



## Drumbeat: September 25, 2010

Posted by [Gail the Actuary](#) on September 25, 2010 - 7:13am

Topic: [Miscellaneous](#)

### [Analysis: Gas capex cuts coming for U.S. companies](#)

Drilling for shale gas in areas like the Haynesville Shale in Louisiana where the gas is "dry" or has a low liquids content has fallen out of vogue as natural gas prices hover around \$4 per million British thermal units.

"Our Haynesville program in 2010 is over," James Dearlove, chief executive of Penn Virginia Corp (PVA.N), told an investor conference in New York last week. "Drilling dry gas in a \$4.50 environment maybe isn't the best thing to do with your money."

### [Fossils With a Bright Future](#)

FOR ALL THE HOOPLA SURROUNDING alternative energy, fossil fuels still show vibrant signs of life.

Global producers see crude oil, coal and natural gas—often from unconventional sources—quenching the world's thirst for energy well into this century. Although climate change is a major concern, many executives and policy makers say the availability and affordability of energy will be the key focus in coming decades.

"Much of the extra demand is expected to be met by fossil fuels," said Shosuke Mori, chairman of Kansai Electric Power, one of Japan's largest utilities, at the World Energy Congress in Montreal earlier this month.

### [Alabama pilots to continue monitoring oil spill's impact](#)

William Johnston has flown to the Gulf Coast 66 times since April 20, and he said it doesn't look like the flights will be tailing off anytime soon. Johnston, who is based in Mobile but commutes between Mobile and Montgomery regularly, is the chief pilot with the Alabama Department of Environmental Management.

He has been making the flights to the Gulf Coast since an accident destroyed the Deepwater Horizon offshore oil rig April 20, killing 11 crewmembers and causing what has become the worst oil spill in U.S. history. Johnston is part of the ongoing monitoring

of the environmental effects of the oil spill -- an impact he said is likely to be studied for the next two decades. A lot of high-tech equipment has been used in monitoring the crisis, but Johnston said few pieces of equipment have played a bigger role than aircraft such as planes and helicopters.

### [Gulf oil spill followed a familiar pattern, panelists say](#)

The Deepwater Horizon accident and its aftermath repeated a pattern from the past, panelists said at a symposium Thursday — a complacent period of relative industry safety, a disaster, then a flurry of government actions and demands for reform.

The same thing happened in past incidents including major oil spills four decades ago and the 1989 Exxon Valdez accident in Alaska, according to the panel at a University of Houston Oil Spill Symposium.

### [Large Scale Study of BP Oil Spill Health Effects Planned](#)

Plans are being made to study the health impacts of the BP oil spill. According to the Associated Press, the Department of Health and Human Services has commissioned the nonprofit Institute of Medicine to gather a committee of experts to conduct the study in the five Gulf Coast states affected by the oil spill. The study will be funded with a \$10 million contribution from BP.

Researchers hope to enroll 27,000 people who participated in oil spill cleanup.

### [Producers see rich potential in Seal Lake](#)

#### **Petrobank awaits approval for new tech**

With its joint partner Shell, Petrobank filed a request with the ERCB in March 2009 to proceed with a two-well demonstration project to test its toe-to-heel air injection technology, which it currently uses at both its Whitesands project near Conklin and Kerrobert project in Saskatchewan. The firm is still waiting for a response.

"We have gone through the hoops, and have Alberta Environment approval for our Dawson THAI project," he said. "There are no outstanding issues, so we are frustrated. This is shifting dollars from Alberta to Saskatchewan, where we now have approval for a 10-well expansion of our project."

### [Wyo. fracking rules take effect with few problems](#)

Energy companies seem eager to comply with new state rules requiring them to disclose

the chemicals they use in a controversial drilling technique known as fracking, the head of Wyoming's oil and gas regulatory agency said.

### [Bulgaria plans caps on new green energy assets](#)

Bulgaria plans to put limits on new renewable energy assets to avoid a spike in sensitive energy prices and a collapse of its aging power grid, Economy and Energy Minister Traicho Traikov said on Friday.

Traikov said the Balkan country can add up to 2,000 megawatts of new solar, wind and hydro power plants by 2020 without jeopardizing the security of power supply and keeping the energy prices at affordable levels.

### [The cost of wind: power when we don't need it](#)

Some critics wonder if the province is moving too fast.

A.J. Goulding of consulting firm London Economics says wind and other renewables have a place in the electricity grid, but the current approach to attracting generation does not sort the good projects from the marginal ones.

“People aren't asking: How much wind would be appropriate for the system and then going out and procuring that,” he said. “Instead, we're taking everything that shows up at the door.”

Ontario is currently paying small, on-shore wind producers that have access to transmission lines 13.5 cents a kilowatt hour. Offshore producers get 19 cents.

### [Third-Biggest US Wind-Power Company To Cut Investment -Chairman](#)

-The third-biggest U.S. wind-power developer will continue to cut investment with no clear national energy policy in place and amid a continued slump in electricity prices.

