Political sensitivities

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Topic: Demand/Consumption
Tags: china, employment, peak oil [list all tags]

Courtesy of Salon I see that Chinese imports of oil are now running about 4.8% above last year at about 2.65 mbd. The story also, relative to my previous post, includes the following:

> U.S. lawmakers on Thursday urged the Bush administration to open an area of the eastern Gulf of Mexico to natural gas development, arguing that just an announcement of this new supply of gas might help stabilize or reduce natural gas prices.
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> But the U.S. Interior Department has told Florida it would not consider a lease sale in the area until at least 2007. Florida opposes development of the area because some of it is within 100 miles of the state's Panhandle region.

Incidentally the Chinese would like you to know that it is not their demand that is causing oil prices to go up.

> As a matter of fact, big energy consuming countries such as China, the United States, Japan, Germany, the Republic of Korea (ROK) and India are all contributing to rising oil prices. But in terms of total volume, the rate of increase or the energy sector per se, laying the blame at China's doorstep is not a compelling position.
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> First, let us look at total volume. According to BP's Statistical Review of World Energy 2005, China consumed 310 million tons of oil in 2004, accounting for 8 per cent of the world total, whereas the United States guzzled 938 million tons - a quarter of the global total and three times China's consumption.

While the story does not convey many new facts, it does suggest that the Chinese are not amused by being an object of blame.

Bigfootvegan added a story, originally from the IHT which reinforces some of the concerns about the rising costs for the industry. I have brought parts of it forward, since it reiterates some of the points that have been made here.

> One problem common to most companies is finding new engineers and geologists to fill the shoes of an aging work force that is mostly expected to retire over the next decade.
> In the United States, half of workers in the oil and gas industry are between the ages of 50 and 60 and will retire over the coming decade; only 15 percent are in their early 20s to mid-30s; the average age in the industry is 48.

> "The industry is going to have a lot of challenges replacing all the graying people leaving in the next few years," said Mark Rubin, the executive director of the Society of Petroleum Engineers. The average age for oil engineers is 51.
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> Students have been scared away from petroleum engineering and geology studies by the oil industry's brutal layoffs and negative image, analysts said.
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> After reaching a peak of 11,000 in 1983, the number of students enrolled in petroleum engineering in the United States has dropped to 1,700, while the number of universities offering these programs halved to 17 over the same period, according to figures compiled by Lloyd Heinze, a professor at Texas Tech. Enrollment hit a low of 1,300 students in 1997.
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> According to the American Petroleum Institute, oil companies will need to hire more than 5,000 engineers and 1,300 geoscientists to meet their needs. Getting them will be challenging.
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> "The availability of talent across the globe is shrinking," said Navjot Singh, the global marketing manager for recruitment at Royal Dutch Shell, whose company said this year that it plans to recruit 1,000 petroleum engineers.

And not only talent, with the damage done to rigs in the Gulf and the industry already using most of what was available. The price for renting rigs is way up, the article says the following

> Meanwhile, the crunch has pushed up prices, for example, with the day rate for renting a 1,000 horsepower drilling rig in the United States jumping to $15,000 from about $9,000 a year ago, according to Richard Mason, the Lubbock, Texas-based publisher of The Land Rig Newsletter.
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> For deepwater drillships, the jump has been even more substantial, jumping by more than a third to as much as $300,000 a day.
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> "The last time drilling was profitable like this was in 1981, making this a stars-are-aligned, once-in-a-generation moment," said Mason.

We heard the following, from a friendly correspondent

> Just got our newest contract bids in. Drilling rig rates are up another 20-30% as of this week. That's your basic rig from 2004 moving from $35,000 per day to $95,000 per day, or a 170% increase...
>
> Steel products (pipe, wellheads, etc.) are on 6-12 month backorder and their prices are up over 300% from 2004. Our cement costs have doubled as well.

Funny that in discussing all the nice money that the oil companies are making, it was hard to find mention of any major investment in new technology development - supposedly our savior for the future.