Drumbeat: April 16, 2012

Posted by Leanan on April 16, 2012 - 9:50am

6 Scary Extreme Energy Sources Being Tapped to Fuel the Post Peak Oil Economy

> In a few short years the term "fracking" went from obscurity, mostly mistaken for an obscenity, to a household word, now often associated with flammable tap water. The technology is not new, but the market conditions that make such reckless forays deep into the earth's crust profitable, are new. Welcome to the post peak oil energy economy. What's online to follow fracking is even scarier.
>
> The problem is we're addicted to oil, and like most addicts, we can't take that first step and admit our addiction. For over a century, we mostly glided, enjoying the high that cheap oil gave our economy and consumptive lifestyles, while not facing many consequences—at least none that we could yet recognize. But, like the meth-head whose body was rotting from the inside out, our addiction was poisoning our atmosphere, our oceans and in places, our land and fresh water. Now we're seeing the results of that five generation-long binge. We're also coming into a period that energy economists call "peak oil."

Crude Drops for Second Day in New York After Iran Talks

> Brent crude fell, extending last week's drop, after the first international talks in 15 months on Iran's nuclear program yielded an agreement for the parties to reconvene in May.
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> Futures slipped as much as 1.5 percent in London. The United Nations' five permanent Security Council members plus Germany will meet Iranian delegates in Baghdad on May 23 after "constructive" talks in Istanbul on April 14, the European Union's foreign policy chief said yesterday. Oil rose this year amid concern that tension with Iran may disrupt global supply.

U.S. economy in better shape to handle high gas prices: Geithner

> WASHINGTON (Reuters) - The U.S. economy is in a better position to deal with high gasoline prices, Treasury Secretary Timothy Geithner said on Sunday, adding that unseasonably warm winter had lowered overall energy costs for consumers.
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> "The economy is in a much better position to deal with those pressures ... because natural gas prices are down, the overall cost of energy for consumers is down," Geithner

said on ABC's "This Week" program.

[Retail Sales in U.S. Increased More Than Forecast in March]

> Retail sales in the U.S. rose more than forecast in March, showing consumers are weathering the jump in gasoline prices heading into the second quarter.
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> The 0.8 percent gain was almost three times as large as projected and followed a 1 percent advance in February, Commerce Department figures showed today in Washington. The median forecast of 81 economists surveyed by Bloomberg News called for a rise of 0.3 percent. Eleven of 13 categories showed increases.

[U.S. Gas Price Redux]

> It is truly amazing how much can change in four years. Or, more accurately, how little things change in terms of human behavior. Four years ago the US was mired in the last spike in gasoline prices heading into the summer. Virtually every media outlet was conducting daily interviews, polls, and newsbytes about how Mr. and Mrs. Average were dealing with the high gas prices. Today, we have a new norm, and the wires are rather silent on the high gas prices other than quietly reporting the national averages. We as a country have come to be comfortable with $3.50 gas. Gas is one of those strange commodities too because, unlike so many other things, almost everyone has a pretty good idea of the price they paid for their last tankful.

[Oil refining capacity to rise 43% a year by March 2017]

> India's oil refining capacity will rise by more than 43% to 310 million tonne a year by March 2017 from current 216 million tonne, Oil Secretary GC Chaturvedi said today.

[Argentina’s Government Postpones YPF Takeover, La Nacion Says]

> The government of President Cristina Fernandez de Kirchner will wait until she returns from the Summit of the Americas to make an announcement and will negotiate with the parties involved, the Buenos Aires-based newspaper said, citing unidentified people within the government.

[Spain's Repsol urges talks in Argentina YPF oil tension]

> The head of Spanish oil giant, Repsol, has urged the Argentine government to enter a dialogue amid reports that its YPF subsidiary could be nationalised.
>
> "The only way is to talk and talk," said Antonio Brufau, who has been in Argentina since last week.

