



Drumbeat: January 16, 2012

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[Why oil prices will stay high](#)

I saw some striking numbers this week: Look at the "break-even" costs for the world's top oil producers. That is the minimum price at which these countries need to sell oil so that they can balance their budgets.

Russia now needs oil at \$110 a barrel to manage its finances. For Iraq, the number is \$100. Even Saudi Arabia now needs oil to trade around \$80 a barrel just to balance its budgets. The numbers are also high for Algeria, Qatar, and Oman. Only a decade ago Saudi Arabia was able to balance its budget with oil prices averaging around \$25 a barrel.

So now it is in these countries' interest to keep oil prices high, which they do by curtailing supply in one way or the other. This is perhaps the most lasting impact of the year of global protest: High oil prices.

[Oil Climbs From Four-Week Low as Iran Warns of Hormuz Supply Disruption](#)

Oil climbed from the lowest price in almost four weeks as Iran said that a disruption to crude supplies through the Strait of Hormuz would cause a shock to markets that "no country" could manage.

Futures rose as much as 0.9 percent after sliding 2.8 percent last week. Iran has threatened to shut the strait, a transit route for about a fifth of global oil trade, in response to international sanctions on its exports. Any disruption will harm the world's crude markets, Iran's governor to OPEC said, according to the state-run Mehr news agency. Nigerian labor unions suspended protests after saying they would consider shutting down oil output in opposition to higher fuel prices.

[OPEC sees downside risk to oil demand from euro crisis](#)

LONDON (Reuters) - A worsening of the euro zone debt crisis would further reduce the region's oil demand and could impact consumption in emerging economies that are driving the increase in global fuel use, OPEC said on Monday.

In a monthly report, the Organization of the Petroleum Exporting Countries (OPEC) trimmed its forecasts for world oil demand growth in 2012 by 10,000 barrels per day

(bpd) to 1.06 million bpd.

[Saudi Arabia wants oil around \\$100/bbl - oil min](#)

(Reuters) - Saudi Arabia, the world's top oil exporter, said on Monday it favours an oil price of \$100 per barrel, identifying an ideal oil price for the first time in more than three years.

In an interview with CNN the Kingdom's oil minister also said the country could raise production quickly if necessary.

"Our wish and hope is we can stabilise this oil price and keep it at a level around \$100," Dow Jones Newswires quoted Saudi Oil Minister Ali al-Naimi as telling CNN in an interview.

The Saudi oil chief said Riyadh could increase production by about 2 million barrels per day (bpd) "almost immediately".

[OPEC oil production rises to 3-year high](#)

Vienna - The Organization of the Petroleum Exporting Countries (OPEC) in December raised its total oil output to the highest level since October 2008, as Libya revamped its production, the group said Monday.

OPEC countries produced 30.82 million barrels per day (bpd) in December, 171,000 bpd more than in the previous month, the Vienna-based group said in its monthly market report.

[Triple digit oil prices to hamper growth](#)

The global economy depends on oil as the human body on blood. It is because oil is the major source of energy to drive the wheels of production across the globe. Interestingly, it is the converging point of economics and politics. That is why it is sold in a world market in which every barrel, regardless of its source, competes with every other barrel. The United States, with about 5 per cent of the world's population, is responsible for 25% of the world's oil consumption. Every US President since Richard Nixon has openly expressed his fears about dwindling oil reserves predicting problems. Saudi Arabia, termed the world's oil superpower, possesses both the world's largest known oil reserves, which are 25 per cent of the world's proven reserves, and produces the largest amount of the world's oil. It ranks as the largest exporter of petroleum, and plays a leading role in OPEC; its decisions to raise or cut production almost immediately impact world oil prices. The country is capable of producing up to 12 million barrels of oil a day.

[Volatile gas prices predicted for 2012](#)

CHICAGO — Volatile gasoline fuel prices are the order of the day. With the U.S. average price of gas at the highest level ever recorded at this time of year, GasBuddy.com on Thursday, Jan. 12 released its 2012 projections and analytics for the U.S. and major metro markets.

[Norway sees oil output down, gas up](#)

STAVANGER, Norway (Reuters) - Norway's oil production will decline despite major discoveries made last year, while gas production will continue to rise, Norwegian authorities said on Monday.

