



Drumbeat: January 30, 2012

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[The End of Elastic Oil](#)

The last ten years have brought a structural change to the world oil market, with changes in demand increasingly playing a role in maintaining the supply/demand balance. These changes will come at an increasingly onerous cost to our economy unless we take steps to make our demand for oil more flexible.

We're not running out of oil. There's still plenty of oil still in the ground. Oil which was previously too expensive to exploit becomes economic with a rising oil price. To the uncritical observer, it might seem as if there is nothing to worry about in the oil market.

Unfortunately, there is something to worry about, at least if we want a healthy economy. The new oil reserves we're now exploiting are not only more expensive to develop, but they also take much longer between the time the first well is drilled and the when the first oil is produced. That means it takes longer for oil supply to respond to changes in price.

[Global Oil Production Update: A Strange Future Has Arrived](#)

Since 2005, European oil consumption has fallen by 1.5 million barrels a day. And, in the same period, US oil consumption has fallen by 2 million barrels a day. If oil was priced at \$60 a barrel, rather than \$100 a barrel, then a fair portion of that lost demand might return. Instead, since 2005, global crude oil production has been bumping up against a ceiling around 74 million barrels a day. Thus, the tremendous growth in oil demand which emanates from the developing world, in Asia primarily, has been supplied by the reduction of demand in Europe and the United States. Why doesn't the world simply increase the production of oil to 77, or 78 million barrels a day? After all, that is precisely the history of global oil production: a continual increase in supply to capture the advantage of rising prices.

[Oil Falls a Second Day on Speculation EU Talks May Fail to Resolve Crisis](#)

Oil dropped for a second day in New York on speculation that European Union leaders meeting today may fail to resolve the region's debt crisis, while OPEC's secretary-general said the market is well-supplied.

Futures slipped as much as 0.9 percent as stocks dropped and the dollar strengthened. EU chiefs will gather in Brussels today to complete a German-led deficit-control treaty

and endorse a 500 billion-euro (\$660 billion) rescue fund. Hedge funds and other large speculators increased wagers on rising crude prices, the Commodity Futures Trading Commission's Commitment of Traders report on Jan. 27 showed.

[OPEC Sees No Shortage Of Oil In Any Region](#)

LONDON -- OPEC's secretary general said Monday that there is currently no shortage of oil anywhere, despite current supply concerns.

The remarks come after the oil minister for Saudi Arabia, the largest producer in the Organization of Petroleum Exporting Countries, said it intended to remain stable supplier to markets.

[U.N. considers resolution amid reports of heavy fighting in Syria](#)

(CNN) -- The U.N. Security Council will take up a draft resolution this week that calls on Syrian President Bashar al-Assad to step down and transfer power.

The move follows news that the Arab League suspended a mission to monitor whether al-Assad was abiding by an agreement to end a brutal crackdown against anti-government protesters.

['Terrorist' group hits Syrian pipeline](#)

DAMASCUS, Syria (UPI) -- A "terrorist" attack Monday struck a natural gas pipeline running from the restive Syrian city of Homs, Syrian state media reported.

The official Syrian Arab News Agency reported that an "armed terrorist group" attacked a natural gas pipeline running from Homs to the western coastal city of Banyas. No injuries were reported.

[China, Japan scramble for oil as Sudan shuts fields](#)

SINGAPORE - The shutdown in Sudanese oil supply could drive up already record premiums on spot crude markets as top Sudan customers China and Japan scramble for alternatives even as they weigh the impact on oil flows of international sanctions on Iran.

South Sudan has shut down its oil output, estimated at around 350,000 barrels per day (bpd), as it and neighbour Sudan row over how to disentangle their oil industries, borders and debt.

[Sudan to release oil tankers](#)

Khartoum has announced it will release tankers carrying oil from South Sudan in a bid to end the standoff over crude exports. The dispute has led to a shutdown of oil production in South Sudan.

Sudan's seizure of the ships escalated a row over transit fees for South Sudanese crude. Efforts to broker an agreement have so far failed.

[Iran Parliament Debates Ban on Oil to Europe as Nuclear Inspectors Arrive](#)

International Atomic Energy Agency inspectors arrived in Tehran today for talks on Iran's nuclear program while lawmakers drafted a ban on oil sales to Europe.

"We are looking forward to the start of a dialogue, a dialogue that's overdue," Chief Inspector Herman Nackaerts, who's heading the six-member IAEA team, said in comments cited on the website of state-run Press TV. The delegation will stay in the country for three days, Foreign Minister Ali Akbar Salehi told reporters in Addis Ababa, the Ethiopian capital.