[Chevron plans to ship more Forties crude to South Korea]

SINGAPORE (Reuters) - Oil producer Chevron (NYSE:CVX - News) plans to move a cargo of Forties crude to South Korea, its second in two weeks, as ample supply depressed spot differentials of the European benchmark grade, trade and shipping sources said on Monday.

The move will drain excess crude supply in Europe and meet robust demand from South Korean refiners.

[Exxon, Rosneft to sign strategic deal - sources]

(Reuters) - Russian state oil firm Rosneft (ROSN.MM) and U.S. Exxon Mobil Corp (XOM.N) will sign a wide-ranging strategic partnership on Monday at Prime Minister Vladimir Putin's residence, sources familiar with the matter said.

[Libyan oil exports to total 1.29 million bpd in May]

(Reuters) - Libyan crude oil exports are expected to amount to 40 million barrels in May, or 1.29 million barrels per day (bpd), a senior official at Libya's state-owned National Oil Corporation (NOC)said on Monday.

NOC plans to sell 30 million barrels, while firms that receive oil for investing in Libyan production are expected to take 10 million barrels.

[Iraq's southern oil exports surge in April]

LONDON, April 16 (Reuters) - Iraq's oil exports from its southern ports have jumped by 190,000 barrels per day (bpd) in April, according to shipping data tracked by Reuters, a sign shipments are heading for another post-war record.

Exports from the Basra oil terminal, Khor al-Amaya, and a new Gulf outlet have averaged 2.11 million bpd in the first 16 days of April, the data showed. Iraq said its southern exports averaged 1.92 million bpd last month.

[Azerbaijan-Russia Natural Gas Pipeline Hit by Explosion, Fire]

An explosion hit the Mozdok- Gazimagomed pipeline carrying natural gas from Azerbaijan to southern Russia, causing a fire.

The blast late yesterday in Azerbaijan’s Shamakhi District section of the pipeline resulted from a gas leak, the state gas distribution company, Azariqaz, said on its website. No casualties were reported, and the fire has been extinguished, the company said.

[Hedge Funds Cut Commodity Bets on Slowing China Growth]

Speculators cut bullish wagers on commodities by the most in 2012 on mounting concern that the slowest Chinese growth in almost three years will curb gains in demand for everything from copper to cotton.

[12 Predictions by Michael Pettis on China; Non-Food Commodity Prices Will Collapse Over Next Three to Four Years; Nails in the Hard Landing Coffin?]

For years the mantra has been buy what China needs (commodities), sell what China produces.

That strategy worked for a long time but that time is up or soon will be. The implication are far from pleasant for the currencies of commodity producers like Australia and Canada.

[When Does This Travesty of a Mockery of a Sham Finally End?]

All this surplus energy in North America sounds wonderful, but that doesn't mean the world as a whole has escaped Peak Oil. Even if these projections turn out to be accurate, that expansion of production will not replace the loss of production as supergiant fields in Mexico, the North Sea and the Mideast enter the depletion phase. Yes, technology can extract more oil, but technology is costly. The days of cheap natural gas may have arrived, but the days of cheap oil are numbered.

How all this plays out is unknown, but even raising U.S. production by 10 million barrels of oil equivalents a day--quite a challenge in the real world despite the easy-to-pen hype-- might not be enough to maintain current production levels. Since several billion more people desire the U.S.-type lifestyle of energy profligacy, then what are the consequences of the mismatch between global demand and supply?

[U.S. Can Help Iraq Help Itself to Stay on Democratic Path]

Iraq is on a path leading away from the reasonably democratic model the U.S. hoped to leave behind. President Nouri al-Maliki is on a power trip. More broadly, his government is pushing laws that would constrain freedoms fundamental to a democracy.

Maliki, a Shiite, has gone after leading Sunni politicians, most notably issuing an arrest warrant, on what seem to be trumped-up murder charges, for Vice President Tariq al-Hashimi, now a fugitive. In response, Hashimi’s Sunni-dominated party, a part of the

> governing coalition, refuses to participate in the Cabinet.

