



Drumbeat: September 28, 2010

Posted by [Gail the Actuary](#) on September 28, 2010 - 9:34am

Topic: [Miscellaneous](#)

[Japan to drill for controversial 'fire ice'](#)

A consortium led by the Japanese government and the Japan Oil, Gas and Metals National Corporation (Jogmec) will be sinking several wells off the south-eastern coast of Japan to assess the commercial viability of extracting gas from frozen methane deep beneath local waters. Surveys suggest Japan has enough methane hydrate for 100 years at the current rate of usage.

Lying hundreds of metres below the sea and deeper still below sediments, fire ice is exceedingly difficult to extract. Japan is claiming successful tests using a method that gently depressurises the frozen gas.

Tokyo plans to start commercial output of methane hydrates by 2018. At present, Japan imports nearly all its gas – about 58.6m tonnes of liquified gas annually – and is heavily dependent on oil imports.

[/article2743375.ece#" rel="nofollow">Offshore wind farms will need subsidies for 15 years, says study](#)

Offshore wind farms will require significant public subsidy for at least another 15 years and doubts over reliability and costs mean they are likely to remain one of the most expensive sources of electricity, a study has found.

The report said all forms of electricity generation had become more expensive in the past five years but offshore wind had increased the most, with capital costs of infrastructure doubling from £1.5 million per megawatt to £3 million.

It said the cost was likely to decline gradually, reaching £2.8 million per megawatt by 2025. But it added: “A significant downside risk remains and it is possible that the costs of offshore wind could continue to go up.”

[Scotland to get 100 pct green energy by 2025](#)

Last week, Scotland raised its 2020 renewable electricity target from 50 to 80 percent

of total demand, much of which is expected to be met by offshore wind despite costs soaring over the last few years.

[Conoco to reassess \\$30bn Alaska project](#)

Jim Mulva, chief executive of ConocoPhillips, said the company would reassess the economics of its project with BP to build a \$30bn pipeline linking Alaska to the lower 48 US states amid a surge in natural gas supplies.

Technological breakthroughs in extracting gas from shale rock have enabled the US to triple supply estimates, much of it in the lower 48 states, to 100 years' supply, at current usage rates.

This, in turn, has led to a glut, pushing gas prices down to about \$4 per million British thermal units, from the \$13.69 per mBtu record reached in 2008.

[Reilly sees early end to drill ban](#)

"I'll be amazed if the moratorium is not lifted before 30 November," Reilly said today in an interview on Bloomberg Television.

[Brazil's ethanol producers take a big bet on biofuels](#)

Brazil's sugar cane industry has recently been trumpeting that five of its processing mills have been approved by the US government to sell their ethanol in the US. The fact that the mills are bothering to go through the registration process, which includes filling out forms and allowing an engineering review, is significant, and shows renewables are no longer the pet project of many Americans. With the US perhaps distracted by its pressing economic difficulties, producers in other countries have started to get in on the act. . .

Brazilian ethanol already has been designated by the EPA as a low carbon, renewable biofuel, so the California market is a perfect place for it.

["Brazil is the future for the oil industry" ..](#)

What is exciting investors and the industry is that estimates suggest the region may contain 50bn-100bn barrels of oil and gas, dwarfing Brazil's current reserves of 13 billion barrels.

It would place Brazil in the big boy league of oil producers, on a par with Kuwait and Russia.

[Dave Cohen: The next oil price shock -- an update](#)

Having done some analysis, I've decided to postpone my projection for the next oil price shock. I have moved the date from 2012 \pm 1 year to 2013 \pm 1 year. I've updated the graph below to reflect the timing of the next blow-up in oil prices. The change reflects my view that there will not be a price spike in 2011.

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[Exxon's Sakhalin-1 to Launch Production](#)

The Sakhalin-1 consortium operated by Exxon Mobil Corp. will launch commercial production at a new oil field off Russia's Pacific coast this week at a ceremony attended by President Dmitry Medvedev, the U.S. oil giant said Monday.

