, however, the President now seeks to use the oil spill as a vehicle for his energy plan. What discussions concerning the theory of "peak oil" have to do with this matter is anyone's guess; the President has every right to pursue an energy policy, but isn't the cleanup of the Gulf coast slightly more pressing than the latest legislative obsession since health care "reform" got passed? Talk of the burgeoning green economy is just that, and while those working in that economy are wished all the best, they probably should not be buying houses in the south of France just yet. Cap and trade is a lousy way to regulate emissions, as anyone familiar with the subject knows. A better approach is a carbon tax—particularly one based on actual warming trends—but of course, the Obama Administration simply will not go there.

### [Obama's Curiously Flat Gulf Speech](#)

Somewhere between Pensacola and the Oval Office, the oil spill in the Gulf of Mexico went from an "assault" to an "epidemic"—and President Obama went from commander-in-chief to surgeon general. In Florida, he had referred to the disaster as an "assault" and spoke, at an Army post, in military terms, but by the time he got home he had changed the analogy to a medical matter.

And that, in short, is why his speech to the nation fell so flat even as he delivered it.

### [Barack Obama Embraces His Inner Jimmy Carter](#)

Perhaps it is because his chief speechwriter has spent the crisis playing beer pong in Georgetown bars. Perhaps it is because while embracing peak oil, the oil spill never piqued his blue state interests since it affected red states.

Whatever the reason, Barack Obama gave the most depressing Oval Office speech since Jimmy Carter's malaise speech. He didn't just embrace defeat, he wore it on his suit as a substitute for an argyle sweater. He tried to sound upbeat in the way a cop in a movie might sound when his partner lay mortally wounded and the cop needs to get the partner's wife to the hospital without letting her know her husband is dying. It was a

false optimism with Barack Obama distracting Americans in a game of three card monte.

### [The President's Oil Spill Speech](#)

The American Petroleum Institute forecasts that if the drilling ban continues, more than 120,000 jobs could be lost in the Gulf Coast and key resources abandoned or moved elsewhere. European nations including the United Kingdom and Norway do not intend to likewise cripple their domestic oil industries, but have decided not only to allow offshore oil drilling to continue, but also to sell leases to new drilling locations. The President is also wrong to say we are headed towards peak oil and that we're soon going to run out.

### [Deflection Point](#)

The Gulf oil crisis, say White House aides, is at an "inflection point." That's why President Obama chose this moment to deliver his first Oval Office address. If you've forgotten this term from calculus, it means "turning point." But it's not a dramatic change in direction where the tires squeal—if you're driving an S, it's the moment when the steering wheel is straight. It means the situation is less bad than it used to be.

Something similar can be said of the president's 20-minute speech: It wasn't as bad as it could have been.

### [Obama to demand BP pay for oil spill damage](#)

WASHINGTON/LONDON (Reuters) – U.S. President Barack Obama, seeking to demonstrate strong leadership on the Gulf of Mexico oil spill, will demand on Wednesday that BP set aside billions of dollars to pay damages from the catastrophe.

### [Oil executives say BP didn't meet standards](#)

Big oil industry executives defended the safety of offshore drilling in front of Congress on Tuesday and said common industry standards weren't deployed at the BP-owned well that's caused the worst U.S. oil spill in history.

"A number of design standards ... were not followed," Rex Tillerson, CEO of ExxonMobil, told a House Energy & Commerce subcommittee. "We would not have drilled" the way they did, he added.

### [BoFA to limit duration of trades with BP](#)

(Reuters) - Bank of America Merrill Lynch has ordered its traders not to enter into oil trades with BP Plc that extend beyond June 2011, a market source familiar with the directive told Reuters.

The order to the bank's traders came from a high-level executive and was made on Monday, according to a source familiar with it. It told traders not to engage in trade with BP for contracts beyond one year from this month.

### [U.S. boosts flow estimate of BP oil leak by 50 percent](#)

HOUSTON (Reuters) – A team of U.S. scientists on Tuesday upped their high-end estimate of the amount of crude oil flowing from BP Plc's stricken Gulf of Mexico well by 50 percent, the second major upward revision in less than a week.

