



## Drumbeat: April 18, 2012

Posted by [Leanan](#) on April 18, 2012 - 9:43am

### [The cost of new oil supply](#)

As the cheap oil from old mature fields is depleted, and we replace it with expensive new oil from unconventional sources, it forces the overall price of oil up. This is because oil prices are set at the margin, as are the prices of most commodities. The most expensive new barrel essentially sets the price for the lot.

Research by veteran petroleum economist Chris Skrebowski, along with analysts Steven Kopits and Robert Hirsch, details the new costs: \$40 - \$80 a barrel for a new barrel of production capacity in some OPEC countries; \$70 - \$90 a barrel for the Canadian tar sands and heavy oil from Venezuela's Orinoco belt; and \$70 - \$80 a barrel for deepwater oil. Various sources suggest that a price of at least \$80 is needed to sustain U.S. tight oil production.

Those are just the production costs, however. In order to pacify its population during the Arab Spring and pay for significant new infrastructure projects, Saudi Arabia has made enormous financial commitments in the past several years. The kingdom really needs \$90 - \$100 a barrel now to balance its budget. Other major exporters like Venezuela and Russia have similar budget-driven incentives to keep prices high.

### [Cheer up: the world has plenty of oil](#)

It's widely believed nowadays that global oil production is running up against its limits. "The days of easy oil are over", we are told and we should brace ourselves for an age of relative oil scarcity. The reality, however, is very different. As more and more people within the oil industry have come to realize in recent years, the world has plenty of oil that can be produced at competitive prices for a long, long time to come. This means the world does not face inevitable "energy poverty" and there is no reason to be afraid of unavoidable "energy wars".

### [The Real Reason to Worry about Oil](#)

The global economy will have trouble with oil prices above \$125 per barrel, Hansen said. At the other end, the cost of production establishes a floor for oil prices. That cost ranges from around \$80-\$90 per barrel for Saudi Arabia to \$100 for Russia. Those are the prices necessary to guarantee domestic stability, since both countries use oil revenue for political purposes; the variable cost of production is much lower.

“That’s not a big window,” Hansen said, “and it’s getting tighter, because the floor is going up as the cost of exploration, extraction and production of oil goes up.” When prices go outside of that zone, “someone suffers,” he said.

### [Oil hovers above \\$104 after US crude supply jump](#)

LONDON (AP) — Oil prices hovered above \$104 a barrel Wednesday after a report showed U.S. crude supplies jumped more than expected for a fourth week, suggesting demand remains weak.

...The American Petroleum Institute said late Tuesday that crude inventories rose 3.4 million barrels last week while analysts surveyed by Platts, the energy information arm of McGraw-Hill Cos., had predicted an increase of 400,000 barrels.

Inventories of gasoline fell 2.6 million barrels last week while distillates tumbled 2.4 million barrels, the API said.

### [Argentina Seizes 51% of Oil Producer YPF to Stem Imports](#)

Argentina’s seizure of YPF SA threatens to take the country further away from its goal of energy self-sufficiency as investors weigh the increased risk of expropriation in South America’s second-biggest economy.

President Cristina Fernandez de Kirchner named Planning Minister Julio De Vido to head the oil company with immediate effect and is sending a bill to Congress to take a 51 percent stake after oil imports doubled. Argentina, which wants to produce enough crude to match consumption, risks becoming “unviable” as a country because of the surge in imports, Fernandez said yesterday.

### [Argentina Rejects Repsol’s \\$10.5 Billion Claim for YPF](#)

Argentina rejected Repsol YPF SA’s demand for \$10.5 billion in compensation after President Cristina Fernandez de Kirchner seized its YPF SA unit, saying it hasn’t invested enough in the South American country.

### [Argentina slammed by Spain, EU for oil takeover](#)

MADRID (AP) — Argentina's President Cristina Fernandez is attempting to quell increasing unrest at home and boost her popularity with an "unlawful" bid to nationalize YPF, the Argentine oil unit of Spanish energy firm Repsol, the company's president claimed Tuesday as the company's shares plunged almost 7 percent.

As Spain's government prepared retaliatory measures against Argentina, the European Commission added to the two nations' rapidly rising economic and diplomatic tensions

by indefinitely postponing a meeting with Argentine officials over a bilateral trade and economic treaty between the European Union and Argentina.

### [Spain complains of lack US support in oil row with Argentina](#)

Madrid (dpa) - The Spanish government on Wednesday complained about US restraint in a row pitting Madrid against Argentina over Buenos Aires' nationalization of oil company YPF.

The United States has refrained from taking sides on Argentina's decision to take over YPF, which is controlled by the Spanish oil giant Repsol, saying simply that it is studying the case.