With investments of around \$10 billion, Sakhalin-1 is one of the biggest foreign investments in Russia and the only major oil and gas project in the country still controlled by foreigners. Production at the project's first field, Chayvo, started in 2005 and reached a peak of 250,000 barrels a day in 2007, while the new Odoptu field will reach peak output of around 32,000 barrels a day within a year, ExxonMobil said.

The Sakhalin-1 consortium--which includes India's ONGC Videsh Ltd., Russia's OAO Rosneft and Japanese joint venture Sodeco--plans to drill 10 wells at Odoptu by the first quarter of 2011. It may later drill an additional 10 wells at the field, potentially increasing peak output level, but so far no decision has been taken to develop the field further.

[Deep-Water Drilling in Gulf Won't Resume Quickly, Bromwich Says](#)

Few companies will meet new environmental and safety rules in the month after President Barack Obama's moratorium on deep-water drilling comes to an end, said Michael Bromwich, director of the U.S. office that oversees offshore oil exploration.

"Even when the moratorium is lifted, you're not going to see drilling going on the next day or even the next week," Bromwich, head of the Bureau of Ocean Energy Management, said at a hearing in Washington today. "It's going to take some time."

[Finding Common Ground at ASPO-USA's Annual Conference](#)

What do former Green Party Presidential Candidate Ralph Nader, Rear Admiral Lawrence Rice, former secretaries of defense and energy Dr. James Schlesinger, Human Rights and Environmental Campaigner Bianca Jagger, former CIBC Chief Economist Jeff Rubin, and Republican Congressman Roscoe Bartlett have in common?

It certainly isn't their politics - they cover the full spectrum from left to right and everything in between. And it sure as heck isn't their fashion sense. What they do agree on, however, is that the debate over an imminent energy peak is over - that it is time to get on with the hard work of addressing the realities of energy depletion. ASPO-USA is bringing together voices rarely, if ever, heard in the same place and all are speaking out to bring national attention to peak oil.

[TVA Inspector: Poor Management Led to Ash Spill](#)

Poor coal ash control practices and the Tennessee Valley Authority management culture led to the huge December 2008 spill on the Emory River in East Tennessee, the utility's inspector general said in a report released Monday.

The report on the inspector general's website describes the spill of sludge laden with selenium, mercury and arsenic as "one of the largest environmental disasters in U.S. history."

TVA, the nation's largest public utility, responded in the report, saying the description as one of the largest disasters is "not supportable." Inspector General Richard Moore refused to change it.

[Panel Wants BP Fines to Pay for Gulf Restoration](#)

A large share of the penalties collected from BP for its Gulf of Mexico oil spill should be dedicated to repairing the ecological, economic, public health and psychological damage from the spill, according to a group named by President Obama to chart a course for the future of the wounded gulf.

In a report to be presented Tuesday in New Orleans, Ray Mabus, the Navy secretary

and a former Mississippi governor, will urge Congress to create a Gulf Coast Recovery Fund to oversee the restoration efforts. The fund should be managed by a council including federal, state, local and tribal representatives, the report states.

[Alabama expects billions from BP over oil spill](#)

Alabama expects to receive billions of dollars in penalties from BP Plc in the wake of the oil spill in the Gulf of Mexico, a state commission said on Monday.

BP and the White House will probably soon reach an agreement on how much money will be available to four Gulf states that have been affected by the spill, said the state Coastal Recovery Commission set up by Governor Bob Riley.

[Dudley faces delicate task in rebuilding BP](#)

Bob Dudley faces a delicate task when he becomes chief executive of BP Plc on Friday: convincing investors BP will boost safety, while persuading government and the courts that its safety regime is as good as any in the industry.

[Oil Falls First Time in Five Days on Forecast Supply Increase](#)

Oil fell in New York, snapping a four-day rally as analysts forecast that U.S. gasoline inventories swelled to their highest levels in six months.