The scientists said the "most likely flow rate of oil today" ranges from 35,000 to 60,000 barrels (1.47 million and 2.52 million gallons/5.57 million and 9.54 million liters) per day.

That is a significant jump from the last estimate issued by the Flow Rate Technical Group on June 10 and pegging the well's flow at 20,000 to 40,000 barrels per day.

And those figures were considerably higher than the previous "best estimate" of 12,000-19,000 bpd issued by the flow rate group on May 27.

### [BP restarts oil capture after ship fire](#)

HOUSTON (Reuters) – BP Plc restarted its Gulf of Mexico oil-capture system on Tuesday nearly five hours after a small fire on the vessel capturing the crude prompted a shutdown.

During the shutdown, oil gushed unchecked from the company's ruptured well.

### [BP Dividend 'Off the Table' as Obama Demands Gulf Spill Fund](#)

(Bloomberg) -- BP Plc will suspend its \$10 billion dividend as President Barack Obama's demand to set aside cash for the Gulf of Mexico spill stretches the company's finances, analysts said.

"The dividend is off the table," said Alastair Syme, an oil and gas analyst at Nomura Holdings Inc. in London. "Until they have some clarity on the costs of the spill, they can't do anything."

### [What can BP afford to pay? Nobody's sure.](#)

NEW YORK (CNNMoney.com) -- In the days immediately after oil began leaking from a well deep below the surface of the Gulf of Mexico, few expected the spill could cripple one of the biggest energy companies in the world.

Now, nearly two months after what has become the worst oil spill in US history, the outlook for BP is unclear and investors are bracing for the worst.

### [A Real Worst-Case Scenario for BP: 20M Barrels, \\$560B Damages](#)

Given what we've learned in the last month, I suspect that even current "high-end" estimates will look optimistic in hindsight. My own estimates are much higher than everything else I've seen. Of course, my numbers are really just guesses, like everyone else's. Naturally, I think my numbers are more accurate. With that out of the way, here is my analysis of the worst-case scenario for BP and the Gulf of Mexico.

### [BP May Continue Drop Beyond 50% Fibonacci: Technical Analysis](#)

Bloomberg) -- BP Plc shares, which have plunged 47 percent since April, breached a key support level that technical analysts who follow Fibonacci retracements say indicates the slide may continue.

### [Obama names choice to reform oil drilling regulator](#)

WASHINGTON (Reuters) – President Barack Obama chose a former Justice Department official on Tuesday to reform the Minerals Management Service, an agency blamed for lax regulation of offshore drilling ahead of the Gulf of Mexico oil spill.

A White House official said Michael Bromwich, a former assistant U.S. attorney and Justice Department inspector general, will not become head of the agency as it will be broken up under the reforms.

### [Senator: Oil companies must dig relief wells](#)

A U.S. Senator has introduced a bill that would require oil companies to dig emergency relief wells at all new drilling sites off the U.S. coast.

Sen. Frank Lautenberg, D-N.J., said Tuesday that the rig explosion that unleashed millions of gallons of oil into the Gulf of Mexico proves that pre-emptive drilling is needed.



### [Florida hopes to settle BP claims without courts](#)

TALLAHASSEE, Florida (Reuters) – BP Plc has done a poor job settling oil spill claims quickly and efficiently but pursuing the claims in court might be worse, Florida officials said on Tuesday.

Governor Charlie Crist and Attorney General Bill McCollum have assembled a panel to map out a comprehensive claims process to recoup state and local government losses from the BP oil spill, which is also affecting Louisiana, Alabama and Mississippi.

### [BP Oil Spill Lawsuits Spread to States Beyond Gulf Coast](#)

(Bloomberg) -- BP Plc faces more than 225 lawsuits in 11 states as litigation from businesses, individuals and investors continues to increase almost two months after the Deepwater Horizon oil rig exploded.