[Iran Nuclear Talks Face Challenges Heading to May Meeting]

> Diplomats face a battle against time and precedent as they look toward the next round of talks with Iran on its nuclear program.
>
> The negotiators broke a 15-month stalemate after 10 hours of "constructive" talks in Istanbul on April 14 and agreed to reconvene in Baghdad May 23. Squeezed by U.S. and European Union sanctions, as well as Israeli and American talk of a military strike to prevent it from acquiring atomic weapons, Iran dropped upfront demands and the talks focused almost exclusively on its nuclear program, according to two Western diplomats involved in the negotiations.

[Cheniere to raise up to $4 billion in debt for Louisiana plant]

> (Reuters) - Cheniere Energy Partners LP (CQP.A) said it has engaged eight financial institutions to raise up to $4 billion in debt to help finance the construction of a gas-liquefaction plant for export markets.
>
> LNG developer Cheniere will use the investment to build its first export plant in Sabine Pass, Louisiana.

[Exxon's big bet on shale gas]

> America's most profitable company now produces about as much natural gas as it does oil. CEO Rex Tillerson thinks the fracking party has just begun.

[Calls to ban new fossil fuel projects]

> As Victoria faces a wave of exploration licences for coal seam gas (CSG), coal, and tight gas, there is growing opposition to this industry. "Community groups have formed across the 'coal belt' of southern Victoria, from the Otways to Wonthaggi to Toongabbie" said Friends of the Earth campaigns co-ordinator Cam Walker. "Clearly local farmers and residents do not want to see their lands and water sacrificed for short term fossil fuel development."

[Let's Build That Pipeline]

> The days when your mater and pater gave you your first 100,000 shares of a company, and you held on to that stock for the rest of your life and uttered a hearty "huzzah!" when the dividends would roll in, are long gone. Which is why we billionaires in the

petrochemical industry, as we reach Peak Oil, when offered the choice between securing the long-term well-being of our companies by making the agonizing shift to renewable energy sources, or embarking on a mad, hungry dash for every last barrel of oil that can be squeezed out of the most remote and inaccessible ends of the planet, it was a no-brainer: We're putting our chips on the Alberta tar sands, baby!

Chart of the day: Fracking up the landscape

This chart shows the daily production of natural gas in five states, and the Gulf of Mexico (Federal GOM). Apart from Louisiana and Texas, almost all of the increase in production has come from states which were not previously major gas producers, as the practice of fracking has opened up new reserves.

More on the Link Between Earthquakes and Fracking

Scientists from the United States Geological Survey have cautiously weighed in on a subject that has sparked public concern in some parts of the country: spates of small earthquakes in oil- and gas-producing areas.

In a report to be presented next week at a meeting of seismologists in San Diego, the scientists say that increases in the number of quakes in Arkansas and Oklahoma in the last few years are “almost certainly” related to oil and gas production. But in a summary of the report, they say they do not know if seismic activity is increasing because companies are taking more oil and gas from underground or because of “changes in extraction methodologies.”

Inupiat tribal leader wins prize for opposing offshore drilling

Caroline Cannon's lifelong connection to the Arctic Ocean pushed her to become one of the state's most vocal opponents of offshore oil drilling.

Now, just as Shell Oil is poised to drill exploration wells off Alaska's northern coast, her advocacy has won her a coveted environmental award.

Edano May Visit Fukui With Message Japan Reactors Safe

Japan’s point man on nuclear energy visited regional officials this weekend to say reactors are safe to operate, less than three weeks before the nation’s sole nuclear plant still running closes for maintenance.

Industry Minister Yukio Edano doesn’t need local approval to restart two reactors at Kansai Electric Power Co.’s Ohi plant, about 95 kilometers (59 miles) northeast of Osaka. With Prime Minister Yoshihiko Noda and two other Cabinet officials he can approve operation of the plant.