Futures slipped before a U.S. Energy Department report tomorrow, which may show gasoline stockpiles climbed 750,000 barrels last week from 226.1 million.

[Gasoline Supply Climbs in Survey as Use Falls: Energy Markets](#)

U.S. gasoline inventories probably rose to the highest level in six months as demand slipped with the end of the summer driving season and economic growth slowed, a Bloomberg News survey showed.

Stockpiles climbed 750,000 barrels, or 0.3 percent, in the seven days ended Sept. 24 from 226.1 million a week earlier, according to the median of nine analyst estimates before an Energy Department report tomorrow. The gain would leave supplies at the highest level since March 12.

[OIL FUTURES: Crude Down On Weaker Equities, Stronger Dollar](#)

Crude oil futures were lower Tuesday in Asia as regional equities fell on profit taking following recent gains ahead of a string of U.S. economic data due this week.

[BP Economist: 4Q Refining Margins Expected To Weaken](#)

Refining margins are expected to weaken in the fourth quarter due to high global oil product inventories, BP's PLC's (BP) Chief Economist Christof Ruehl said Tuesday.

"We have bloated OECD product stocks--the highest for at least 12 years--caused by an increase in crude runs over the last few quarters," Ruehl said, speaking at a refining conference.

[Oil flows again through pipe that burst in July, polluting Kalamazoo River](#)

In giving Enbridge the go-ahead to restart the pipeline last week, the federal Pipelines and Hazardous Materials Safety Administration mandated the 20 percent reduction until hundreds of anomalies along the line were repaired. The pipeline had been shutdown since the spill.

[Chavez May Strengthen Grip on Venezuela Economy as Foes Gain](#)

Venezuelan President Hugo Chavez, after suffering his worst setback at the ballot box since taking office in 1999, may seek to strengthen his grip on the economy and undermine opponents ahead of the 2012 presidential election.

Chavez's United Socialist Party of Venezuela, while securing 98 of 165 seats in National Assembly elections Sept. 26 after the redrawing of electoral districts, lost the two-thirds majority needed to pass key legislation by itself.

[Venezuelan Opposition Scores Victory in Defeat](#)

The Venezuelan opposition scored a big victory, despite its defeat in not having a majority of the National Assembly. The opposition obtained 52.9% of the vote, obtaining 635,000 more votes nationwide than Chavez' PSUV party. Thus, the opposition not only managed to block Chávez from obtaining a two-thirds majority, its minimum political goal, but also showed how rigged the system is when it obtained a majority of the votes, but only around 40% of the Assembly pending the undecided seats.

The results emphasized how rigged the system is, as the Venezuelan Constitution guarantees in Article 63 the right to proportional representation, but Chavismo, through its control of all powers changed rules and districts in order to insure it could retain control of the national Assembly.

[Eni, Mitsubishi to Bid for Iraqi Natural-Gas Contracts](#)

Crude output at the West Qurna 1 field may increase as much as 10-fold, said James Adams, Exxon Mobil Corp.'s head of operations in Iraq, speaking at a separate industry event today in Doha, Qatar. West Qurna 1 is producing between 200,000 to 250,000 barrels a day, down from a peak of 400,000 barrels in 2004 due to a loss of pressure inside the well, he said.

Exxon Mobil wants to restore pressure by injecting water into the field. Iraq's government has asked the company to help build a water-injection facility that would also serve other fields in the country's south. Upon its expected completion after three years, the injection unit could pump as much as 15 million barrels of seawater a day, Adams said.

[Exxon to Boost Drilling at West Qurna Field](#)

James Adams, Exxon's Iraq vice president, said at an energy conference in Qatar, that the oil major aims to drill two to three times as many wells as the 370 currently in the field as part of long-term plans to boost field output to 2.3 million barrels a day.

