



Drumbeat: October 21, 2011

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[Declining Energy Quality and Economic Recession](#)

According to many, downturns in the U.S. and European markets are primarily the result of unsustainable behaviors in the financial industry. But, some critics are asking – was declining energy quality a major contributor to these negative turns? According to Dr. Carey King, a research associate at the Jackson School of Geosciences at The University of Texas at Austin, the answer to this question is likely “yes.” And, he is not alone in his opinion – critics including Professors Robert Ayres and Charles Hall, as well as former chief economist at CIBC World Markets Jeff Rubin have also voiced their belief that energy quality was (and will continue to be) a main driver in our economic strength (or weakness).

Dr. King’s research focuses on a metric called *Energy Return on Energy Invested* (EROI). In his work, he strives to define what EROI includes and what it means – with the hope of allowing us to compare the efficiency of the different energy sources that we currently, or might soon, rely upon to power our lives. In Dr. King’s publication in *Environmental Research Letters*, he discusses EROI in terms of another interesting dimension, called the *Energy Intensity Ratio* (EIR), which brings economics into the mix.

[US sheds 10 rigs](#)

The number of rigs drilling in the US fell by 10 this week, bringing the total in the country to 2013, according to the weekly report by Houston-based oilfield services giant Baker Hughes.

[Mexico's Pemex expects output to hold steady at 2.57 mn bpd](#)

Mexico City (EFE via COMTEX) -- State-owned Petroleos Mexicanos, or Pemex, estimates that oil output will climb to more than 2.6 million barrels per day by the end of 2011, enough to lift average production for the year to 2.57 million bpd, or the same level as 2010, CEO Juan Jose Suarez Coppel said Wednesday.

In a congressional hearing, the executive said that result would mean "the production shortfall that began in 2005 with the decline ... of the Cantarell field will finally have been halted."

[Malawi needs fuel pricing reforms – MCCI](#)

Malawi Confederation of Chambers of Commerce and Industry (MCCCI) has called for reforms in the pricing of fuel, saying Malawi is experiencing severe shortage of fuel because of the poor performance on the availability of foreign exchange.

[Private fuel stations scramble as diesel supplies tank](#)

SHANGHAI / BEIJING - Private-sector gas stations, which account for almost half of the nation's total, are experiencing a severe diesel shortage that won't pass quickly, analysts said.

Diesel shortages arise every September and October, the traditional peak months for diesel use, forcing private-sector gas stations to scour the country for supplies. But the shortfall is worse than usual this year.

[Trouble turning up the heat](#)

THE energy market isn't working, says Chris Huhne, Britain's energy secretary. At the Liberal Democrat party conference in September he attacked firms for "predatory pricing". Gas and electricity prices have risen by nearly a fifth this year, which helped push the latest consumer-price index of inflation, released on October 18th, back to its 2008 peak of 5.2%. This week David Cameron, the prime minister, held a summit with the utility companies to whip them into line.

But an ear-bashing from politicians won't fix the problem. At stake is more than grumbling by domestic consumers. Since 1990 Britain has boasted one of the most liberalised energy markets in the rich world, and could initially point to some of the lowest prices in Europe. No longer. Bills are rising and fuel poverty, defined as spending more than 10% of household income on energy, is growing: Consumer Focus, a watchdog, predicts this year's price hikes will increase the number of households in fuel poverty from 5.1m to 6.4m.

[Richard Heinberg: Course Review \(or why Daniel Yergin needs to do his homework\)](#)

Let's start with the "game changer" of natural gas hydrofracturing. Here we have complex, costly technology being applied to the production of a resource that is otherwise getting scarce (conventional natural gas production is in decline in the US, and soon to be so in most other regions). But today the US has plenty of gas and prices are low. Reserves in the Marcellus and other shale regions are high. Is this evidence that the "peak" thesis is wrong?

[Mozambique's bonanza feeds evidence of a coming cleaner China](#)

Mozambique is the world's newest petro-state. U.S. and Italian companies say they have found the natural gas equivalent of more than 4 billion barrels of oil offshore from the southeast African country.