[Gulf Arabs have plans against Hormuz closure-official](#)

(Reuters) - Coastguards and naval forces of the Gulf Cooperation Council (GCC) group of Arab countries have contingency plans for a possible attempt by Iran to shut the Strait of Hormuz, a Kuwaiti maritime official said on Monday.

Five of the six GCC members - Saudi Arabia, Bahrain, the United Arab Emirates and Kuwait - rely on the world's most important energy shipping lane being open to export most of their oil and gas.

[Iran: Oil to reach \\$150 a barrel](#)

Oil prices could hit \$150 a barrel as a result of the ongoing international standoff over Iran's nuclear programme, the head of the country's state oil company said yesterday.

Ahmad Qalehbani, chief of the National Iranian Oil Company, made the remarks as Tehran ponders cutting off exports to Europe, before a proposed EU embargo on Iranian crude is due to come into effect. The embargo is set to go into effect in the summer, but Iran says it may cut the flow of crude to Europe early. "It seems we will witness prices from \$120 to \$150 in the future," Qalehbani was quoted as saying by Iran's official news agency.

[South Korean President Seeks Alternatives to Iranian Crude](#)

South Korea's president is to visit Saudi Arabia and two other Gulf oil producers in an attempt to secure stable sources of energy. The trip will come as Seoul is considering reducing imports from Iran in line with U.S.-led sanctions. But the government of South Korea, heavily dependent on energy supplies from abroad, is expressing caution about the international movement to punish Iran for its alleged nuclear weapons development.

[The consequences of war for Saudi Arabia](#)

Discussion of a possible war between Iran and the coalition aligning against it centers on destroying Iranian nuclear sites and ensuring that oil tankers freely transit the Strait of Hormuz. Countries embarking on war scrutinize as many scenarios and possibilities as they can, but wars invariably present unexpected situations and changes within their borders are seldom anticipated.

[To Mend Ties After Clash, Kazakhstan Makes an Offer](#)

ZHANA OZEN, Kazakhstan — Despite the vast wealth of nearby oil fields, this industrial settlement in the desert of western Kazakhstan is a picture of rural poverty. Sheep meander through the town. The streets, mostly unpaved, are so deeply rutted that cars must slow to a crawl.

“Nothing remains for the people,” said Yezev Marzabai, a local oil worker. The worst part of his job, he said, was not the low pay or hard labor: it was watching tens of thousands of dollars worth of oil pass in front of his face every day. “All the wealth goes to the leaders.”

[Kazakh Chevron JV says 2011 output 25.8 mln tonnes](#)

(Reuters) - Tengizchevroil, the Kazakh oil venture led by U.S. energy major Chevron Corp, said on Monday that crude production in 2011 totalled 25.8 million tonnes, or 0.4 percent less than the 25.9 million tonnes produced in 2010.

[Putin call to 'cut Gazprom stake'](#)

Russian Prime Minister Vladimir Putin has called for the government to reduce its stake in state-owned companies, including gas monopoly Gazprom, according to a report.

[Sakhalin-II Project to Reach Full Cost Recovery in Q1](#)

The Sakhalin-II oil and gas project, which Gazprom is implementing with foreign partners on production-sharing terms off Russia's Pacific Coast, will reach its full cost

recovery in the first quarter of 2012, Energy Minister Sergei Shmatko said on Monday.

“We expect the project to reach full cost recovery in the first quarter of 2012, two years ahead of schedule,” Shmatko said.

[Russia: No Further Changes To Energy Production Sharing Agreements](#)

MOSCOW – Russian Energy Minister Sergey Shmatko said Monday that all major issues have been resolved regarding production sharing agreements, or PSAs, that were signed in the 1990s with companies such as ExxonMobil Corp. and Royal Dutch Shell PLC.

"The issue of PSAs has been settled for good," Shmatko told government officials and company executives at a meeting in Moscow.

[Belarus to host more of Russia's gas](#)

MOSCOW (UPI) -- Russian energy company Gazprom said it aims to increase the amount of natural gas it sends through Belarus to European consumers this year.

[White House pressure on Gulf oil leak figures alleged](#)

Official estimates of how much oil leaked into the Gulf of Mexico during the 2010 Deepwater Horizon disaster turned out to be well below the mark. Now an advocacy group has filed a complaint of misconduct to the US National Oceanic and Atmospheric Administration (NOAA) against the scientist who compiled the estimates, alleging he "lowballed" the numbers after political pressure from the White House, among others.

[Obama's energy plan: The winners, and winners](#)

NEW YORK (CNNMoney) -- President Obama's half dozen energy proposals will, by and large, benefit nearly all players in the energy space and result in lower prices for consumers, analysts say.