The oil prospects of Norway, the world's eighth-largest oil exporter and the second-largest for gas, have brightened up over the past year as a giant oil find was made in the North Sea and three major ones were made in the Norwegian Arctic.

[Norway to narrow estimate for giant N.Sea oil find by end 2012](#)

The uncertainty around the size of a giant North Sea oil find is high and it will take until the end of 2012 for estimates to be narrowed down, the head of the country's oil directorate said on Monday.

[Nigerian Unions Suspend Strike After Jonathan Agrees to Cut Gasoline Price](#)

Nigerian labor unions suspended strikes and protests in Africa's top crude producer after President Goodluck Jonathan limited gasoline-price increases.

[Chevron: Offshore rig near Nigeria's oil-rich delta catches fire; search for workers ongoing](#)

LAGOS, Nigeria — Chevron Corp. says an offshore rig being run for its subsidiary near Nigeria's oil-rich southern delta has caught fire and officials are still trying to account for all the workers there.

Chevron spokesman Scott Walker said the fire started early Monday morning. He said the rig was just off the coast of the country's Niger Delta.

[China turns to Middle East for oil](#) (video)

China's premier, Wen Jiabao, has begun a three-country tour of the oil-rich Gulf nations.

The industrial giant's own oil fields do not produce enough crude to keep its economy at full steam - so Beijing has to import half of all its supplies.

[Iran warns of consequences if Arabs back oil sanctions](#)

(Reuters) - Iran warned Gulf Arab neighbours on Sunday they would suffer consequences if they raised oil output to replace Iranian crude facing an international ban.

In signs of Tehran's deepening isolation over its refusal to halt nuclear activity that could yield atomic bombs, China's premier was in Saudi Arabia probing for greater access to its huge oil and gas reserves and Britain voiced confidence a once hesitant European Union would soon ban oil imports from Iran.

[Defiant Iran says Asia oil customers stay loyal](#)

TEHRAN (Reuters) - Iran said on Monday it was business as usual with Asia's leading oil buying countries, despite growing pressure on its customers in the East from a tightening mesh of sanctions hampering its crude exports.

Asian leaders are touring the Middle East to secure supplies, as tension over Iran's nuclear work builds, while European buyers may rely more heavily on Arab oil producers should an EU ban come into effect.

[U.S. Coordinating Iran Policy With Israel More Closely Amid Rising Tension](#)

U.S. coordination with Israel on Iran policy is intensifying as the Obama administration's top military adviser prepares for his first trip to Tel Aviv since taking office in September.

President Barack Obama spoke to Israeli Prime Minister Benjamin Netanyahu by phone on Jan. 12 about Iran and reaffirmed the "unshakable" U.S. commitment to Israel's security, according to a White House statement.

[Indian delegation to visit Iran to resolve oil payment issue](#)

NEW DELHI: A high-level Indian delegation comprising officials of the Finance Ministry, RBI and the Oil Ministry will be visiting Tehran shortly to work out an alternative mode of payment for oil in wake of fresh sanctions imposed by the US on Iran.

[Turkey to enter arbitration on Iran gas prices](#)

(Reuters) - Turkey expects to enter arbitration over the price paid for gas imports from neighboring Iran, Energy Minister Taner Yildiz said on Monday, after Tehran rejected Ankara's complaint that the price is too high.

Iran sits on the world's second-largest natural gas reserves and is Turkey's second-biggest supplier of gas after Russia, sending 10 billion cubic metres of gas each year.

[Iranian oil embargo](#)

As efforts continue to impose sanctions on Iran , I thought it would be helpful to discuss the possible implications of these developments for oil-consuming countries.

The most likely outcome of an embargo on oil purchased from Iran is that the countries participating in the embargo buy less oil from Iran while other countries not participating in the embargo buy more oil from Iran. While this would produce some dislocations, if total world oil production doesn't change, it would have little effect on either Iran or oil-consuming countries, and would basically be a symbolic gesture.

[Not that again](#)

Dear oil has, in recent years, given a big boost to domestic fossil-fuel production in America, which is increasingly providing a meaningful if modest contribution to GDP and employment growth. Good as that is for the American economic outlook, there isn't remotely enough domestic supply to offset serious production losses elsewhere. To really insulate itself from these kinds of geopolitical hazards, America needs to dramatically improve its ability to substitute away from oil consumption. Progress is being made there, but not enough and not sufficiently quickly.

[Iraq signs \\$235 mln power deal with Turkey's Enka](#)

(Reuters) - Iraq signed a \$235 million electricity deal with a subsidiary of Turkey's Enka Isaat to install a 500-megawatt plant in southern Iraq to help boost generation in the power-starved nation, the minister of electricity said on Monday.

[Car bomb kills 8 in northern Iraq](#)

BAGHDAD (AP) – A car bomb killed at least eight people outside the northern city of Mosul on Monday, Iraq officials said, in the latest in a series of attacks to target the country's Shiites since the U.S. withdrawal last month.

[Al-Qaeda fighters capture Yemen town](#)

SANAA, Yemen (AP) – Al-Qaeda militants seized full control of a town south of the Yemeni capital on Monday, overrunning army positions, storming the local prison and freeing at least 150 inmates, security officials said.

The capture of Radda in Bayda province, some 100 miles south of Sanaa, underscores

the growing strength of al-Qaeda in Yemen as it continues to take advantage of the weakness of a central government struggling to contain nearly a year of massive anti-government protests.

[Russia's Rosneft considers loan -bankers](#)

(Reuters) - Russia's top crude producer Rosneft is looking to tap the international lending market for a sizeable syndicated loan only six weeks after agreeing an increased \$2 billion loan, bankers close to the borrower said.

Rosneft is considering its options to prevent a liquidity squeeze if Europe's unpredictable economic outlook worsens, the bankers added.

[China targets green energy sales](#)

Wen Jiabao, the Chinese premier, flies into Abu Dhabi for the World Future Energy Summit (WFES) today.

Having emerged as the factory of the world, China is now throwing considerable resources behind clean forms of power.

[Salmond leaps at chance to warm Scottish green energy with Masdar](#)

Millions of dirhams are expected to be invested in renewable energy projects in Scotland after the signing this week of an agreement between Masdar and the Scottish government.

The agreement will mark the start of a research partnership between Abu Dhabi's Masdar Institute and the Energy Technology Partnership (ETP) - an umbrella organisation of 12 Scottish universities cooperating on renewables. It is also expected to lead to direct investment flowing from the emirate to Scotland.

[US Navy tests genetically modified algal fuel](#)

The US Navy and the shipping company Maersk have successfully tested a form of algae-based biofuel, it has been announced.

Maersk tested 30 tonnes of oil from genetically modified algae in collaboration with the US Navy last week.

[Petrol taxes won't hurt the poor](#)

Higher petrol taxes don't hurt the poor but the use of fossil fuels should be made a crime against humanity as the world has only 50 years in which to mitigate the effects of climate change, says Thomas Sterner, a professor of environmental economics at Sweden's Gothenburg University.

[Climate change skepticism seeps into science classrooms](#)

Reporting from Washington— A flash point has emerged in American science education that echoes the battle over evolution, as scientists and educators report mounting resistance to the study of man-made climate change in middle and high schools.

Although scientific evidence increasingly shows that fossil fuel consumption has caused the climate to change rapidly, the issue has grown so politicized that skepticism of the broad scientific consensus has seeped into classrooms.

[Professor is happy with his message of doom](#)

He is one of the most vilified men in the highly vilified field of climate science, yet Professor Michael Mann is jolly. Despite being the focus of a brutal campaign orchestrated by the fossil-fuel industry and the US Republican Party, Mann's cheery stoicism is positively infectious.

"I've been the focus for attack by those who deny the reality of climate change for so long that it almost seems like forever," the professor of meteorology at Pennsylvania State University says. "I'm a reluctant public figure, but have embraced the opportunity to communicate the science."

[How Will Global Warming Negatively Affect Water Supplies In The U.S.?](#)

According to Tetra Tech's analysis, parts of Arizona, Arkansas, California, Colorado, Florida, Idaho, Kansas, Mississippi, Montana, Nebraska, Nevada, New Mexico, Oklahoma, and Texas will be hardest hit by warming-related water shortages. The agriculturally focused Great Plains and arid Southwest are at highest risk of increasing water demand outstripping fast dwindling supplies.

[Once Hidden by Forest, Carvings in Land Attest to Amazon's Lost World](#)

Huge geometric shapes in Brazil suggest that contrary to conventional understanding, parts of the rain forest may have been home to large populations.



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