EDP Renovaveis SA (EDPR.LB), through its U.S. subsidiary Horizon Wind Energy, will reduce spending by more than half to less than \$300 million in 2011 from around \$700 million this year, with further cuts possible in following years, Chairman Antonio Mexia said in an interview Friday.

Mexia said three factors are driving the company's pullback: the lack of a clear U.S. energy policy; recession-driven demand declines; and slumping prices for wholesale electricity.

### [Water-gel-based 'artificial leaves' that produce electricity](#)

North Carolina State University researchers have shown that water-gel-based "artificial leaves" can act like solar cells to produce electricity.

They also have the potential to be less expensive and more environmentally friendly than the current silicon-based solar cells.

The researchers used plant chlorophyll in one of the experiments - coupled with electrodes coated by carbon materials, such as carbon nanotubes or graphite.

### [Mexico's Pemex Holds Crude Output Near 2.6 Mln B/D Goal](#)

Mexico's state-owned oil company Petroleos Mexicanos, or Pemex, said Friday its crude output averaged 2.585 million barrels a day in January through August of this year, near its goal of meeting or beating the 2.6 million barrels a day it averaged over the course of last year. Mexico's state-owned oil company Petroleos Mexicanos, or Pemex, said Friday its crude output averaged 2.585 million barrels a day in January through August of this year, near its goal of meeting or beating the 2.6 million barrels a day it averaged over the course of last year.

In year-on-year terms, Pemex production for the first eight months of 2010 was just 1% lower than in the same period last year.

Oil exports for the first eight months of 2010 averaged 1.312 million barrels a day, 7% higher year on year. Exports through August brought in \$22.38 billion, a 45% increase over the same period in 2009.

### [TransCanada Plans Early 2011 Start of Keystone Pipeline Cushing Extension](#)

TransCanada Corp., Canada's biggest pipeline operator, expects the Cushing Extension of the Keystone system to be in service in the first quarter next year, a company executive said.

"We are about 80 percent complete on the pipeline and about 75 percent complete on facilities," Ken Murchie, a director of pipeline development, said today at the Platts Pipeline Development and Expansion conference in Houston. "We are looking at having construction completed this year."

The Cushing Extension, the second phase of the \$12 billion Keystone pipeline project, extends a 36-inch pipeline from Steele City, Nebraska, to Cushing, Oklahoma, and will increase capacity to 591,000 barrels a day, he said.

### [Oil Rises the Most in Two Weeks as Dollar Tumbles Against Euro](#)

Oil climbed 1.7 percent after the greenback slipped against the common currency on a report showing that German business confidence unexpectedly increased to a three-year high in September. Futures extended gains after a U.S. report showed orders for capital equipment rebounded in August.

### [Petrobras capitalization 'biggest in history': Lula](#)

Brazilian President Luiz Inacio Lula da Silva launched Friday what he called the biggest capitalization in history: raising more than 66 billion dollars through the sale of new shares in Petrobras to tap potentially vast offshore oil fields.

Lula described the sale of the paper in the state-run oil company as "the most auspicious moment in world capitalism," before ringing the trading bell in Sao Paulo's Bovespa stock exchange to signal the start of the operation.

The government said 66.89 billion dollars worth of Petrobras shares had already been subscribed -- most of it, 45 billion dollars, to the state itself, as its stake in Petrobras swelled from 40 percent to 48 percent.

### [Israel's Tamar gas to flow by late 2012](#)

Noble Energy Inc., Houston, has sanctioned the \$3 billion development of Tamar gas field in the Levant basin in the eastern Mediterranean off Israel and expects gas delivery to begin around the end of 2012.

Tamar, with an estimated 8.4 tcf of recoverable gas in 5,500 ft of water, is to be developed with five subsea wells capable of flowing 200-250 MMcfd/well of gas.

### [Iran's President Expresses Hope for More Nuclear Talks](#)

President Mahmoud Ahmadinejad also offered a conciliatory gesture on his country's nuclear program, expressing hope that negotiations could resume as early as next month over a deal that would involve a swap of enriched uranium. The talks could restart a diplomatic process that collapsed last year and led to a fourth round of sanctions against Iran in June.

### [US rig count declines](#)

US drilling activity fell this week, down 11 rotary rigs to 1,650 still working but well ahead of the 1,017 units running in the comparable week a year ago, Baker Hughes Inc. reported.

Land operations suffered the largest loss, down by 7 to 1,619 rotary rigs drilling. But that was only a slightly bigger loss than offshore drilling where the number of working rigs dropped by 6 to 15, all in the Gulf of Mexico. Inland waters activity put 2 more rigs to work for a total of 16.

Of the US rigs still working, 967 were drilling for natural gas, 15 fewer than the previous week. The number drilling for oil increased by 3 to 673. There were 10 rotary rigs unclassified. Horizontal drilling was unchanged at 912 rotary rigs. Directional drilling declined by 9 to 213 units.