The news is larger than Mozambique, as we see again that long stretches of the African continent from north to south on both coasts appear to be swimming in oil and natural gas. The geologic structures are so rich that drillers have sought and found analogues across the Atlantic in French Guiana.

[BP Wins U.S. Gulf Deep-Water Plan Approval](#)

BP Plc (BP/) received U.S. permission for oil exploration in the deep waters of the Gulf of Mexico, the first approval since the company's Macondo well caused the nation's worst offshore spill last year.

The company must obtain a drilling permit before work can begin in a field about 192 miles (309 kilometers) off the Louisiana coast, according to the Bureau of Ocean Energy Management, which announced approval of the exploration plan today in an e-mailed statement.

[Shale Gas a Major Contributor in Reducing Greenhouse Gas Emissions -API](#)

Natural gas from shale formations represented a walloping \$37 billion of the overall \$108 billion that the petroleum industry invested in technologies to reduce greenhouse gas (GHG) emissions between 2000 and 2010, according to a new report released by the American Petroleum Institute (API) on October 20.

[EPA To Develop Natural Gas Wastewater Standards](#)

U.S. officials plan to create new environmental standards for natural gas production and coal bed methane extraction.

The Environmental Protection Agency said Thursday that it plans to propose new rules for wastewater associated with shale gas in 2014 and for coal bed methane extraction in 2013.

[Nigeria village files \\$1B suit against Shell in US](#)

LAGOS, Nigeria—A village in Nigeria's oil-rich southern delta where observers found a drinking-water well polluted with benzene 900 times the international limit has sued Royal Dutch Shell PLC for \$1 billion in a U.S. federal court.

[Shell to Boost Nigeria Natural-Gas Output Within a Year, Reduce Flaring](#)

Royal Dutch Shell Plc (RDSA), operator of Nigeria's largest oil fields, plans to boost its natural-gas production in the country as it starts a new facility and cuts flaring, or the burning of the fuel at fields.

The Hague-based company plans to increase daily output to one billion cubic feet within a year from about 700 million, Osten Olorunsola, Shell's vice president for gas in sub-Saharan Africa, said yesterday in an interview in Abuja, the capital.

[Obama: 'America's war in Iraq will be over' at year's end](#)

U.S. President Barack Obama, announcing Friday that "the rest of our troops will come home by the end of the year," said: "After nearly nine years, America's war in Iraq will be over."

[Clinton warns Pakistan: 'You can't keep snakes in your backyard'](#)

ISLAMABAD — Secretary of State Hillary Clinton said Friday that the United States had held a preliminary meeting with representatives of the Haqqani network, a group of militants Washington has blamed for a series of attacks in Afghanistan.

[Syrian protesters: 'It is your turn now, Bashar'](#)

AMMAN — The killing of Libya's Moammar Gadhafi fueled anti-government rallies across Syria after Friday prayers and security forces killed 13 people in a continued crackdown on protesters seeking President Bashar al-Assad's ouster, activists said.

[Exclusive - Libya summons Gazprom over Gaddafi-era oil deal](#)

(Reuters) - Libya's National Oil Corporation has summoned Russia's Gazprom to a meeting in Tripoli to discuss what the Libyans said was a breach of investment obligations -- the first sign the new leaders are prepared to renegotiate Gaddafi-era contracts.

[No oil bounty for France and UK as Libya rebuilds](#)

London (CNN) -- As the National Transitional Council (NTC) prepares to dissolve itself, and its replacement starts working towards Libya's new constitution and democratic institutions, it is worth reflecting why the United Kingdom and France supported the revolution back in late March. Contrary to what some believe, it was not all about oil; but oil and gas will be central to Libya's recovery.

