



Drumbeat: November 24, 2010

Posted by [Leanan](#) on November 24, 2010 - 9:18am

Topic: [Miscellaneous](#)

[Chris Martenson: Economic Implications of IEA's Lowered Oil Estimates](#)

Once a year, the International Energy Agency (IEA) releases its World Energy Outlook (WEO), and it's our tradition to review it. A lot of articles have already been written on the WEO 2010 report, and I don't wish to tread an already well-worn path, but the subject is just too important to leave relegate to a single week of attention.

Because some people will only read the first two paragraphs, let me get a couple of conclusions out right up front. You need to pay close attention to Peak Oil, and you need to begin adjusting, because it has already happened. The first conclusion is mine; the second belongs to the IEA.

for natural gas and 724 for oil. Ten were listed as miscellaneous. A year ago this week, the rig count stood at 1,137. The tally, normally released on Friday, was advanced this week because of Thanksgiving.

[Shell Ordered to Operate 360,000-Barrel-a-Day Pipeline at Reduced Pressure](#)

Royal Dutch Shell Plc must reduce operating pressure on its 360,000-barrel-a-day pipeline from Houma, Louisiana, to Houston by 20 percent, under a corrective- action order issued yesterday by U.S. regulators.

The Pipeline and Hazardous Materials Safety Administration found that the company failed to identify an indication of corrosion during a 2007 inspection of the pipeline, according to the order. The pipeline was shut after it leaked about 1,000 barrels of oil Nov. 16.

[Aramco to Start Building Jazan Refinery in First Quarter 2013](#)

Saudi Aramco, the world's largest state-owned oil company, will start building a planned refinery in the new industrial city of Jazan during the first quarter of 2013, one of the city's developers said today.

[What's Waiting for Us in 2011](#)

Even the IEA raised its global oil demand forecast again — this time by 0.2 million barrels per day, which puts their projected 2011 demand to 88.5 million barrels per day. That's compared with the 87.3 million barrels per day projected for 2010.

Although those levels are nothing to boast about, remember that production is still around 86 million barrels per day. Going forward, we can count on that gap widening.

So in 2011, it's likely that we'll see the return of \$100/bbl oil.

[Rising commodity prices strain corporate supply chains](#)

The rising price of industrial and agricultural commodity futures is straining the ability of many firms to maintain their margins without raising prices. A price increase will always be the last resort, particularly when consumer spending remains depressed and lines of credit are drying up for many buyers. Yet retailers and manufacturers have to find some way to cope with the rising costs of cotton, silver, aluminum, wheat, corn and rare earth metals.

Nate Herman, the vice president for international trade at the American Apparel and Footwear Association, recently told Bloomberg/Businessweek that "there's just not any room left to take it in margin."

[Lukoil oil flows dip](#)

Lukoil said today its crude oil output fell nearly 1.4% in January-September 2010, year-on-year, due to field depletion.

[ConocoPhillips cuts 80 jobs in Canadian gas unit](#)

(Reuters) - ConocoPhillips (COP.N), the third-largest U.S. oil company, has cut 80 jobs in its Canadian unit as part of moves to cope with weak natural gas prices, a spokesman said on Wednesday.

ConocoPhillips has said layoffs are among moves that also include shutting off 28,000 barrels of oil equivalent a day worth of unprofitable gas production.

[Analysis: Where is gas used next in China? Trucks and trawlers](#)

(Reuters) - Feeling the pain of soaring fuel bills, trawler captain Liang Liming is thrilled

to hear that in a few years his diesel-guzzling 400-horsepower boat may shift to natural gas, a cleaner fuel about a third cheaper.

Independent firms supplying retail volumes of liquefied natural gas (LNG) around China are targeting hundreds of thousands of users such as Liang, gunning for as much as 10 percent of China's roughly 1.6 million barrels per day diesel market for transport use by 2015.

[Italy Eni SpA Will Continue Ecuador Oil Operations Until 2023](#)

QUITO -(Dow Jones)- Italy's Eni SpA said Wednesday the service contract it signed Tuesday in Ecuador will allow it to continue operations in the Andean country until 2023.

Eni operates the Villano oil field in Block 10, in the Amazon region.

[FACTBOX-Ecuador's new contracts with foreign oil firms](#)

QUITO (Reuters) - Ecuador began preparations on Wednesday to take over the local assets of Brazil's Petrobras, the only major oil company to refuse to sign new contracts designed to increase state control over the petroleum sector.

['Transocean hiding safety audits'](#)

Transocean has failed to turn over rig fleet safety audits subpoenaed by federal investigators probing causes of the fatal explosion of the company's Deepwater Horizon drilling rig in April, the US told a judge.

[T. Boone's BP Capital adds BP shares](#)

NEW YORK (Reuters) - BP Capital, the investment management firm led by billionaire energy investor T. Boone Pickens, has purchased shares of oil company BP Plc for the first time in nearly six years and dropped its holdings in offshore oil driller Transocean Ltd, according to a quarterly report filed with the U.S. Securities and Exchange Commission.

[BP made risky decisions before spill-panel document](#)

WASHINGTON (Reuters) - BP made a series of decisions while drilling its doomed Macondo well that saved time but added risks prior to its massive Gulf spill, according to a White House oil spill commission document leaked by a media outlet.

[Final oil spill compensation process begins](#)

(Reuters) - The administrator of the \$20-billion fund created by BP Plc to compensate Gulf of Mexico oil spill victims announced plans on Wednesday for processing final payments.

[Afghanistan: the pipeline factor](#)

Of the many possible reasons for Canada to stay in Afghanistan — ending terrorism, liberating women, educating girls, spreading democracy, keeping NATO from failing — one dynamic is rarely discussed. The TAPI pipeline project has long been the elephant in the closet, quietly supported by Western powers. Countries expect to sign formal agreements in December, with construction to be completed by 2014 — a magic date for Ottawa too. The pipeline deserves attention, as it is likely to be a target for insurgents and a reason for ongoing military occupation.

[ANALYSIS-Polish, Czech power markets choose different paths](#)

LONDON/PRAGUE (Reuters) - Czech and Polish power prices show that their markets are becoming increasingly linked with the rest of the continent, but central Europe's two biggest energy markets are choosing different integration strategies.

[Wind Power Always Replaces Fossil Fuels](#)

Some people challenge the fact that wind power will reduce the use of fossil fuels to generate electricity. Allow me to make the case that every megawatt-hour of wind generated power will indeed replace the equivalent electricity generated from oil, natural gas or coal, and in that order. Importantly, wind power will avoid the environmentally harmful and unhealthful emissions resulting from those fossil fuel replacements. And the use of wind power will decrease the import of oil and natural gas consequently easing a national security concern and national trade deficit.

[A Rough Guide to the Future](#)

There's a new book out that I recommend giving as a holiday gift, or just purchasing for yourself.

Jon Turney has produced an excellent, compelling, accessible overview of futurology that rewards both skimming and deeper reading. Gathering together ideas from many disciplines and opinions from diverse perspectives, he offers a moderate, believable, but still thrilling exploration of what lies ahead.

[Avoiding catastrophe](#)

Unfortunately, even peak oil will not save us. While the International Energy Agency recently confirmed that world crude oil production most likely peaked in 2006 – leading the watchdog's chief economist Fatih Birol to observe that “the age of cheap oil is over” – there is still enough oil shale, tar sands, coal and natural gas to burn through the first quarter of this century. To be sure, that is not long – but it is long enough to potentially push us off a climate cliff.

[The Warming of Antarctica: A Citadel of Ice Begins to Melt](#)

Of particular concern to scientists is the effect of this warmer water on the Pine Island and Thwaites glaciers, located at 75° South, below the Antarctic Peninsula. Robert Bindshadler, a senior fellow at the Goddard Space Flight Center and an expert on Antarctic ice, believes that the warmer waters are melting the submerged undersides of the ice shelves attached to these glaciers, causing them to grow thinner; in places, the Pine Island Ice Shelf is thinning at a rate of 160 feet a year, and the melting is effectively loosening the grip of the Pine Island Glacier on the sea floor, causing the vast river of ice behind it to accelerate into the sea. The Pine Island Glacier is now charging into the Amundsen Sea at a rate of about two miles a year.

Bindshadler said that if all the ice from the ice streams feeding the Pine Island and Thwaites glaciers were to flow into the Southern Ocean, global sea levels could increase by five feet, inundating low-lying coastal areas from Florida to Bangladesh. Such an event, he said, could happen in the next half-century. Should the ice from the far-larger Western Antarctic Ice Sheet eventually melt, global sea levels could rise by 16 to 20 feet, according to Bindshadler and other researchers.

[2010 so far "tied for hottest year"](#)

(Reuters) - This year is so far tied for the hottest year in a temperature record dating back to 1850 in a new sign of a warming trend, the three major institutes which calculate global warming estimates told Reuters.

[Bill McKibben - Foreign Policy: Making Progress In Mexico](#)

At Cancun, the demand from the United States and others will be transparency for access to that "fast-start" cash — if you want financing, then you have to provide measurable, verifiable reductions in emissions. The south is desperate enough to keep the talks on track that there probably will be at least some advances on related questions of reporting, monitoring, and verification, and there might be real progress on deforestation, too. The main diplomatic effort will center on keeping the process somehow limping forward toward next year's conclave in South Africa — everyone

keeps hoping that if that happens some new opening will emerge. But if the summer of 2010 — 19 countries setting new heat records, Russia on fire, Pakistan underwater — didn't rattle leaders, it's not quite clear what will.

[Green Economy, Climate Change Debate Could Turn Out Differently This Time](#)

The big question is, how can we overcome partisan politics and special interests, which are still intervening against society's best interests?

Whether it's climate change, peak oil, energy security, keeping the billions we spend on oil at home to grow our own economy, or competing with the likes of China for leadership in new industries, such as wind and solar, everyone can find a reason to support moving to a carbon neutral society.

[Why carbon tax will work even if climate change theory is wrong](#)

Just because nobody knows the future is no excuse to do nothing in the face of worrisome possibilities, says Dan Gardner, the author of a solidly researched new book that makes it clear just how shaky — if not dead wrong — expert predictions usually are.

Good policy, Gardner writes in *Future Babble: Why Expert Predictions Fail — and Why We Believe Them Anyway*, stands up as worthwhile even if the forecast that prompted it turns out to be wrong.

[Chris Martenson: Economic Implications of IEA's Lowered Oil Estimates](#)

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[Oil Fluctuates as Dollar Strengthens Amid Bets on Rising U.S. Consumption](#)

Oil fluctuated in New York after a downgrade to Ireland's debt rating weakened the euro against the dollar, denting demand for commodities, while traders bet a report will show U.S. crude consumption is rising.

Oil trimmed a gain of as much as 0.8 percent as the dollar strengthened following Standard & Poor's lowering of Ireland's rating by two steps. U.S. crude inventories probably declined 2 million barrels, or 0.6 percent, last week from 357.6 million a week earlier, according to a Bloomberg News survey before an Energy Department report today. Yesterday an industry-funded report showed supplies grew.

"The physical oil market is improving, but slowly," said Thina Saltvedt, a Nordea Bank AB commodities analyst in Oslo. "Even though inventories are moving down, they're still quite high, and we don't expect a large upswing in U.S. demand."

[Floating Oil Storage Seen Exhausted By 2Q '11 - BP Economist](#)

LONDON -(Dow Jones)- Floating storage of crude oil and oil products is likely to be completely exhausted by the second quarter of 2011, said BP PLC's (BP) Chief Economist Christof Ruehl Wednesday.

Almost 140 million barrels of oil and oil products was being stored in ships at the start of 2010 following the demand slump during the 2009 recession, Ruehl said at the Oil Council conference in London. This amount has run down steadily this year as demand has recovered but oil production has remained steady, he said.