### [Disaster in the Gulf: Dead Zones](#)

As more information surfaces, a potentially biblical disaster is unfolding, threatening to make vast parts of the Gulf dead zones, animals and plant species so contaminated and unsafe that Gulf communities may face "the total end of fishing, according to Carl Safina, Blue Water Institute ocean biologist.

### [Nuclear Device Only Option to Stop Oil Leak : Simmons](#)

Matthew Simmons, founder of the Ocean Energy Institute, talks with Bloomberg's Lori Rothman about BP Plc's oil leak in the Gulf of Mexico and his view that the use of a "small-bore nuclear device" is now the "only option" to stop the flow of oil.

### [Matthew Simmons: The Relief Well Will Fail, And An Undersea Oil Lake May Be Covering 40% Of The Gulf](#)

He's embarrassed by his old firm, Simmons & Co, for upgrading shares of BP, which he think will go to 0.

### [Accident at BP Rotterdam refinery kills worker](#)

AMSTERDAM (Reuters) – A construction worker was killed at BP's Rotterdam refinery after a wall collapsed on him, a spokesman for the oil major said on Wednesday.

## [Crude Oil Drops as Stronger Dollar Cuts Demand for Commodities](#)

(Bloomberg) -- Oil dropped from close to a one-month high in New York as a stronger dollar reduced the appeal of commodities to investors.

Oil retreated as the U.S. currency rebounded against the euro, limiting crude's appeal as an inflation hedge. The euro fell as low as \$1.2273 from \$1.2332 yesterday. A U.S. government report today is expected to say crude inventories declined last week, according to a Bloomberg survey.

## [Natural Gas Jumps in U.K. Second-Quarter Record](#)

(Bloomberg) -- U.K. natural-gas is headed for its biggest second-quarter rally as European buyers drain fuel at a record pace and North Sea production wanes.

## [Oil Breaches 200-Day Mean, May Retest Highs: Technical Analysis](#)

(Bloomberg) -- Oil is set to surpass this year's highs above \$87 a barrel after breaching the 200-day moving average yesterday, a "major" chart resistance level, according to Schork Group Inc.

## [Saudi Aramco added 12 trillion feet of gas in '09, but cut oil output on OPEC quota limits](#)

CAIRO - Saudi Arabia's state-run oil giant says its oil output dropped around a million barrels per day last year, but it boosted its natural gas reserves by over 4 per cent.

## [Russia warns Belarus of gas cut](#)

Russian President Dmitry Medvedev has warned Belarus that unless it pays off its debts for Russian gas within five days it will face cuts.

## [Ukraine Mulls Gas Project With Gazprom, Vows Secure Supplies](#)

(Bloomberg) -- Ukraine is "potentially interested" in a joint project of state-run energy company NAK Naftogaz Ukrainy and OAO Gazprom that might include an exchange of assets, Prime Minister Mykola Azarov said.

## [US grand strategy](#)

Unfortunately with the US having reached peak oil in 1970 and the majority of the

black-gold reserves that it needed to back its dollar sourced from the Middle East, the region's wealth could only be recycled back into the US economy by controlling the entire Middle Eastern oil production to transaction chain. Thus, with US government support, Anglo-Saxon oil conglomerates extracted, refined, distributed and sold the oil, strictly in US dollars on the two dollar denominated oil exchanges - New York's NYMEX and London's IPE - before depositing (recycling) the petro-dollars with the major US banks.

The petro-dollar recycling plan required the help of both the UK and Wall Street's big banks and oil companies which effectively acted as "shareholders" in the plan. To the benefit of the UK financial industry, the UK government gained access to the world's capital flows and became the first "franchisee" guaranteeing that British oil companies and the oil exchange under its jurisdiction fulfilled their part of the plan.

### [U.K. to Cut Barriers to Nuclear Power, Minister Says](#)

(Bloomberg) -- Nuclear power can play a key role in the U.K.'s future energy mix, Minister Charles Hendry told executives from Electricite de France SA, Centrica Plc and other utilities.