[Kuwait Expects No Change at Next OPEC Meeting, Al-Sabah Says](#)

"No, I don't expect it to change," al-Sabah said in response to questions from reporters in New Delhi. The 12-member Organization of Petroleum Exporting Countries is next scheduled to meet on Oct. 14 in Vienna.

[GE Expands in China With Wind-Power Deal](#)

General Electric Co. has formed a joint venture with a Chinese power-equipment company in an effort to win business in that country's booming but locally dominated market for wind turbines.

The conglomerate is joining with Harbin Electric Machinery Co. to make GE-designed onshore and offshore wind turbines.

GE will be a minority partner in the venture, with a 49% stake. The partnership also could involve sharing technology for blades, towers and controls on wind turbines.

[Mexico's Pemex Crude Output On The Rise For Most Of September](#)

Mexican state-owned oil company Petroleos Mexicanos, or Pemex, said Monday that crude production during the Sept. 1-26 period averaged 2.587 million barrels a day, compared with 2.559 million barrels a day for the full month of August.

Pemex said September oil production was led by the Ku-Maloob-Zaap complex of fields in the southern Gulf of Mexico, which reached 855,000 barrels a day on average, compared with 833,000 in August.

The company's offshore Cantarell complex, which has been in decline since 2004, produced 491,000 barrels a day in the September period, versus 495,000 barrels a day in August.

[Brazil To Export 1.5M Barrels Oil/Day In 2015, MME Says - Estado](#)

Brazil should be exporting 1.5 million barrels per day of oil in 2015 and 2 million bpd in 2019, said Mines and Energy Minister Marcio Zimmermann, as reported by the local Estado newswire.

[Insurgent Group in Iraq, Declared Tamed, Roars](#)

This spring, United States military commanders said that Al Qaeda in Mesopotamia was a group in disarray, all but finished as a formidable enemy after American and Iraqi troops had killed or captured more than three-quarters of its leaders.

But even as officials in the United States and Iraq made public pronouncements that reveled in Al Qaeda in Mesopotamia's demise, the Sunni insurgent group vowed "dark days colored in blood."

This summer, as if to make good on its pledge, Al Qaeda in Mesopotamia embarked on a wave of terror that managed to shake even an Iraqi public inured to violence: during the past two months, Iraq has witnessed some of its highest casualty tolls in more than two years, according to the government.

[Pennsylvania's Tax Level for Shale Drilling Sparks Debate](#)

The battle over what type of severance tax Pennsylvania should impose -- supposedly by Friday -- on the modern day Gold Rush, that is the Marcellus Shale natural gas reserve, has become a duel of two ideals.

[China's economy still on track, domestic consumption needs boosting: Asian Development Bank](#)

China's economy will continue growing rapidly, but it must boost domestic consumption to achieve more sustainable growth, the Asian Development Bank (ADB) said Tuesday.

[Chinese vice president calls for closer links with Russia](#)

Medvedev said Russia-China relations have reached an unprecedented high thanks to the high level of mutual trust between the two countries.

He said Russia will unswervingly work on developing future-orientated Russia-China strategic cooperation.

[Cuba ups gasoline prices about 10 percent](#)

Cuba has upped already-high gasoline prices by about 10 percent amid sweeping changes to the economy, a move that could lead to grumbling among cash-strapped islanders, particularly private taxi drivers who are not allowed to raise their own prices.

The cost of diesel fuel — used by many of the old cars that populate Cuba's streets — rose to \$1.19 a liter (\$4.50 a gallon), about 11 cents a liter (42 cents a gallon) higher than previously.

[China to stick with one-child policy](#)

China will continue to limit most families to just one child in the coming decades, state media said Monday, despite concerns about the policy's problematic side effects, such as too few girls and a rapidly aging population.

[ConocoPhillips shuts-in natural gas production to wait for better prices](#)

According to a report from Reuters, ConocoPhillips (NYSE:COP) CEO Jim Mulva revealed at an industry conference Monday that the company has shut-in some onshore North American natural gas production due to low prices.