### [Hurricane Season to Provide Little Gas Support](#)

A below-average Atlantic storm season in 2012 probably will provide little support for energy prices as natural gas trades at 10-year lows.

Only four hurricanes are expected this year, according to researchers at Colorado State University who pioneered long-range Atlantic forecasting. In total, the storm season that runs from June 1 to Nov. 30 will produce 10 named systems, compared with 19 last year, they said in a report April 4.

### [Why haven't natural gas rates fallen in Huntsville?](#)

The natural gas prices people often see quoted in the media are spot market quotes for gas sales on the New York Mercantile Exchange. Right now the spot price is low for at least two reasons, said Yell.

Nationally, the demand for natural gas has been lower than normal because of a mild winter. Many utilities did not use all the gas they had under contract, he said, and Huntsville Utilities still has gas in storage. In addition, supplies have expanded greatly because of the advent of fracking, which allows extraction of natural gas from previously untapped rock formations.

### [Shale gas fracking gets green light in Britain](#)

LONDON (Reuters) - A UK government report on Tuesday backed the exploration of shale gas, which has transformed the U.S. energy market, nearly one year after temporarily banning the drilling method because it had triggered two small earthquakes in Britain.

An expert report commissioned by the government said it was safe to resume fracking,

in which pressurised water and chemicals are pumped underground to open shale rocks and release trapped gas, but with tighter rules on seismic monitoring and drilling surveys.

### [Exclusive: UK has vast shale gas reserves, geologists say](#)

(Reuters) - Britain may have enough offshore shale gas to catapult it into the top ranks of global producers, energy experts now believe, and while production costs are still very high, new U.S. technology should eventually make reserves commercially viable.

UK offshore reserves of shale gas could exceed one thousand trillion cubic feet (tcf), compared to current rates of UK gas consumption of 3.5 tcf a year, or five times the latest estimate of onshore shale gas of 200 trillion cubic feet.

### [Halliburton First-Quarter Profit Rises as Fracking Demand Grows](#)

Halliburton Co., the world's largest provider of hydraulic fracturing services, said first-quarter profit increased as rising crude prices drove producers to expand drilling in North America.

### [Energy company seeks water from eastern Ohio reservoir for fracking](#)

The Muskingum Conservancy Watershed District is expected to vote Friday on allowing an energy company to tap into a lake in eastern Ohio for fracking water.

Oklahoma-based Gulfport Energy Corp. wants to take up to 11 million gallons of water from Clendening Reservoir in Harrison County to hydraulically fracture, or frack, a natural gas well it is developing.

### [Scotland 'faces bill of £30bn' after North Sea oil runs out](#)

TAXPAYERS in an independent Scotland would have to pay the £30 billion cost of decommissioning North Sea rigs, the country's leading oil economist warned earlier today.

### [Panel Faults Congress for Inaction on Drilling](#)

WASHINGTON — Members of the presidential panel that investigated the 2010 BP oil rig explosion and spill sharply criticized Congress on Tuesday for refusing to act on any of its recommendations and gave the Obama administration and the oil industry mixed marks.

## [Human-made earthquakes reported in central U.S](#)

(Reuters) - The number of earthquakes in the central United States rose "spectacularly" near where oil and gas drillers disposed of wastewater underground, a process that may have caused geologic faults to slip, U.S. government geologists report.

## [Royal Dutch Shell PLC looks at possible \\$4B investments onshore in Nigeria as production rises](#)

LAGOS, Nigeria - Royal Dutch Shell PLC is considering \$4 billion worth of onshore projects in Nigeria to help capture natural gas currently burning at oil wells that contribute to global warming and can sicken those living nearby, the company's CEO said Wednesday.

CEO Peter Voser also said Shell's oil production rose to about 800,000 barrels a day in 2011, up after years of militant activity in the country's Niger Delta cut into output.

## [Crocodile-Fighting Darwin Hits Gas-Fueled Economic Fast Lane](#)

Near the site where the first bomb landed on Australia in World War II, Il Lido restaurant serves watermelon cubes with aged balsamic vinegar at A\$3 (\$3.12) each to diners overlooking a swimming lagoon and artificial wave pool.

This is the new face of Darwin, a transformation from the capital of Australia's hardest-drinking region, where a crocodile is caught almost every day, into a boomtown enriched by gas and bolstered by its location between the Pacific and Indian Oceans, where Asia and Australia meet. The heart of the change is a \$34 billion liquefied natural gas project by Inpex Corp. and Total SA that will help fuel Japan for four decades.

## [Oil-rich Kazakhstan top global target for retailers](#)

LONDON (Reuters) - