

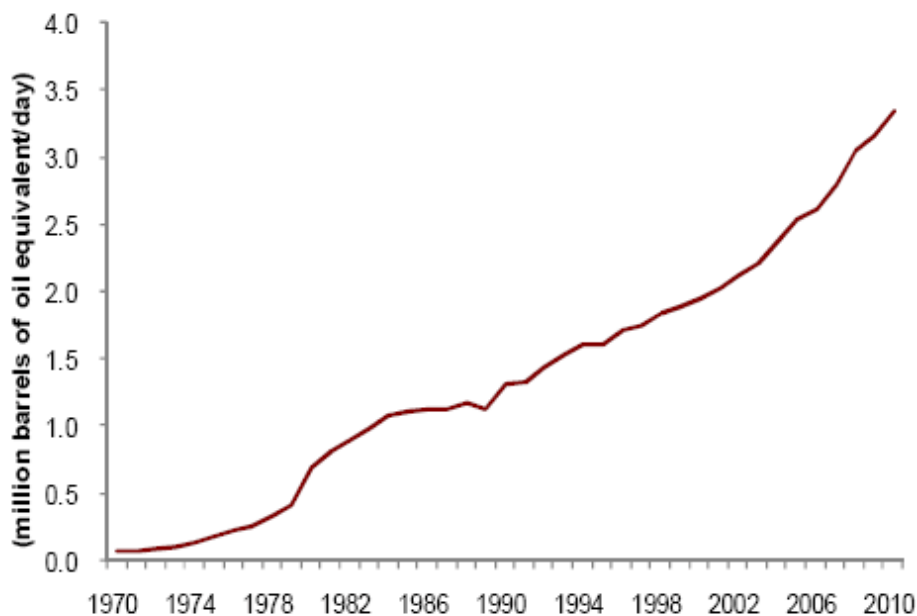


## Drumbeat: August 12, 2011

Posted by [Leanan](#) on August 12, 2011 - 9:42am

[Saudi Arabia's coming oil and fiscal challenge](#) [PDF]

### Domestic energy consumption



There is widespread understanding that with oil prices around \$100 per barrel, Saudi Arabia's oil wealth is providing vast revenue inflows, enabling a strong fiscal position with low government debt and high government savings. This wealth is particularly timely as the government has increased spending and cash transfers to Saudi citizens in the wake of the broader "Arab Spring".

For the near term, Saudi Arabia is likely to continue to receive oil revenues in excess of its spending needs, with the oil price needed to balance the budget currently about \$20 per barrel below the actual price.

Not widely realized, however, is that three major trends, if continued on their current and most likely paths, portend a much more difficult energy and revenue future for the Kingdom.

[Analysis - Recession risk unless oil prices fall further](#)

(Reuters) - If history is any guide, another oil-induced recession may be just around the corner, at least for the United States and some of the other developed economies.

Every time that the cost of oil relative to global economic output has hit current levels -- and that's even after sharp falls in spot prices this month -- it has heralded a slump.

### [US natgas rig count hits 5-mth high-Baker Hughes](#)

NEW YORK (Reuters) - The number of rigs drilling for natural gas in the United States climbed to its highest in more than five months, rising by 13 this week to 896, data from oil services firm Baker Hughes showed on Friday.

### [Mexican oil: Brimming with potential, stuck in the mud](#)

FORTUNE -- The Mexican oil industry is stuck in a holding pattern. In 1938, the Mexican government cast out foreign drillers and formed a national oil company, Petróleos Mexicanos, or PEMEX. It was a moment of great national pride, and for years, the model has worked. PEMEX has sent most of its profits to the government, which currently accounts for approximately one third of the government's income, according to PEMEX.

But recently, this business model has started to flag. There's still plenty of untapped oil in Mexico, but PEMEX needs new technology to get at oilfields that are hard to access, and the company's government affiliation has slowed the process. Last year, PEMEX started providing more financial incentives for foreign companies to drill in Mexico, but some major oil companies might not bite, given that Mexico will own all of the oil produced.

### [Pemex expansion plans protested](#)

VILLAHERMOSA, Mexico (UPI) -- Protests are rising in Mexico's southeastern state of Tabasco against pollution allegedly caused by the activities of local sugar mills and Petroleos Mexicanos.

### [Indian refiners start to pay off Iran oil debts](#)

NEW DELHI (Reuters) - Indian companies have paid the first installment of their Iran oil debts, Finance Minister Pranab Mukherjee told reporters on Friday, as money owed on shipments of some 400,000 barrels per day had risen to nearly \$5 billion.

### [Shale rail expansion inked](#)

Nustar Logistics and two subsidiaries of EOG Resources have agreed to build a 70,000

barrel per day offloading facility at a Louisiana terminal to handle oil from the Bakken and Eagle Ford shales, the companies said in a statement.

### [Shell says oil leak in flowline at N.Sea crude platform](#)

(Reuters) - Royal Dutch Shell said on Friday there was an oil leak at its Gannet Alpha Platform in the U.K. North Sea, and that it had restarted other platforms.

"There is a leak in the flow line," a spokesman with Shell said.

### [The plight of farmers and our responsibility](#)

Islamabad—Ghulam Hussain wishes he was not born a farmer; almost a blasphemous thought for someone who knows nothing else except growing crops. But when he looks at his 3 boisterous children, who know nothing of the bleak future facing the family, he cannot help thinking this way. The children are oblivious to the woes that plague their father, in spite of his sullen look. But his wife Parveen knows what troubles him and she feels sorry she can do nothing about it. Ghulam Hussain is out of fertilizer and does not have enough money to buy fresh stock.

### [Texas Power Grid Falls Short](#)

Peak electricity demand in sweltering Texas this summer already has surged past levels that weren't expected until 2014, exposing a shortage of generating capacity likely to persist for several years.

### [Tanzania Energy Regulator Suspends BP's Domestic Fuel Permit Over Shortage](#)

Tanzania's energy-industry regulator suspended British Petroleum Tanzania Ltd.'s wholesale license for three months amid a fuel shortage the authority says has been caused by suppliers disgruntled with lower prices.

### [Gas price drop fuels shortages: expert](#)

A big drop in gasoline prices in Nova Scotia will send drivers flocking to the pumps Friday, leaving some stations dry by the end of the day, a gas expert says.

### [UAQ feels strain of petrol shortage](#)

UMM AL QAIWAIN // The emirate's roads are rarely congested but fuel queues are now among the longest in the Northern Emirates amid the continuing petrol shortage.

On Sunday morning, the Abraj fuel station on King Faisal Road, the emirate's busiest route, had queues of more than 50 cars, which spilt out into the road. All were waiting for the station's four pumps.

### [Algerian smugglers send petrol to Libya, creating shortage at home](#)

One of our Observers has sent us images of lines of cars queuing at petrol stations in eastern Algeria. He explains that petrol is being illegally exported to Libya, causing a shortage in his region – which is rather ironic in a country that is one of the world's biggest oil exporters.

In Libya, demand for petrol has skyrocketed since the start of the civil war, spawning an extensive network of smugglers. Petrol is smuggled from Algeria through Tunisia to reach Libya, creating shortages in Tunisia as well. Shortages first hit Algeria several months ago, but they have gotten much worse in the past weeks.

### [Gaddafi forces still hold Brega oil terminal, refinery](#)

BENGHAZI, Libya — Troops loyal to Libyan leader Muammar Gaddafi are still in control of the oil terminal and refinery of the strategic eastern port of Brega despite rebel advances, a spokesman for rebel forces said on Friday.

The two sides have been battling for months over Brega, 750 km east of Tripoli. The rebels see securing the oil facilities as a tipping point in the war and hope to resume oil exports from there as quickly as possible.

### [Clinton Urges Syria's Allies to Get on 'Right Side of History'](#)

Secretary of State Hillary Clinton today urged nations doing business with Syria to “get on the right side of history” by cutting off trade and arms sales to the regime of President Bashar al-Assad.

### [Malawi rights groups plan more mass demonstrations](#)

LILONGWE (Reuters) - Malawian activists are planning a mass protest for Wednesday after talks with the government on political reforms that could see the United States and Britain resume aid to the country became deadlocked.

Civil rights groups want President Bingu wa Mutharika to explain his personal wealth, address foreign exchange and fuel shortages and reconcile with Britain, which froze aid after a diplomatic spat.

### [What's mined is theirs to spend, and fast](#)

States such as WA that face soaring debt levels are addicted to the direct revenue hit they receive from mineral royalties. There seems to be no other reason Barnett and Queensland's Anna Bligh are so enthusiastic about such projects.

But why rush, especially when these finite resources may be worth a lot more in the decades to come?

### [Russian gas deliveries to Kyrgyzstan and a cut in export duties for Tajikistan are bringing to an end the price hikes](#)

Russian gas deliveries to Kyrgyzstan and a cut in export duties for Tajikistan are bringing to an end the price hikes and fuel shortages that have crippled parts of Central Asia over the past few months.

### [API Disappointed by DOE Fracking Committee Recommendations](#)

API President and CEO Jack Gerard welcomed the shale gas subcommittee's acknowledgement of the economic and energy security benefits of natural gas development, but said the specific recommendations were disappointing and confusing.

### [Norway Oil Fund Head Unruffled by US Downgrade](#)

The U.S. credit rating downgrade by Standard & Poor's will have no impact on the large holdings of U.S. Treasury bonds by Norway's oil fund, the head of the agency that manages the fund told MarketWatch in an interview Friday.

### [Clamour to supply UAE nuclear needs](#)

Russia and France are in the running for a lucrative 15-year contract to supply the UAE with nuclear fuel.

### [Smashing the melon of American complacency with the mallet of Russian grit](#)

Take food for instance. Many urban Russians had *dachas* outside of town where they could grow food for their own use and for barter. But in the US, not only do few besides the relatively wealthy own a second home -- even fewer of us bother to plant a kitchen garden. When grocery store shelves start to empty out, the dependent American food eater will be like a baby who's lost his bottle. And a nation raised on cheap eats and easy livin' could soon face the unimaginable: widespread hunger.

So, what Orlov is really doing is trying to show that the American system is hard and unforgiving but that the American people are ripe and soft, like a big watermelon.

### [Lester R. Brown: A Fifty Million Dollar Tipping Point?](#)

At a press conference on July 21, New York City Mayor Michael Bloomberg announced that he was contributing \$50 million to the Sierra Club's Beyond Coal Campaign. Michael Brune, head of the Sierra Club, called it a "game changer". It is that, but it also could push the United States, and indeed the world, to a tipping point on the climate issue.

It is one thing for Michael Brune to say coal has to go, but quite another when Michael Bloomberg says so. Few outside the environmental community know who Michael Brune is, but every business person knows Michael Bloomberg as one of the most successful business entrepreneurs of his generation.

### [John Michael Greer: Salvaging Health](#)

One way or another, this is what history looks like as it's happening. Those of my readers who have been following along for a year or two, and have made at least a decent fraction of the preparations I've suggested, are probably as well prepared for the unfolding mess as anyone is likely to be. Those who have just joined the conversation, or were putting aside preparations for some later date—well, once the rubble stops bouncing and the smoke clears, you'll have the chance to assess what possibilities are still open and what you have the resources to accomplish. In the meantime, I want to continue the sequence of posts already under way, and discuss another of the things that's going to have to be salvaged as the current system grinds awkwardly to a halt.

### [In Auto Test in Europe, Meter Ticks Off Miles, and Fee to Driver](#)

EINDHOVEN, the Netherlands — As Sander Van Dedem recalled watching the charges tick up every 10 seconds on the dashboard meter on the way to the airport, he resolved to try public transportation next time. "Looking at the money makes you realize that a car isn't always a good idea," said Mr. Van Dedem, a commercial sales manager for I.B.M. here.

But his pricey ride was not in a taxi. He was driving his own Volvo XC60.

The car had been outfitted with the meter so that Mr. Van Dedem could take part in a trial of a controversial government tax proposal to charge drivers a fee for the miles they drive. The meter also factors in the cost to society in the form of pollution, traffic congestion, greenhouse gas emissions and wear and tear on roads.

### [Crude Oil Gains, Trimming Weekly Decline as Stocks Counter Demand Concern](#)

Oil rose in New York, paring this week's decline, as data showing higher U.S. retail sales during July assuaged concerns that the global recovery is fading.

Oil reversed losses today as European equities and U.S. stock-index futures climbed. Retail sales in the U.S. climbed in July by the most in four months, showing consumers are holding up even as employment slows. France's economy failed to grow in the second quarter and manufacturing in the euro region unexpectedly declined in June, reports today showed.

### [Explosion halts Iran gas imports to Turkey](#)

Turkey says an explosion at a pipeline has temporarily cut natural gas supplies from Iran.

The governor's office for Agri province, where the explosion occurred late yesterday, says Kurdish rebels are suspected of sabotaging the pipeline. The gas flow was immediately cut and no one was hurt in the explosion.

### [Russia urges Ukraine not to politicize gas deliveries](#)

Russian President Dmitry Medvedev has called on his Ukrainian counterpart Viktor Yanukovich not to politicize the Russian-Ukrainian gas cooperation, a Kremlin source said.

### [Tanker Owner BW Maritime Refuses Cargoes as Rentals Plunge](#)

BW Maritime, a Singapore-based owner of 15 supertankers, said it is declining cargoes as a glut of the vessels causes rents to plunge, joining rival Frontline Ltd. in refusing charters.

### [Japan utilities' fossil fuel usage in April-June](#)

TOKYO (Reuters) - Several Japanese power companies, led by Tokyo Electric Power Co, burned more gas in April-June to offset a sharply lower nuclear run rate with many reactors halted indefinitely due to safety concerns after the crisis at the tsunami-crippled Fukushima plant.

The average nuclear plant utilisation at the nation's 10 nuclear plant operators fell to 42.8 percent in the three months from 65.0 percent a year earlier.

### [Retail Sales in U.S. Climbed by Most in Four Months](#)

More Americans drove away from auto dealerships in new cars last month as an easing of supply-chain constraints caused by Japan's March disasters provided consumers with more variety and better pricing. Even so, Federal Reserve policy makers this week said



they were concerned that household spending had “flattened out” and the recent plunge in stocks is hurting confidence.

### [Syrian forces fire at protesters in Deir al-Zor](#)

(Reuters) - Syrian forces fired live ammunition at protesters coming out of a main mosque after Friday Prayers in the besieged city of Deir al-Zor, witnesses said, as protests against President Bashar al-Assad broke out elsewhere in the country.

### [Assad: Syria won't stop fight against "terrorists"](#)

AMMAN (Reuters) – Syrian President Bashar al-Assad said on Tuesday his forces would continue to pursue "terrorist groups" after Turkey pressed him to end a military assault aimed at crushing protests against his rule.

Syria "will not relent in pursuing the terrorist groups in order to protect the stability of the country and the security of the citizens," state news agency SANA quoted Assad as telling Turkish Foreign Minister Ahmet Davutoglu.

### [Nigeria Oil Reliance Weighs on 'Positive' Bank Bailouts, S&P's Esters Says](#)

Nigeria's "positive" 2009 bailout of lenders and reduction of nonperforming loans in the banking industry is being outweighed by its dependence on oil and continuing social unrest, according to Standard & Poor's.

### [Oil spoils](#)

BY BOOTING out Royal Dutch Shell in 1993, the 500,000 inhabitants of Nigeria's Ogoniland hoped to take the first step towards cleaning up their homeland, a small region within the creeks and swamps of the vast Niger Delta, Africa's biggest oil-producing region. Almost 20 years later, a new report from the UN says it could take 30 years and at least \$1 billion to rid the poisoned mangroves of a thick, black carpet of crude.

### [Gas Fracking Poses Serious Environmental Risks, Panel Finds](#)

Natural-gas companies risk causing serious environmental damage from hydraulic fracturing unless they commit to the best engineering practices, a task force named by Energy Secretary Steven Chu concluded.

### [Indonesia's oil output declines](#)



JAKARTA (UPI) -- Indonesia's BPMigas oil and gas regulator says that national fields are in decline.

Apparently confirming that Indonesia's oil production has hit a decline as predicted by "peak oil" proponents, BPMigas spokesman Gde Pradnyana said Indonesia will have to reduce its dependency on oil.

### [Lawmakers avoid tough but practical energy choices, hoping instead for elusive technological solutions](#)

There are several fundamental reasons for the problems with biofuels, especially for those not made from the fruit of the plant, where the fruit makes the sugars more accessible.

### [Toyota to Offer Six New Hybrid Models in 2012](#)

Toyota plans to offer six new gas-electric hybrid vehicles worldwide by the end of 2012, plus a plug-in Prius in the United States.

In addition, the automaker and Tesla Motors will introduce an all-electric version of the RAV4 S.U.V. at the Los Angeles auto show in November. It, too, will be available sometime in 2012, said John Hanson, Toyota national manager of environmental, safety and quality communications.

### [Transit ridership surges throughout Bay Area](#)

In a remarkable turnaround for transit agencies that have repeatedly slashed services, raised fares and lost state and federal funding, transit ridership is steadily rising throughout the Bay Area. Caltrain ridership was up almost 12 percent and BART almost 8 percent in weekday use in June compared with the same month a year ago. The Valley Transportation Authority saw an increase of more than 7 percent and the ACE commuter train of more than 14 percent, while SamTrans ridership was up 0.4 percent.