[Activists enter British Gas headquarters in fuel protest](#)

A group of activists has occupied the British Gas headquarters in Surrey to protest at fuel bills.

Fuel Poverty Action said six people had "barricaded themselves into meeting rooms" at the offices in Staines.

In a statement, the group said it was targeting British Gas as it was one of the "big six

energy firms making profits out of rising energy bills".

[Economics alone should drive countries away from crude oil](#)

The analysis is robust, and the authors lament that the economic argument has been “lodged more firmly in the minds of policy-makers.” But I think another problem lies in the rhetoric behind ‘peak oil.’ For decades, environmentalists and economists have forewarned that we will one day reach peak oil, hitting a wall in production, and thus need to shift to other fuel sources. But it’s like the boy who cried wolf: every time we hear the phrase “peak oil” and the prediction goes unfulfilled, it becomes a little easier to shrug off.

[Renewable Energy Deals Buck Uncertainty to Rise 40%, PWC Says](#)

Renewable energy mergers and acquisitions rose 40 percent in value last year, bucking the uncertainty caused by the European Union debt crisis, the global consultant PwC said today.

[Dubai seeks renewable power sources for the future](#)

With electricity demand growing by the year, the emirate's Supreme Council of Energy has set targets and is on the lookout for ways it can diversify its sources.

[India's Largest Solar Program Cuts Power Rates by As Much as 33%](#)

India's largest solar program cut the preferential rate it pays utilities for sun power as much as 33 percent as global prices of panels declined by more than half.

[A Plea for Southern Treasures](#)

The Southern Environmental Law Center, a Virginia-based nonprofit legal advocacy group, has released its 2012 list of the Top 10 endangered places in the Southeast, environmentally speaking. While the list changes from year to year, certain places like the Chesapeake Bay remain a top concern — and issues like pollution from coal-fired power plants and the protection of public lands and old-growth forests are recurring themes. While the list only considers six states, the issues raised by each site resonate nationally, and even globally.

[Selling the Farm\(er\): What the Trans Pacific Partnership Means for Canada's Dairy Farmers](#)

Credit ratings of once powerful nations are in the tank. The Euro is in trouble. The Occupy movement is on the march, resonating with many who sense legitimacy behind

its youthful messaging.

Add to this global concerns regarding peak oil, climate change, food security, sovereignty and safety, the buy-up of farmland by foreign investors and the transition to fuel crops and it is beyond clear that governments have a profound responsibility to enact good public policy to ensure the sustainability (read permanence) of our farm sector.

[California fuels rule sparks controversy](#)

Just as it pioneered curbs on greenhouse gas emissions from cars and light trucks a decade ago, California is championing standards that could transform the fuel that goes into their tanks.

But its new rule, which requires lowering the amount of carbon in fuel sold in the state, has become embroiled in a fierce public battle and has been barred from being enforced. In light of tight state budgets, litigation over California's program and a strong lobbying campaign against them, the question is whether the ambitious climate policy will get off the ground.

[Power paradox: Clean might not be green forever](#)

While this kind of work is still at an early stage, some startling conclusions are already beginning to emerge. Nuclear power - including fusion - is not the long-term answer to our energy problems. Even renewable energies such as wind power will have to be used with caution, because large-scale extraction could have both local and global effects. These effects are not necessarily a bad thing, though. We might be able to exploit them to geoengineer the climate and combat global warming.

There is a fundamental problem facing any planet-bound civilisation, as Eric Chaisson of the Harvard Smithsonian Center for Astrophysics in Cambridge, Massachusetts, points out. Whatever you use energy for, it almost all ends up as waste heat.

[Climate-driven heat peaks may shrink wheat crops](#)

More intense heat waves due to global warming could diminish wheat crop yields around the world through premature ageing, according to a study published Sunday in Nature Climate Change.

[Louisiana scientists working on plan to save coastline, fight global warming](#)

A team of Louisiana scientists is laying the groundwork for creating a new carbon storage industry that could both reduce the effects of global warming and rebuild wetlands along the state's coastline. Sarah Mack, founder of New Orleans-based Tierra Resources, and Louisiana State University wetlands scientists John W. Day and Robert

Lane have come up with a method for measuring the molecules of carbon removed from the atmosphere by the soils and plants that are created with coastal restoration projects.

[Developer concerned about sea level predictions](#)

Lake Macquarie Council's effort to manage the impact of rising sea levels has again raised the ire of developer Jeff McCloy, this time over his plans to develop the former Pasmenco smelter site.

A council flood study found thousands of lakeside properties would be in danger of flooding by 2100 due to rising seas.

Mr McCloy has already threatened a class action against the Council for devaluing waterfront properties.



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