[In Libya, echoes of when the CIA's Afghan funding went wrong](#)

For six months -- ever since the rebel movement took shape in Benghazi -- one of the liveliest guessing games in Libya has been deducing the whys of Qatar's deep intervention in the uprising. After all, for the last decade or so, Qatar ruler Hamad Bin Khalifa al-Thani's main preoccupations have been the accumulation of a fabulous natural gas fortune, and the creation of a wondrously successful all-news TV channel. But now, Sheikh Hamad has deployed jets, military and political emissaries, and tens of millions of dollars to project the influence of his ultra-tiny sheikhdom.

This sudden high profile has generated concern, particularly among those familiar with how similar well-meaning Arab largesse went wrong in 1980s Afghanistan, leading to that nation's long period of jihadism.

[Chugoku to borrow \\$1.31 bln from banks - Nikkei](#)

(Reuters) - Major Japanese banks, including Mizuho Corporate Bank and the Development Bank of Japan, decided on Friday to lend a total of 100 billion yen (\$1.31 billion) to Chugoku Electric Power Co by the fiscal year-end, the Nikkei business daily said.

Chugoku plans to use the money to purchase fossil fuels for power plants, the paper said.

[What Will Turn Us On in 2030?](#)

Will it be solar power? Nuclear power? Biofuels from algae? At a Future Tense event on Wednesday, energy experts took their best at prognosticating where our energy will come from in 2030. Though the participants came from a variety of backgrounds—academia, the auto industry, clean-tech startups, science journalism—everyone agreed on one thing: Our energy sources two decades from now won't be too different from today.

[Trouble in the algae lab for Craig Venter and Exxon](#)

A much-trumpeted partnership of one of today's most celebrated scientists and the world's largest publicly traded oil company seems stalled in its aim of creating mass-market biofuel from algae, and may require a new agreement to go forward. The disappointment experienced thus far by scientist J. Craig Venter and ExxonMobil is notable not only because of their stature, but that many experts think that, at least in the medium term, algae is the sole realistically commercial source of biofuel that can significantly reduce U.S. and global oil demand.

[China's Great Wall eaten away by mining](#)

Voted one of the New Seven Wonders of the World, the 4,000-mile wall snakes its way across 11 Chinese provinces and draws millions of tourists every year, mostly to restored sections near the capital, Beijing.

Away from the tourist trail, however, some parts of the wall are being allowed to crumble away.

About 124 miles southwest of Beijing, in rural Laiyuan county in Hebei province, dozens of small mines are threatening the stability of the centuries-old wall as prospectors dig for copper, iron, molybdenum and nickel, state news agency Xinhua reported.

[John Michael Greer: A lesson in practical magic](#)

Up to this point in our discussion of the intersection between peak oil and magic, we've mostly talked about what doesn't work. That couldn't be avoided, since the misunderstandings of magic that run barefoot through contemporary culture have to be dealt with before it's possible to make sense of anything more substantive.

[Study: Better neighborhood lowers obesity, diabetes risk](#)

Obesity increases people's risk of developing type 2 diabetes, heart disease and other serious health problems. People in poorer neighborhoods are at a higher risk of becoming too heavy because they may not have access to grocery stores that are well-stocked with healthy fare such as fresh fruits and vegetables, often don't have safe places to be physically active and may have greater concerns about safety, which could impact their psychological stress and eating habits, Ludwig says.

[The Energy Trap](#)

Many *Do the Math* posts have touched on the inevitable cessation of growth and on the challenge we will face in developing a replacement energy infrastructure once our fossil fuel inheritance is spent. The focus has been on long-term physical constraints, and not on the messy details of our response in the short-term. But our reaction to a diminishing flow of fossil fuel energy in the short-term will determine whether we transition to a sustainable but technological existence or allow ourselves to collapse. One stumbling block in particular has me worried. I call it *The Energy Trap*.

[Oil Advances Amid Speculation European Rescue Fund May Ease Debt Crisis](#)

Oil advanced in New York as European leaders prepared for talks on how to bolster a rescue fund that will ease the debt crisis threatening the region's economy.