[OPEC Says It Won't Necessarily Boost Supplies if Crude Oil Reaches \\$100](#)

Oil prices at \$100 a barrel will only trigger action from the Organization of Petroleum Exporting Countries if they are accompanied by a supply shortage, the group's secretary-general said.

[Contango on Mideast Oil Disappears on China Diesel Squeeze](#)

The 16-month old contango in Dubai oil, the benchmark grade of crude for Asia, has disappeared as a shortage of diesel in China puts a premium on the quickest deliveries of fuel.

The December contract was 15 cents a barrel more expensive than January's today, reversing a discount that's been in place since July 2009, according to data from PVM Oil Associates, a London-based broker.

[China boosts coal shipments to power plants amid shortages](#)

China said Wednesday coal reserves at some power plants had fallen to danger levels, and pledged to increase coal shipments to power plants to ensure adequate electricity supply during winter.

[Monthly Record Seen for Chinese Coal Imports](#)

All-time highs in Chinese coal imports are expected this month and next, the firm said in a report issued earlier this month. Describing its estimates as conservative, Commodore predicts that Chinese coal imports will total about 16.75 million tons in November and 17.25 million tons in December, the vast majority of it steaming or thermal coal used for heat and electricity. The previous record, set in December 2009, was 16.38 million tons of imports, the company said.

[Goldman Sachs Forecasts China's Sway in Commodity Market to Shrink in 2011](#)

China's sway in the global commodity market is likely to shrink next year as the U.S. and Europe assume bigger roles, Goldman Sachs Group Inc. said.

"When we look into 2011, the story is not going to be China," Jeffrey Currie, head of commodities research at Goldman Sachs, said today at a conference in London. "It is going to be Europe and the U.S."

[Gas key to UK energy security](#)

"Gas is going to continue to play a vital role in keeping the lights on," said energy minister Charles Hendry at the launch of a major new study into gas. Gas currently provides 50 per cent of the UK's primary energy and, as the cleanest fossil fuel, must remain central to the energy mix if the UK is to honour its 2020 commitment to reduce greenhouse gas emissions by 34 per cent on 1990 levels.

[Gazprom 2011 spending drops](#)

Gazprom's board of directors has approved a investment programme of 816.36 billion roubles (\$26.02 billion) for next year, down 10% from its revised budget for this year, the Russian gas monopoly said today.

[Factbox: List of Asian oil sands investments](#)

(Reuters) - Thailand's PTT Exploration and Production PTTE.BK will pay \$2.3 billion for a 40 percent stake in Statoil ASA's oil sands project, marking Thailand's first foray into the Canadian oil sands industry and extending a string of Asian investments in the energy rich region.

Here is a list of Asian oil sands investments:

[Oil spill company may lose licences](#)

THE company responsible for one of Australia's worst oil spills could be stripped of its offshore drilling licences if measures to shore up safety standards are not up to scratch.

Resources Minister Martin Ferguson has decided to review Thai-owned gas and oil giant PTTEP's licence to operate in Australia after a damning report into last year's Montara oil disaster, released yesterday, found the company failed "basic oilfield practice 101" resulting in a 74-day spill spewing 29,600 barrels of oil into the Timor Sea.

[BPMIGAS sees Indonesia oil output at 970,000 bpd in 2011](#)

(Reuters) - BPMIGAS, Indonesia's oil and gas regulator, sees Indonesian oil production at 970,000 barrels-per-day (bpd) in 2011, up from its projection of 965,000 bpd for 2010.

BPMIGAS also sees oil prices at \$80 per barrel for 2011, said Hardiono, vice chairman of BPMIGAS on the sidelines of a conference in Perth.

[Frontline Says Oil Tankers Still Vulnerable as New Tonnage Enters Market](#)

Frontline Ltd., the world's biggest operator of supertankers, said the market is still "vulnerable" after almost five months of unprofitable rates. The shares fell the most in 2 1/2 months in Oslo trading.

Shipowners cut speeds and idled vessels this year as spot rates plunged as much as 71 percent from January to \$25,849 now, according to data from the Baltic Exchange. While the Northern Hemisphere's winter should spur oil demand, shipping will remain "vulnerable as new tonnage enters the market," Frontline said, referring to the biggest-ever shipbuilding program.

[BP makes Egypt gas hit](#)

UK supermajor BP said today it has made a significant new gas discovery in the West Mediterranean Deepwater Nile Delta concession off Egypt.

[Lake or sea? A tricky question for the Caspian](#)

Is the Caspian a sea or a lake? Maybe a rather metaphysical question for the business section but the answer could have profound results for the central Asian energy industry, which holds perhaps the largest amount of under-exploited oil and gas

reserves on earth.

...If they had decided the Caspian was lake, they would have had to carve up its resources and the revenue they produce equally, each getting one fifth of its bounty. Azerbaijan and Kazakhstan are especially concerned this should not happen: they have substantially more than that in the current de facto arrangement.

If the presidents had decided it was a sea, they could each have laid claim to areas according to the length of their coastlines. In particular, this would not have suited Iran: with only 13 per cent of the total Caspian shoreline, and the least promising so far in terms of proven hydrocarbon resources, it would have lost out to its neighbours with longer coastlines.

[Drilling Session Disappoints Landrieu](#)

A meeting between Interior Secretary Ken Salazar and offshore drilling executives on the Gulf Coast orchestrated by Senator Mary Landrieu, Democrat of Louisiana, failed to yield much progress on streamlining the permitting process for new wells in the aftermath of the BP oil spill, Ms. Landrieu said this week.

[Scientists Back Early Government Report on Gulf Spill](#)

An early government assessment of the fate of the oil from the BP spill in the Gulf of Mexico that was criticized as overly optimistic by some independent scientists was largely accurate, according to a revised report by federal scientists released Tuesday.

[Feds: Oil dispersant worked better than thought](#)

WASHINGTON – The federal government now figures that oil dispersants did a better job of breaking up the BP oil spill in the Gulf of Mexico than it first calculated.

A new analysis released Tuesday says the controversial chemicals helped break up about 32 million gallons of oil – about 16 percent of the spill. That's about twice as much as a federal team figured in August. Scientists say that is mostly due to the unusual method of injecting the chemicals so deep, about a mile down near the busted well.

[To spur conservation, power bills highlight subsidies](#)

ABU DHABI // The regulatory agency for Abu Dhabi's water and electricity will add another figure to customers' bills in January: the actual cost. The plan is part of a broader effort to reduce waste and put the nation's development on a more sustainable path, setting the course for potential rate increases.

Abu Dhabi has among the cheapest rates for electricity and water in the region due to major subsidies: the Government pays nearly 86 fils of every dirham of power consumed by Emiratis, and 50 fils for expatriates.

[Syria's nuclear stonewalling deepens](#)

VIENNA - Syria is refusing UN nuclear inspectors access to multiple suspect sites and has provided scant or inconsistent information about its atomic activities, an International Atomic Energy Agency report showed.

For over two years Syria has blocked IAEA access to the remains of a desert site which US intelligence reports say was a nascent North Korean-designed nuclear reactor to produce bomb fuel.

[Cold Snap Opens 'Season to Watch' for Electricite de France Nuclear Plants](#)

A cold snap in France over the next week will test Electricite de France SA's pledge to increase production at nuclear reactors and cut reliance on imported power this winter.

[Cameco Agrees to Supply Uranium to China's Guangdong Nuclear Through 2025](#)

Cameco Corp., the world's second- largest uranium producer, agreed to supply the fuel to China Guangdong Nuclear Power Holding Co. through 2025 to meet rising demand in the world's fastest-growing nuclear market.

Cameco plans to sell 29 million pounds of uranium concentrate to China Guangdong Nuclear, subject to the approval of the Chinese government, the Saskatoon, Saskatchewan-based company said in a statement yesterday. That's equivalent to about 13,000 metric tons.

[Salazar vows to speed offshore wind energy](#)

WASHINGTON – Interior Secretary Ken Salazar vowed Tuesday to spur offshore wind projects in the Atlantic Ocean by expediting permits and identifying promising areas for wind power.