### [A Magnate's Green Epiphany](#)

Ray C. Anderson, a leading green business advocate and founder of Interface, one of the world's largest carpet manufacturers, died this week. He'd spent the last 17 years promoting the benefits of sustainable business practices, not only for protecting the environment but for boosting the bottom line.

His "epiphany" came in 1994, when he read Paul Hawken's "Ecology of Commerce." He documented his transformation from plunderer to protector in his book "Mid-Course Correction: Toward a Sustainable Enterprise," which is now required reading in every green M.B.A. program.

### [Sustainability skills and good business skills are increasingly the same thing](#)

The University of Exeter is offering the first sustainable MBA. But shouldn't all MBAs be teaching these skills?

### [Can Jeremy Grantham Profit From Ecological Mayhem?](#)

Energy “will give us serious and sustained problems” over the next 50 years as we make the transition from hydrocarbons — oil, coal, gas — to solar, wind, nuclear and other sources, but we’ll muddle through to a solution to Peak Oil and related challenges. Peak Everything Else will prove more intractable for humanity. Metals, for instance, “are entropy at work . . . from wonderful metal ores to scattered waste,” and scarcity and higher prices “will slowly increase *forever*,” but if we scrimp and recycle, we can make do for another century before tight constraint kicks in.

### [Handy infographic tells you if your city has a future](#)

The folks at the Project for Public Spaces have created this handy guide to figuring out if your city has a future or it’s destined to turn into the U.S. version of a favela as our national economic nightmare grinds on.

### [Mass Immigration: Energy and the Silent Lie](#)

What more will it take for Americans to comprehend what it means to add 3.1 million immigrants to the United States annually? How can we add another 200,000 legal immigrants every 30 days with over 14 million unemployed American workers? What is Congress thinking? Why are Americans too apathetic or too stupid to act? How come no one understands the implications on multiple levels of adding 72 to 75 million legal immigrants to the USA by 2035? How can we rationally and emotionally accept that number of immigrants added in a blink of time?

### [Almost Time to Change the Bulb](#)

YOU may have heard that the federal government wants to limit your choice of light bulbs, starting in January.

If only.

Thanks to regulations taking effect that month under the Energy Independence and Security Act of 2007, shopping for light bulbs is fast becoming akin to choosing a spouse: the options are almost endless, and the object of your affection might last longer in the house than you.

### [Negative Image Aside, Asian Carp Are a Boon](#)

For many people, Asian carp are proving more boon than bane. Bolstered by government support, the Asian carp harvest has leapt thirtyfold in the past decade, creating a new industry, attracting fishermen and entrepreneurs, and feeding people all over the world.

“We’ve been ramping up for years,” said Mike Schafer, owner of Schafer Fisheries.

In 2010, the company sold some 20 million pounds of Asian carp to clients as far-flung as Turkey and Indonesia, up from two million pounds in 2006.

### [New Rules and Old Plants May Strain Summer Energy Supplies](#)

WASHINGTON — As 58 million people across 13 states sweated through the third day of a heat wave last month, power demand in North America’s largest regional grid jurisdiction hit a record high. And yet there was no shortage, no rolling blackout and no brownout in an area that stretches from Maryland to Chicago.

But that may not be the case in the future as stricter air quality rules are put in place. Eastern utilities satisfied demand that day — July 21 — with hefty output from dozens of 1950s and 1960s coal-burning power plants that dump prodigious amounts of acid gases, soot, mercury and arsenic into the air. Because of new Environmental Protection Agency rules, and some yet to be written, many of those plants are expected to close in coming years.

### [As Ecosystems, Cities Yield Some Surprises](#)

In Boston, scientists measuring the city’s greenhouse gas emissions have found what they call a “weekend effect,” a clear drop-off in the amount of carbon dioxide entering the city’s atmosphere on Saturdays and Sundays. In Fresno, researchers have discovered that backyard water use increases with wealth, as does backyard biodiversity. And in Los Angeles, ecologists studying the city’s “ecohydrology” have calculated that planting a million new trees, an idea with fairly universal appeal, would have the drawback of increasing water consumption by 5 percent.

### [The next global trade battle](#)

BRUSSELS, Belgium — Prepare for extreme turbulence between the European Union and the rest of the world.

Not usually accused of being unilateralist and unwilling to negotiate, the EU has sparked what is shaping up to be the next big international trade dispute.



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