Futures climbed as much as 1.3 percent, paring a weekly loss. Europe may deploy as much as 940 billion euros (\$1.3 trillion) to fight the debt crisis, two people familiar with discussions said. U.S. crude inventories dropped to a 20 month- low this week, tumbling to the five-year seasonal average for the first time since July 2010.

[Brazil's Petrobras To Cut Natural Gas Prices By 19%](#)

SAO PAULO -(Dow Jones)- Brazilian state-run energy company Petroleo Brasileiro SA (PBR, PETR4.BR), or Petrobras, will cut the price of natural gas by nearly 19% as of Nov. 1, providing some welcome news for the outlook for inflation.

In a statement published late Thursday, Petrobras said it cut prices due to prevailing market conditions.

[Norway in gas 'wake-up call'](#)

Norway's foreign minister has issued a wake-up call to the country's gas producers, led by state-owned Statoil, to raise their game or risk losing their role as a major supplier to the European continent.

[Statoil doubles estimated size of North Sea find](#)

Norwegian oil firm Statoil has said there are twice the oil reserves it previously estimated in its newly discovered North Sea field.

Statoil now says the Aldous Major South field contains between 900 million and 1.5 billion barrels of recoverable oil.

[Russian Minister: Profit Tax On Oil Unlikely Before 2013 - Report](#)

MOSCOW -(Dow Jones)- Russia's Finance Ministry doesn't expect a profit-based tax system for the country's oil industry to be introduced until after 2013, due to disagreements both within the government and with producers, the Vedomosti daily said Friday, citing Deputy Finance Minister Sergei Shatalov.

[Six-figure salaries, but homeless](#)

NEW YORK (CNNMoney) -- They're pulling in fat paychecks, but now they're also homeless.

In the town of Williston, N.D., America's newest oil boomtown, more than 6,000 job seekers have come from every corner of the country looking for work. Yet, oil companies and other developers haven't been able to build housing units fast enough.

[Looking to strike it rich for oil in offshore Ireland](#)

IRELAND has watched for years as neighbours in the UK and Norway reaped the benefits of staggering oil strikes in the North Sea.

This week, efforts to emulate that success here stepped up a gear when the Government granted licences to 12 companies from four countries to search for hydrocarbons off the west coast.

[Gadhafi era ends: What's next for Libya?](#)

Gadhafi's bloody finish, documented in grisly cellphone photos that swept the globe after being sent by rebels at the scene, triggered bullets of celebration and cries of "Allaha akbar!" or "God is great!" across his battered North African nation.

Yet Libya and its long-suffering tribal society, sitting atop vast oil riches, faces an uncertain future as it tries to establish a real government in place of the dead leader's personal tyranny.

[Legacy of Repression Marked Qaddafi Rule That Left Rich Nation in Poverty](#)

Muammar Qaddafi's four decades of rule in Libya were marked by international sanctions and a distribution of income that left Libyans, who sit on Africa's largest oil reserves, poorer than the people of almost every other major Arab oil producer.

[Gadhafi's death helps clear way for oil exports](#)

It will still be several months before Libya can export as much oil as it did before it descended into civil war earlier this year. But the killing of Moammar Gadhafi reduces the chance that violence will get in the way as Libya cranks up production again.

[Schlumberger Third-Quarter Profit Misses Estimates on Mideast Income Drop](#)

Schlumberger Ltd. (SLB), the world's largest oilfield-services provider, reported third-quarter profit that failed to meet analysts' estimates as income from the Middle East and Asia declined.

[Arab world needs an economic revolution](#)

The momentum of the Arab Spring has been mesmerising, yet the future is uncertain. The region lags behind other emerging markets.

[EU oil sands ranking a trade threat: Alberta](#)

The government of Alberta, home to the bulk of Canada's oil sands, has written to European Union experts voicing "grave concerns" over the bloc's plans to rank unconventional oil as a highly polluting fuel saying the measure is unfair and a potential threat to trade ties.