New underwater images show damage at Fukushima

> Tokyo Electric Power Co. has released dramatic images taken by an underwater camera showing major damage at a spent fuel storage pool at the Fukushima Daiichi nuclear plant.
>
> Photos show a 35-tonne crane, set to straddle over the pool, which may have dropped due to a hydrogen explosion three days after the tsunami and earthquake on March 11 last year, TEPCO said when it released the images on Friday.

Japan Utilities Use Record LNG in 2011 on Idle Reactors

> Japanese power providers said they used record amounts of liquefied natural gas last year to replace nuclear generation.
>
> Japan's 10 regional power utilities burned 52.9 million metric tons of LNG in the fiscal year ended in March, up 27 percent from the prior year, according to data today from the Federation of Electric Power Companies.

Plan to Track Quake Threat Is Questioned

> A hulking research vessel would haul air guns, echo sounders and other instruments along the California coast day and night for several months as part of a proposed $64 million effort to map seismic fault lines near the Diablo Canyon nuclear power plant.
>
> The surveys, proposed by Pacific Gas and Electric Company, could produce a precise three-dimensional map of the fault lines, helping the utility estimate the location and magnitude of potential earthquakes. But the maps would do little to reveal the likelihood of a rupture, experts said, because the proposed surveys will not measure the speeds at which underlying tectonic plates are slipping past each other.

Growth Prospects for Uranium Stir Concerns

> Company officials hope that the Hobson plant will increase its yellowcake production, now at 200,000 to 250,000 pounds per year, far below the plant's capacity. Uranium has been mined in Texas for decades, but companies see a potential hike in demand for their product. They are ramping up for a new push, despite concerns from environmental groups that past operations have not been sufficiently cleaned up and pose a threat to aquifers that people drink from.

Christie-Lautenberg grudge spoils NJ-NY tunnel project

A year and a half ago, work was under way on two new commuter railroad tunnels under the Hudson River connecting New Jersey and New York City, with a scheduled completion date of 2018. Then Gov. Chris Christie pulled the plug, claiming that his state couldn't afford its share of the costs.

Last week, the federal Government Accountability Office issued a report reviewing that decision. Its summary of the benefits that were lost makes painful reading.

[The long road home: super commuters on the rise]

Beseda, 37, who has managed to keep this schedule for 10 years, is one of a growing number of "super commuters"-- people who travel about 100 miles each way to work.

He grew up in Fayetteville, Texas, halfway between Austin and Houston, then moved to Houston to be closer to his job. But after just a year and a half in the big city, he moved back to the much smaller Fayetteville community (population: 258) to start and raise a family. On the weekends, Beseda, his wife, and their four kids go fishing in a pond near their home and on Sundays, the whole family –- cousins, aunts and uncles who also live in town -- have a big dinner together. It's a family tradition, Beseda said, and that means more to him than living closer to his place of employment.

[What's Your Walk Score?]

Tregoning envisions Walk Score as a kind of divining rod for developers and officials, a tool that could help them spot opportunities in places that are about to "tip" into walkable urbanism. Tysons Corner, Va., is an archetypal "Edge City," one of those centerless clusters of office parks and corporate headquarters located a few highway exits away from a major metropolis (in this case, Washington, D.C.). Tysons Corner has, says Tregoning, a "pretty good Walk Score, but it's anything but walkable." People in Tysons have been known to drive across the street for lunch. "But it's not a bad indication that there's already enough stuff that if you were to overlay a more urban pattern of development, that you would have a lot of the destinations that people would need a daily basis."

[Learning To Walk]

The plight of life on foot in America was nowhere more poignantly expressed than in the conviction, just last year, of a Georgia woman for vehicular manslaughter. What brought the case to national prominence was a single, Kafka-esque detail: She was not driving.