While the new coalition government won't subsidize the industry, it will remove regulatory barriers and encourage nuclear power by establishing a minimum price for carbon, the energy minister said at the Nuclear Industry Forum in London.

### [New Zealand: Time for cross-party talks on peak oil](#)

President Obama's statement today that the world is running out of places to drill oil, confirms the need for political parties in Aotearoa to start cross party talks on the global peak oil crisis, Maori Party energy and climate change spokesperson Rahui Katene says.

"The time has come for all political parties to come together and take action on what we are going to do about the global oil crisis and how it will affect this nation," Mrs Katene said.

### [Transition San Lorenzo Valley Becomes US' 69th Official Transition Initiative](#)

Transition US is excited to announce that Transition San Lorenzo Valley has become the 69th official Transition Initiative in the United States. Transition Initiatives start when a small collection of motivated individuals within a community come together with a shared concern: how can our community respond to the challenges and opportunities of peak oil, climate change and the economic crisis? This small team of people begins by forming an initiating group and then adopts the Transition Model with the intention of engaging a significant proportion of the people in their community to kick off a Transition Initiative.

### [In a world of abundance, food waste is a crime](#)

What does the U.S. have in common with countries in sub-Saharan Africa?

Both waste large, obscene amounts of food. Better knowledge and technology would reduce food waste, deter environmental damage and, especially in that region of the African continent, reduce the number of people who go hungry each day.

### [Is it time to say goodbye cool world?](#)

What hope is there for a deal on climate change based on science? The answer seems to be "not much".

Climate negotiators meeting over the past two weeks in Bonn, Germany, enjoyed a new spirit of bonhomie as they worked to heal the rifts created by the failure of UN talks in Copenhagen, Denmark, last December. At the close of talks on 11 June, they believed they were back on track to deliver a new climate agreement by the end of 2011.

But diplomatic harmony has come at a price: sacrificing a cool future for planet Earth.

### [Climate Bill Lacks Momentum Even After BP Spill, Democrats Say](#)

(Bloomberg) -- The BP Plc oil spill in the Gulf of Mexico is unlikely to create enough momentum to pass a comprehensive climate bill sought by President Barack Obama, say leading Senate Democrats.

Many Democrats don't want to vote in this election year on whether to cap the greenhouse-gas emissions linked to climate change, saying they prefer to work in the coming months on legislation directly responding to the spill.

"The climate bill isn't going to stop the oil leak," said Senator Dianne Feinstein, a California Democrat. "The first thing you have to do is stop the oil leak."

### [EPA finds Senate climate bill affordable](#)

WASHINGTON (Reuters) – U.S. environmental regulators said on Tuesday the climate and energy bill in the Senate would only add slightly to average household costs, but the finding was not expected to boost chances for the legislation that would cap greenhouse gas emissions.

The climate bill unveiled last month by Senators John Kerry, a Democrat, and Joseph Lieberman, an independent, would cost households an average of \$79 to \$146 per year

through 2050, the Environmental Protection Agency said in an economic analysis.

### [US greens say climate overhaul means massive jobs boost](#)

WASHINGTON (AFP) – New rules to cap US carbon emissions and promote clean energy could create as many as 540,000 US jobs a year, a green group claimed Tuesday, as the BP oil spill fueled debate over reform.

With the massive Gulf of Mexico slick pushing energy reform to the top of the US political agenda, ClimateWorks -- a climate lobby group -- said reforms could also help the struggling US economy.

### [UK can purge all carbon emissions by 2030: Report](#)

LONDON: Britain can eliminate all its carbon emissions by 2030 by overhauling its power supply, national diet and transport, a report by the UK's Centre for Alternative Technology said on Wednesday.

The blueprint to fight climate change did not require a "hair shirt, survivalist rejection of modernity," said author Rob Hopkins, founder of Britain's Transition Towns movement.

### [When Global Warming Comes Calling](#)

This six-part articles dwells on several environmental issues namely global warming, water vitality, ecosystems, biodiversity and Green Economy.



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