### [Analysis: Penn. Hydraulic Fracturing Program Well-Managed](#)

A targeted review of the Pennsylvania program regulating the hydraulic fracturing of oil and gas wells has been completed by a multi-stakeholder group, which has concluded that the program is, over all, well-managed, professional and meeting its program objectives.

The State Review of Oil and Natural Gas Environmental Regulations (STRONGER), a non-profit organization that conducts voluntary state reviews of oil and natural gas environmental regulations, appointed the three-person team that conducted the study. The review team, appointed in July 2010, consisted of three members and four observers representing environmental groups, state regulators, the oil and gas industry and the U.S. Environmental Protection Agency. Twenty-three additional people attended the review.

### [Iran may consider ending enrichment if given nuclear fuel: president](#)

UNITED NATIONS, Sept. 24 (Xinhua) -- Iranian President Mahmoud Ahmadinejad said here on Friday that Iran may consider ending uranium enrichment if Western countries provide it with nuclear fuel for a medical research reactor.

"To support our sick people, we had to produce 20-percent-grade fuel ourselves," Ahmadinejad told reporters at a press conference in New York.

"Whenever we are sure that 20-percent-grade fuel is given to us, we can examine whether to cease producing 20-percent-grade fuel," he added.

### [Scenarios: How mega-crises may unfold](#)

Below is a scenario devised by Chung Min Lee, a South Korean scholar and senior fellow at London's International Institute for Strategic Studies, and edited excerpts from the U.S. National Intelligence Council's (NIC) "Global Scenarios to 2025."

#### **HORMUZ/MALACCA**

A political crisis snowballs into a catastrophic crisis in the vicinity of the Strait of Hormuz or Strait of Malacca with a dirty nuclear bomb attack; passage of oil tankers is frozen with immediate repercussions for global commerce and navigation.

Highly oil dependent economies such as Japan, South Korea and other Asian economies would have to rely on their limited strategic petroleum reserves. Financial markets worldwide would tumble, which could trigger another global financial crisis.

### [When Are We Going to Get This Transmission Thing Right?](#)

According to information on the American Wind Energy Association website installations of wind turbines in the second quarter of 2010 are down by nearly 70% and projected to be 25% to 45% less at year's end. One would think with the impending sunset of the section 1203 treasury grants at the end of this year there would be significant efforts to get projects in the ground. So what gives?

While there are a number of reasons for this downturn including reduced power demand and expiration of short term incentives, two issues — money and transmission siting authority — are central to the long term prospects for renewable energy.

### [U.S. buyers continue trend toward smaller engines](#)

The trend toward four-cylinder engines is growing so fast that some midsize models, where people have a choice between the two, have seen a 50 percentage point increase in the past six years. Overall, the number of four-cylinder engines sold since 2005 has jumped dramatically, from 28 percent of all cars in 2005 to 43 percent so far this year, according to Ward's AutoInfoBank.

### [Qatar launched food security alliance of arid nations](#)

Food and water have developed into top national security issues as the volatile swings in food prices over the past three years has exposed risks in the supply chain for nations unable to feed themselves from domestic sources.

### [SA Water won't reveal desal standby costs](#)

The refusal comes as the cost of the Victorian desalination plant was revealed to be an average of \$570 million a year for the next 30 years, amounting to a staggering \$15.8 billion even if the state does not buy any water.

### [Pelosi somewhat receptive to oil sands development](#)

Although Pelosi and Markey have been critics of the oil and gas industry in the past, Pelosi told the Canadians she was open minded about future oil sands development and interested in hearing “both sides of the story.”

### [Oil sands' report implies it is not a high carbon fuel; but read on](#)

So it is not that oil sands' crude is a lower carbon emitting source - it is just that, because US oil refiners combine the oil sands' crude with traditional crude, the end product is not as carbon intensive as some might think.

### [Air board action is fallback for green energy](#)

California already has a rule that utilities obtain 20 percent of their energy from renewables by this year's end, though that goal won't be reached. Pushing the number to 33 percent by 2020 will be a fresh and achievable challenge for the state's nascent alternative energy sector.

### [Ohio offers \\$8M boost to ethanol, biodiesel plants](#)

The money is actually coming from the state's \$96 million energy project allocation as part of the American Recovery and Reinvestment Act.

### [General Mills boycotts palm oil that destroys rain forests](#)

Already, U.S.-based companies Unilever, Nestle, Kraft and Burger King have made similar shifts,

### [Survey: Local governments slowly adopting sustainability initiatives](#)

When asked what specific planning actions related to sustainability and energy conservation they had taken, only 29 percent had adopted a resolution outlining specific policy goals. Additionally, a minority of respondents had assigned dedicated staff to sustainability efforts (27 percent); established specific sustainability benchmarks (19 percent); established or appointed a task force to address sustainability issues (28 percent); or provided a budget specifically for their sustainability efforts (16 percent). Only 14 percent had established greenhouse gas limits for the local government, less than 10 percent for the community-at-large, and only about 3 percent for local

businesses.



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