What happened? Raquel Nelson, having just disembarked from a bus across from her apartment complex, was crossing busy Austell Road with her four children when a driver—who admitted to having consumed a "little alcohol," was on prescription painkillers, and is partially blind in one eye, and who already had two hit-and-run charges on his record, but a very active driver's license—struck the group, killing her 4-year-old son.

[The Magical Decline Of Crude Oil Demand]

> People who like conspiracy theory are well served by the Oil Establishment's ceaseless quest to present world oil supply as sufficient if not 'abundant', denying the evidence of Peak Oil, and accessorily keeping a lid on oil prices. BP, like most of the downsized family of private, nonOPEC, non Emerging country national oil companies, and the energy agencies of the major oil consuming countries spins magical theories purporting to show that oil demand is "withering away". The clan of oil majors once called the Seven Sisters, but today better called the 5 Anxious Dwarfs in oil production terms because all of them are making the Gas Shift away from oil, claims that global oil demand "will shrink to nothing". To be sure, the 5 Dwarfs now control only 12% of world oil production capacity, even if their profits remain impressive, so they like to pretend they dont need Black Stuff anymore.
>
> Like other Anxious Dwarfs, BP massages the numbers to show that world oil supply is holding up, while oil demand is naturally fading away, preparing the mega shift away from oil to gas, and making it 'unlikely' oil prices can hit the peaks of 2008.

[Time to shed global investments?]

> Recessions, currency problems, wars, famines, poverty, disease, peak oil, extreme storms and natural disasters. Is the world getting worse and the time coming to divest from traditional global investments?
>
> Matt Ridley's new book "The Rational Optimist: How Prosperity Evolves" may help with your long-term perspective.

[Food miles a bit of a myth: CSIRO]

> TWO brands of olive oil, one from Australia, the other shipped 16,000 kilometres from Italy, sit on a supermarket shelf.
>
> Most eco-friendly shoppers would reach for the Australian oil. But despite burning less fossil fuel to get here, it may not be better for the planet.
>
> Contrary to popular belief, "food miles", or the distance food has travelled before we buy it, is a poor indicator of our food's total greenhouse gas emissions, or "carbon footprint".
>
> More important is the way our food is farmed and produced, and how far we drive to buy it.

[The Myth of Sustainable Meat]

> The last decade has seen an exciting surge in grass-fed, free-range, cage-free and

pastured options. These alternatives typically come from small organic farms, which practice more humane methods of production. They appeal to consumers not only because they reject the industrial model, but because they appear to be more in tune with natural processes.

For all the strengths of these alternatives, however, they're ultimately a poor substitute for industrial production. Although these smaller systems appear to be environmentally sustainable, considerable evidence suggests otherwise.

Trailblazers on Masdar's frontier

A trailer on the outskirts of Abu Dhabi is named SAF-1, short for "sustainable administrative facility". Its amenities include air conditioning, a parking lot and proximity to a Caribou Coffee, the only one in this stretch of desert near Abu Dhabi International Airport.

It is also the home to a cluster of optimistic entrepreneurs who want to help create the Silicon Valley of the Middle East.

EU's 'Recession-Busting' Wind Industry Set to Triple in Value

The European Union's "recession- busting" wind power industry is forecast to triple in value as its labor force doubles in the 10 years through 2020, the European Wind Energy Association said.

The contribution of the wind industry to the economy of the 27-nation EU will rise to 94.5 billion euros ($123 billion) in 2020 from 32.4 billion euros in 2010, the lobby group, known as EWEA, said today in a report published in Copenhagen at the start of its annual conference. Jobs supported by the industry will jump to 520,000 from 238,154, it said.

Clean coal plant as important to Dubai as its landmarks

Dubai has become known worldwide for its ambitious projects - the tallest, largest, longest, most expensive or prestigious. Its latest venture matches all those superlatives - but is being adopted more from necessity than pride.

The global happiness derby

Well, if economic growth doesn't make people happier, what's the point? The happiness movement is often anti-growth. Yes, the poorest countries need growth to relieve misery. But otherwise, "the lifestyles of the rich imperil the survival of the poor," writes Columbia University economist Jeffrey Sachs in the happiness report. "Climate change is already hitting the poorest regions."

This sounds reasonable but isn't. There are two flaws. First, the Easterlin Paradox may be untrue. A recent study by economists Justin Wolfers and Betsey Stevenson of the University of Pennsylvania found that higher economic growth does raise happiness in most countries. Second, even if the Easterlin Paradox survives (economists are quarreling), growth is essential to maintaining existing happiness.

Nigeria Tested by Rapid Rise in Population

LAGOS, Nigeria — In a quarter-century, at the rate Nigeria is growing, 300 million people — a population about as big as that of the present-day United States — will live in a country the size of Arizona and New Mexico. In this commercial hub, where the area's population has by some estimates nearly doubled over 15 years to 21 million, living standards for many are falling.

Lifelong residents like Peju Taofika and her three granddaughters inhabit a room in a typical apartment block known as a "Face Me, Face You" because whole families squeeze into 7-by-11-foot rooms along a narrow corridor. Up to 50 people share a kitchen, toilet and sink — though the pipes in the neighborhood often no longer carry water.

At Alapere Primary School, more than 100 students cram into most classrooms, two to a desk.

As graduates pour out of high schools and universities, Nigeria's unemployment rate is nearly 50 percent for people in urban areas ages 15 to 24 — driving crime and discontent.

The growing upper-middle class also feels the squeeze, as commutes from even nearby suburbs can run two to three hours.

Can Supply-Side Economics Solve Global Pollution Problems?

"In my analysis, I show that by letting coalition countries buy extraction rights in third countries – and preserve rather than exploit the fuel deposits – climate coalitions can circumvent the traditional problems of a demand-side policy, the most intuitive benefit from this policy is that emission is reduced if one buys and conserves deposits. Furthermore, the coalition finds it cheapest to buy the marginal deposits (ie, deposits that are not very profitable to exploit, but still quite polluting when consumed)."

By targeting cheaper marginal deposits that are difficult to extract, and which require the most extreme and destructive mining and drilling techniques, costs of buying reserves are kept down and benefit is multiplied. Not only is the fuel kept out of the market, strip-mining and other high-energy and high-emission extraction is avoided. World prices are equalized and third world countries are encouraged to invest in renewable energy, effecting social change as well as environmental progress. In effect the countries that are not participating in the climate coalition become part of the larger effort.

Can natural gas help stop global warming?

> America's abundant supplies of unconventional gas have the potential to be a rich economic and environmental blessing. New extraction techniques — hydraulic fracturing, or "fracking" — make the country's vast reserves accessible at low cost. The fact that burning natural gas produces about half the carbon emissions as coal means the fuel could be an attractive, affordable alternative, giving lower-carbon energy options more time to become less expensive.
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> But extracting and transporting all that natural gas, which is mostly methane, also results in fuel leaks. When methane leaks, it has a shorter-lived but much stronger global warming effect as the carbon dioxide released when the same amount of methane is burned. Particularly on relatively short time frames of 10 or 20 years, too much methane leakage can make the fuel less attractive than even dirty old coal, some critics warn.

No need to wait for the clean air dividend

> WHAT if there was a way to simultaneously slow down climate change, save millions of lives, improve crop yields and contribute to sustainable development and energy security? It sounds too good to be true, but it is possible. It won't be free or easy, but with some effort and moderate investment, it can be done.

As Arctic ice cap melts, a new Cold War

> (AP) YOKOSUKA, Japan - To the world's military leaders, the debate over climate change is long over. They are preparing for a new kind of Cold War in the Arctic, anticipating that rising temperatures there will open up a treasure trove of resources, long-dreamed-of sea lanes and a slew of potential conflicts.
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> By Arctic standards, the region is already buzzing with military activity, and experts believe that will increase significantly in the years ahead.