"The proposed measure has been deliberately crafted in such a way as to discriminate specifically and uniquely against oil sands derived fuels," said a copy of the letter seen by Reuters.

[The Arctic and the Lessons of the Gulf](#)

The Interior Department has been inching closer to approving Royal Dutch Shell's ambitious plans to drill for what are believed to be huge deposits of oil in the Arctic Ocean off Alaska. In August, it approved an exploratory drilling plan for the Beaufort Sea, and two weeks ago it upheld the validity of leases in the neighboring Chukchi Sea that had been challenged by environmental groups.

The Interior Department and Shell both insist that they have learned the lessons of the disastrous BP spill in the Gulf of Mexico. They must prove it. The Interior Department has written tough new regulations governing drilling, including requirements for subsea containment systems to plug a runaway well.

[Analysis: Russia not ready to cover China rare earths gap](#)

(Reuters) - Russia, with as much as a third of the world's rare earth deposits, will take at least a decade to develop them and step into the breach that has been created since China chopped supply of the metals to the rest of the world.

[The Peak Oil Squeeze](#)

It's easy to watch the big fish panic. It can even be enjoyable.

We have front-row seats to their race against Peak Oil, so we might as well sit back and let them put money in our pockets...

[Everett council candidate wants to raise oil awareness](#)

And there's another, more important reason for Minchew: the fact the world will have less oil in the future than it did in the past. It seems like a big topic for local politics, but Minchew believes even city decisions need to be considered through the lens of peak oil.

"Nobody thinks about how pervasive oil is in our lives," he said. "It's in our pharmaceuticals, our clothing, our cosmetics -- everything is steeped in oil."

[No Peak Oil to Yergin Who Sees Years of Rising Supplies: Books](#)

"The Quest" is still worth reading for Yergin's erudition and insight. For instance, he debunks the peak oil theory, which says world gas and oil production may soon top out and then rapidly decline. (This idea helped lead to the price spike of 2008.) Yergin notes that such fears have cropped up before.

"This is not the first time the world has run out of oil," he writes. "It is the fifth."

Yergin is confident that the industry will be able to keep up with growing demand. He says an IHS CERA study of some 70,000 oil fields reveals that "the world is clearly not running out of oil. Far from it."

[All too hard to face unpalatable truth about oil](#)

"Drill, baby, drill!" It's the battle-cry of the believers in "business as usual". Sarah Palin's infamous injunction is also the Populist Right's translation of former American vice-president, Dick Cheney's, much more ominous observation: "The American way of life is non-negotiable."

What did Cheney mean?

In brutally simple terms, Cheney's words meant that nothing should be allowed to come between Americans and the supply of cheap fossil fuel that underpins the USA's extraordinary wealth.

"Drill, baby, drill!", also sums up the National-led Government's policy on fossil fuels.

[Viable alternatives not easily adopted](#)

The greatest risk posed to the New Zealand maritime environment comes from coastal shipping, not oil exploration.

[Ignore the sceptics, the 'peak oil brigade' is right](#)

Contrary to what Professor Helm argues, current high oil prices have nothing similar to what happened during the 1979 oil shock. While oil prices could, momentarily, decline with another recession, since conventional oil production peaked in 2006, we have entered a new energy paradigm.

[Peak Oil, Entirely Nonsense: As is Peak Gas](#)

One of the things that really rather annoys me about the peak oil (and in the UK, there's a similar one about peak gas) argument is that it entirely ignores the impact of changing technology.

[Peak coal puts SA growth at risk](#)

Apocalyptic prophecies abound. Bludgeoned by messages of growing global economic doom and ambushed by information overload, it is easy to ignore predictions of impending change, particularly when they come from scientists or geologists rather than economists.

But now even economists are sounding a warning and perhaps it is time the world took heed.

[More Greenwashing From Sir Richard?](#)

Bio-diesel has made some nice gains, but still only accounts for a paltry 2 percent of world production.

The overwhelming reason that this is true is because Branson's "with oil running out" statement is complete hogwash. Most people in the energy industry know this but only the radical fringe in the alternative fuels industry continue to push the idea that "peak oil" is upon us. They have been saying this for 120 years and have been consistently wrong.

[Most energy-efficient state? Calif. no longer tops list](#)

California no longer ranks as the most energy-efficient U.S. state as other states made gains despite tight budgets and Congress failed to adopt an energy strategy, says an annual scorecard released today.

For the first time, Massachusetts takes the top spot, which California held for the last four years, according to the fifth annual 50-state ranking by the American Council for an Energy-Efficient Economy (ACEEE), a private research group.

[Japan: Radiation Cleanup Will Cost at Least \\$13 Billion, Premier Says](#)

Prime Minister Yoshihiko Noda, left, said the government would spend at least \$13 billion to clean up vast areas contaminated by radiation from the world's worst nuclear disaster since Chernobyl.

[Tepco 'Deal With Devil' Ends Japan's Postwar Era](#)

Kazutaka Kikawada ran track and field at Fukushima's Yamafunyu Elementary School before becoming the local boy made good, attending the elite University of Tokyo and carving out a career that made him president of Tokyo Electric Power Co.

The school ground where he ran his races a century ago now has a yellow backhoe digging out topsoil irradiated by the wrecked nuclear reactors Kikawada approved for construction 60 kilometers (38 miles) away. The dirt is piled under sky-blue tarpaulins. Graffiti in red and black kanji on the main road demands Tokyo Electric remove its "radioactive trash."

[Tepco President: Rise In Electricity Rates "Important Issue"](#)

TOKYO -(Dow Jones)- Tokyo Electric Power Co. (9501.TO) president Toshio Nishizawa said Friday the possibility of a raise in the company's electricity rates is "an important issue," citing its increased fossil fuel use to produce thermal power to make up for idle nuclear power capacity.

However, he declined to say if a rate hike was necessary to keep itself afloat. "Streamlining efforts come first," he said.

[Less nuclear power, more emissions](#)

The pullback from nuclear threatens the world's climate change targets, particularly in the OECD where nuclear accounts for more than half of low-carbon energy, says the International Energy Agency.

[SolarWorld Trade Dispute With China Divides U.S. Solar Industry](#)

A trade complaint seeking to protect U.S. solar-panel makers from unfair competition from China may harm other parts of the U.S. solar industry, project developers said.

[California becomes first state to adopt cap-and-trade program](#)

The California Air Resources Board on Thursday unanimously adopted the nation's first state-administered cap-and-trade regulations, a landmark set of air pollution controls to address climate change and help the state achieve its ambitious goals to reduce greenhouse gas emissions.

[Millions Will Be Trapped Amid Climate Change, Study Warns](#)

The study, titled “Migration and Global Environmental Change,” warns that trying to block migration will result in increased poverty and ultimately, potentially unmanageable waves of movement.

It therefore recommends planning for and financially aiding some migration, both within and between countries.

“Reduced options for migration, combined with incomes threatened by environmental change, mean that people are likely to migrate in illegal, irregular, unsafe, exploited or unplanned ways,” it warns.

[Global warming study finds no grounds for climate sceptics' concerns](#)

The world is getting warmer, countering the doubts of climate change sceptics about the validity of some of the scientific evidence, according to the most comprehensive independent review of historical temperature records to date.

Scientists at the University of California, Berkeley, found several key issues that sceptics claim can skew global warming figures had no meaningful effect.

[Climate Skeptics Stay Unswayed](#)

At least one of those skeptics, Anthony Watts, had written in March on his climate-themed blog, Watts Up With That, “I’m prepared to accept whatever result they produce, even if it proves my premise wrong.”

But neither Mr. Watts nor other longtime critics of climate science seemed satisfied with the report. Mr. Watts contended that the study’s methodology was flawed because it examined data over a 60-year period instead of the 30-year one that was the basis for his research and some other peer-reviewed studies. He also noted that the report had not yet been peer-reviewed.



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