"We've had a small amount of production that we've shut in because we feel it's not that economic to produce," the executive told Reuters. "And so we'd rather keep it in the ground for when we can produce it at a later date."

Natural gas is currently trading on the Henry Hub at about \$3.75 per mmbtu.

While the company is stopping some natural gas production onshore the US and Canada, ConocoPhillips is looking to increase investments in "liquids rich" shale plays, such as the

Eagle Ford in South Texas, Mulva added.

[Jordan Seeking Bidders for 'Master Plan' on Gas Supplies, Minister Says](#)

Jordan, which imports almost all of its energy, forecasts that domestic fuel consumption will increase to 10 million metric tons of oil equivalent by 2020, compared with its current level of 7.5 million tons. The government estimates that electricity demand will almost double over the same period to 5,200 megawatts.

[Nigerian oil minister sees new oil law in weeks](#)

Passage of the petroleum industry bill, which promises widespread reforms was expected in late August, but ran aground on the opposition of international oil companies.

[Carbon tax could be the ticket for a greener Australia](#)

The Cap or Trap?([pdf](#)) report finds that the second phase of the European ETS will fail to deliver significant carbon reductions. This will be a surprising outcome for many Australians who have been led to believe that emissions trading is 'decarbonising' Europe.

Although a carbon tax cannot 'guarantee' specific targets, it can guarantee revenue.

[South Africa launches world first synthetic jet fuel](#)

South African petrochemical giant Sasol (NYSE:SSL) has set a world record after flying the world's maiden commercial passenger flight powered solely by the company's 100 percent synthetic jet fuel, which is made by converting coal into liquid fuel.

"This is a very clean burning fuel and much better in terms of CO2 emissions, compared with conventional jet fuel. Sasol is always considering its environmental impact, and as a company we are looking at full cycle of reducing our carbon footprint, across our processes," Davies said.

[Saudi wasting up to 30% of groundwater-scholar](#)

Saudi Arabia, the biggest oil producer in the Middle East, is increasingly concerned about the high consumption rate of its natural resources.

Domestic use of oil and natural gas is growing faster than the kingdom's population and economy, central bank Governor Muhammad Al Jasser said on Sunday.

Replacing groundwater with desalinated water, produced hundreds of kilometres away at the coast, would cost 8.8 riyals (\$2.35) per cubic metre, Abahusayn said.

[Balancing economic risks: Tips for a well-structured deal](#)

The amount of infrastructure development currently underway worldwide is impressive by historical standards, especially in the Middle East. To offset the risk to private investors, governments are playing a major role through privatization and public-private partnerships, but spreading the exposure across multiple parties in a consortium does not eliminate the risks. This article proposes tools and techniques for owners and operators to minimize the economic risks of large capital projects in the Gulf Cooperation Council (GCC).

[\[Bric Food File\] Emerging markets redraw the world food map](#)

In the past rapid rises in food prices tended to be triggered by supply shocks such as crop failures. But more recently demand shocks are playing a bigger role as countries such as China, India and Brazil become richer.

[About 100 arrested in mountaintop mining protest](#)

Among those arrested was climate scientist James Hansen, who issued a statement saying that mountaintop removal "destroys historic mountain ranges, poisons water supplies and pollutes the air with coal and rock dust."

[NT govt declares opposition on planned Cameco uranium site in Alice Springs](#)

The planned uranium project attracted criticisms from many environmentalists, who argued that uranium mining activities near the springs could potentially contaminate the area's underground water reservoir.

[Need for Phosphate](#)

A number of years ago, Wesley Pierce, a geologist with the Arizona Geological Survey, wrote a paper titled "No Rocks - No Ice Cream." The links in the chain of events that makes ice cream possible reveals that rocks, minerals, fertilizers, grains, cows, milk,

cream, and machinery are all essential.



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