At a speech in Baltimore, Salazar said he will institute a "smart permitting process" that could result in leases issued within two years, instead of seven years or more.

[Power From on High](#)

Two things happened last month to give us pause to reflect on clean energy. First, Germany added the equivalent of nearly 1 percent of its electricity supply with solar energy between January and August. The first 1 percent took 10 years to achieve; the next 1 percent just 8 months. Second, the author of this revolution, Hermann Scheer, died.

[Solar Power Cost to Equal Fossil Fuel Expense Within Decade, BP Forecasts](#)

The cost of generating power by capturing the sun's energy will fall about 10 percent a year in the next decade until it equals the expense of producing electricity by burning fossil fuels, a BP Plc official said.

As conventional fuel prices rise and solar power falls, generation costs may reach parity in as little as five years for some fossil energy sources, Vahid Fotuhi, Middle East director of BP Solar, said at a conference in Abu Dhabi yesterday. Solar power costs about 20 cents a kilowatt-hour now, he said.

[Chris Huhne: The Severn barrage will be built](#)

When Chris Huhne, the UK energy secretary, announced last month that he was cancelling public funding for the Severn barrage - the massive tidal power project which was due to provide around 5 per cent of the UK's electricity needs - it initially looked like the project was dead in the water.

But the government had left itself some wriggle room.

[Spain Delays \\$18 Billion Power-Bond Program as Government Yields Soar](#)

Spain has frozen the start of its 13.5 billion-euro (\$18 billion) program to sell state-guaranteed power revenue bonds until government debt-market volatility abates, people with direct knowledge of the transaction said.

Bankers who were authorized yesterday to begin gauging investor interest in the first tranche of bonds will wait until the yield stabilizes on Spanish debt, roiled by Ireland's bailout request, said two people who asked not to be named because the process is confidential. The sale may proceed after the yield settles, one of the people said.

[The Next Wave Of Green Cars](#)

DETROIT -- The first mass-market electric vehicles are about to go on sale in selected cities, kicking off the beginning of a wave of new green vehicles hitting showrooms over

the coming year.

[Government and business at odds over green investment bank](#)

Another faultline opened up today at a briefing attended by both Sam Laidlaw, the chief executive of Centrica and Huhne himself. Specifically, the pair seemed to be at odds over whether the green investment bank could be used to fund energy efficiency initiatives.

[Thoughtful living brings about change](#)

"Neil and Kyra's home is practically a demonstration project for reducing one's carbon footprint," Holden wrote.

The couple lives in a big, "recycled," as Kyra calls it, house about a mile out East End Road. They've made big improvements to their two and a half acres in the five years they've lived there, adding a solar panel, high tunnel, greenhouse, orchard and ducks. A root cellar and well-outfitted shop are located in the house, which is heated with an efficient wood stove and a passive solar water system. The house is much larger than they need, she said, but it's hard to imagine them hosting their many short- and long-term visitors in a smaller place.

"Instead of investing in Wall Street we invest in our house and our community, " explained Neil.

[Egypt says "amazed" by Ethiopia's Nile remarks](#)

ABU DHABI/CAIRO - Egypt said it was "amazed" by Ethiopia's suggestion on Tuesday that Cairo might turn to military action in a row over the Nile waters, saying it did not want confrontation and was not backing rebels there.

Egypt, Ethiopia and seven other countries through which the river passes have been locked in more than a decade of contentious talks driven by anger over the perceived injustice of a previous Nile water treaty signed in 1929.

[California Dreaming? The Golden State Takes the Lead in U.S. Efforts to Combat Climate Change](#)

California is taking the initiative and moving forward with plans to curb emissions of greenhouse gases, even as prospects for national and even international efforts fade.

[Satellites reveal differences in sea level rises](#)

Glaciers are retreating and parts of the ice sheets on Greenland and Antarctica are melting into the ocean. This must result in a rise in sea level, but by how much? A new measurement of the gravity everywhere around the globe with a pair of orbiting satellites provides the first ever map detailing the rises across different parts of the globe.



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