



Drumbeat: December 14, 2011

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[High oil prices threaten global economy, IEA warns](#)

High oil prices threaten to worsen a global economic slowdown and crude producers should consider boosting output, the chief economist for the International Energy Agency said on Wednesday.

"The current high oil prices have the potential to strangle the economic recovery in many countries," Fatih Birol said in a speech in Singapore. "I hope that high oil prices don't slow down Chinese economic growth and the negative effect that would have on the global recovery."

[Oil Falls From One-Week High as OPEC Ministers Raise Crude Output Ceiling](#)

Futures declined as much as 1.8 percent, after surging 2.4 percent yesterday in the biggest gain in almost four weeks. OPEC agreed to a production limit of 30 million barrels a day, Venezuela's Energy Minister Rafael Ramirez said at the group's meeting in Vienna today. U.S. crude supplies rose last week and gasoline consumption decreased, the industry-funded American Petroleum Institute said yesterday. Crude extended its declines as equities fell and the euro reached its weakest level against the dollar since January.

"The production cap seems quite neutral, since demand is likely to be held back by weaker growth in the first half of next year," said Filip Petersson, commodity strategist at SEB AB in Stockholm. "Bullishness from yesterday is dissipating."

[OPEC Agrees to 30 Million Barrel Output Limit](#)

OPEC decided to increase its production ceiling to 30 million barrels a day, the first change in three years, moving the group's supply target nearer to current output.

"We have an agreement to maintain the market in balance and we're going to adjust the level of production of each country to open space for Libyan production," Venezuelan Energy Minister Rafael Ramirez said after the Organization of Petroleum Exporting Countries meeting ended today in Vienna.

[Iran: Saudis not compensating If Tehran sanctioned](#)

VIENNA -- Iran's oil minister said Wednesday that his Saudi counterpart had agreed not to up crude production to replace Iranian oil in case an international embargo on Iranian oil impacts Tehran's ability to sell its petroleum.

[Aramco, Sinopec, CNOOC pursue Frac Tech stake-sources](#)

HONG KONG (Reuters) - Saudi Aramco, China Petroleum & Chemical Corp (Sinopec) and CNOOC Ltd are each in talks to buy up to a 30 percent stake U.S. oil and gas services company Frac Tech International two sources with knowledge of the matter said.

The oil companies' discussions over a deal worth about \$2.2 billion underline the growing interest in fracking, a controversial mining technique which has opened up huge reserves of previously untapped oil and gas but has attracted criticism from environmentalists.

[Oil's getting harder and harder to come by](#)

Are oil companies are finding it increasingly difficult to find new oil? It can certainly seem that way. Most of the older, easier-to-drill oil fields appear to be running near full capacity, while newer supplies often prove costly and difficult to drill — think of deepwater extraction off the Gulf of Mexico or shale production in North Dakota, which isn't economical unless crude prices rise higher than \$60 per barrel.

But here's another way to look at it. As a chart from ExxonMobil's new 2012 Outlook for Energy ([via](#) Gregor McDonald) shows, the vast bulk of our oil comes from those older, easier-to-drill fields, with more recently discovered supplies playing a smaller and smaller role.

[The Long-Term Trend for Oil Is Always Up](#)

The era of easy-to-drill oil is ending, and as production costs steadily increase, prices will rise too, says Elliott Gue of The Energy Strategist, who recommends a handful of plays in the sector.

[Oil Pricing And Valuation Solved - A Required Yield Theory Mechanism](#)

Oil valuation, like that of stocks and gold, is driven by a principles which theoretically and empirically account for the vast majority of price and price volatility; leaving little room for bit character roles for emotions, hedging, speculation or “manipulation.”

Current valuation of oil contains a sizable premium for supply disruption i.e. U.S./EU-Iran tensions. Absent further escalation, it is very vulnerable to downward world

growth estimate revisions and somewhat less so supported by the lower real fiat asset yields that would come with lower expected growth. Lower growth projections, if forthcoming as this author expects, would be very negative for oil and for the economies and stock markets of oil producers such as Russia, UAE and parts of Latin America and Canada.

[Asia 'Golden Age of Gas' May Spur Singapore Hub, IEA Chief Says](#)

A boom in liquefied natural gas exports and growing demand in Asia may pave the way for a trading hub in Singapore and a benchmark price for the fuel, according to the International Energy Agency.

[Kazakhstan Gains 10% in BG, Eni-led Karachaganak Oil Venture](#)

Kazakhstan agreed to acquire 10 percent of the country's second-biggest producing oil field, operated by BG Group Plc and Eni SpA, ending a more than two- year dispute.

[Iraq asks oil firms to trim crude output after bombing-source](#)

(Reuters) - Iraq has asked international oil companies working in its southern oilfields to reduce production after a bomb attack on Tuesday night on an oil pipeline network, an industry source said on Wednesday.

Three bombs hit an oil pipeline operation that transports crude from southern Iraqi oilfields to storage tanks around the oil hub of Basra, causing a fire that raged all night and was put out only on Wednesday morning.

[Without our troops, can Iraq's fragile peace hold?](#)

Five years ago Anbar's provincial capital of Ramadi was a war zone as U.S. Marines fought through rubble-strewn neighborhoods against a dug-in insurgency. Large sections were under the thumb of al-Qaeda, the terrorist group that had declared Ramadi its Iraqi capital. But the crushing of the insurgency here and in most other parts of Iraq following more than eight years of war has improved security and given rise to a rudimentary democracy and improving standard of living for many Iraqis.

What worries most Iraqis now is whether this transformation will survive the departure of the Americans. The gains that cost more than 4,000 American lives can be reversed in a country where old sectarian grudges simmer, Iran is aiding radical militias, al-Qaeda is still mounting attacks and the U.S. troops that helped keep a lid on it all will have left.

[Nine years on, Iraq's economic potential still untapped](#)

BAGHDAD (Reuters) - Four years ago, Iraq's oil minister Hussain al-Shahristani confronted a stark choice: should he risk opening Iraq's ailing oil industry to foreign companies?

[Enoc plans oil drilling debut](#)

Enoc, Dubai's petrol retailer, hopes to produce oil for the first time in the emirate and is seeking foreign partners for the task.

[Petrochemical firms urged to boost their home markets](#)

Domestic demand will shield the Gulf's pet-chem producers from increasing competition in the export markets.

[Keystone pipeline: How many jobs it would really create](#)

NEW YORK (CNMoney) -- The Keystone pipeline project is back in play as part of the payroll-tax cut debate, and Congressional Republicans say it would create jobs.

But there's a wide range of estimates, with one forecast that Keystone could actually cost jobs.

[The questionable economics of shale gas](#)

Shale gas is being sold to the American public as a miracle, arriving just in time to save us from peak oil. It's an abundant new fuel supply that will be a "game-changer," we're told. We'll soon be a major exporter of gas to the rest of the world. The economics of fossil fuels have been changed forever, along with our balance of trade.

But what if the business isn't actually profitable? What if it's really based on accounting trickery and overstated claims?

[Add Quakes to Rumblyings Over Gas Rush](#)

YOUNGSTOWN, Ohio — Until this year, this Rust Belt city and surrounding Mahoning County had been about as dead, seismically, as a place can be, without even a hint of an earthquake since Scots-Irish settlers arrived in the 18th century.

But on March 17, two minor quakes briefly shook the city. And in the following eight months there have been seven more — like the first two, too weak to cause damage or even be felt by many people, but strong enough to rattle some nerves.

[Cameron Appeals BP Gulf Spill Trial Plan, Wants Case Before Jury](#)

Cameron International Corp. (CAM) told a federal appeals court its right to a jury trial would be infringed under a plan to have a judge determine which companies should be blamed for the 2010 BP Plc oil spill in the Gulf of Mexico.

[First Gulf of Mexico offshore bids to be opened since Deepwater Horizon oil spill disaster](#)

NEW ORLEANS — The federal government is holding the first auction of offshore petroleum leases in the Gulf of Mexico since the Deepwater Horizon oil spill disaster last year, despite a lawsuit challenging the sale.

[Oil drilling and the Inupiat people of Point Hope - in pictures](#)

Royal Dutch Shell has been granted preliminary permits to drill off Alaska's Arctic coast in 2012. The decision could pave the way for the drilling of huge reserves, but plans have been put on hold by legal challenges from the tribal government of Point Hope and a group of 12 environmental organisations. The fear of an oil spill has split the community, which must decide between economic benefits and protecting the marine environment on which it has depended for thousands of years

[China May Approve Nuclear Projects on Revised Safety Rules](#)

China, the world's biggest energy user, may resume approving new nuclear projects after the cabinet endorses draft safety rules prepared by the Ministry of Environmental Protection and a bunch of nuclear power equipment makers are set to benefit from such a move.

[Japan's nuke meltdown shouldn't close U.S. plants](#)

For all its drawbacks, nuclear power remains an indispensable part of the U.S. energy mix, reliably providing about 20% of the nation's electricity with little to none of the greenhouse gas emissions generated by competitors such as coal, oil and natural gas. At a time when wind, solar and other renewable forms of energy are still a long way from being able to carry the 24/7 load for a nation increasingly reliant on computers and appliances, nuclear power makes sense — as long as Americans are confident it's as safe as possible, which is where the lessons from Japan come in.

[Greenpeace: Phase out nuclear reactors](#)

Even before the three nuclear meltdowns in Japan placed the name Fukushima atop the list of other nuclear disasters such as Chernobyl and Three Mile Island, the nuclear industry was in serious trouble. Nuclear power isn't just an enormous risk to

communities and the environment; it also presents enormous risks to any investor foolish enough to believe the hype. That's why the nuclear industry always has its hands in taxpayers' pockets.

[MPs debate Island's future energy strategy](#)

Shadow Environment Minister Cole Simons said the strategic objectives of the policy were worthy of support but more information could have been provided on the “underlying assumptions of the Government used to develop its energy strategies for the next decade” and “more on current and future challenges faced by Bermuda when it comes to energy security, supply distribution and storage”.

“With a small population, limited land space and surface water, the options available for renewable sources of energy are limited compared to the larger industrial nations,” he said.

[Oil's cheerleaders missing the point](#)

It was perhaps inevitable that during a week of rock-bottom expectations for the UN climate talks in Durban, the oil business, meeting for its showcase World Petroleum Congress (WPC) in Doha, Qatar, would not miss the opportunity to remind the renewables industry of its lowly position in the world's energy rankings.

[Inevitable, or in Limbo? A Dam for the Mekong](#)

“Many villages don't even know they need to be resettled, and people living downstream don't know what's happening.”

[Hot trend: Demand for designer firewood heats up](#)

This year, even the old yule log is getting a makeover. Ordinary Americans can't get access to a sheik's palace or a movie star's mansion, but they can score the firewood of the rich and famous this holiday season, courtesy of firewood farms in Minnesota that ship display-worthy logs to elite addresses from New York to Saudi Arabia.

[Economic growth: it's not dead yet](#)

Green thinkers are plain wrong to claim there are natural limits to how much we can expand our economies.

[Megacities: Scars On The Earth, Or Keys To Growth?](#)

As Earth's population surpasses seven billion, cities are going to continue to grow whether we like it or not, and you may be surprised to hear more and more experts use words like vibrant, cheap, prosperous and green.

[Disasters doom Texas oyster crop](#)

A monstrous bloom of toxic algae looming across the Texas coast has shut down oyster season. Fueled by Texas' ongoing drought, the algae — known as *Karenia brevis* — thrives in warm, salty water and has spread through the bays and islands along Texas' 350-mile coast, says Meridith Byrd, a marine biologist for the Texas Parks and Wildlife Department. The algae could cause nausea, vomiting and diarrhea in humans and is harmful to fish but not fatal to people, she says.

[Commando stabbed to death by Chinese fishermen](#)

The coastguard managed to take control of one of the boats, but the other boat suddenly rammed the seized vessel, prompting nine fishermen on board to start attacking officers.

According to reports, two officers were then stabbed by the captain of the fishing boat who smashed a window and used the broken glass as a weapon.

[South Korea Furious Over Illegal Chinese Boats](#)

SEOUL, South Korea - Public anger in South Korea has escalated a day after a Chinese boat captain stabbed a South Korean coast guardsman to death and seriously injured another with a knife. The captain is charged with murder while resisting arrest by coastal police patrolling illegal Chinese fishing boats at the West Sea's exclusive economic zone.

In one indication of South Korean rage, a 34-year-old man smashed his SUV three times into a police bus guarding the Chinese Embassy in Seoul. And South Korean headlines today strongly criticized the increasing number Chinese fishermen and their growing violence in recent years.

[Canada Announces Exit From Kyoto Climate Treaty](#)

In announcing the decision, government officials indicated that the possibility of huge fines for Canada's failure to meet greenhouse gas emissions targets had played a role.

[Canada, out of Kyoto, must still cut emissions: U.N.](#)

(Reuters) - Canada still has a legal obligation under U.N. rules to cut its emissions

despite the country's pullout from the Kyoto Protocol, the U.N. climate chief said Tuesday.

Christiana Figueres also said the timing of Canada's move, a day after a deal to extend it was clinched at a U.N. summit in South Africa, was both regrettable and surprising.

[Bienvenue au Canada: Welcome to Your Friendly Neighborhood Petro-State](#)

Any illusion that Canada remains a much more liberal place than the U.S. on the environment at least was shattered yesterday when Canadian Environment Minister Peter Kent, just returned from the U.N. climate summit in the South African city of Durban, announced that the country would be formally withdrawing from the Kyoto Protocol, becoming the first nation to do so.

[Canada's Kyoto withdrawal shameful](#)

I'm ashamed to be Canadian right now.

Hours after returning from the climate change conference in Durban, South Africa, where Canada's behaviour can only be described as, yet again, disgraceful, Environment Minister Peter Kent announced we are withdrawing from the Kyoto Protocol.

[A good time to walk away](#)

The federal government is entirely correct to withdraw Canada from the Kyoto Protocol.

If the international climate treaty was ever about saving the planet from global warming, that ceased to be its goal long ago. As demonstrated by the final agreement signed over the weekend at the United Nations climate summit in Durban, South Africa, Kyoto is now mostly about punishing rich countries for being rich and forcing them to pay vast sums - up to \$1.6trillion a year - to the UN for redistribution to poorer nations (after, of course, the UN has taken a healthy cut off the top to support its own wasteful bureaucracy, nepotism, cronyism, incompetence and corruption).

[Climate change is a universal problem](#)

Q: You believe there is a connection between financial crisis and environmental problems. Can you explain?

A: The links are many. Climate change and water availability affects food production. Competing demands for land (for example, for food and biofuels) have increased prices. Oil and energy prices themselves underpin food and other commodities. And the consumption of such fossil fuels contributes to climate change.



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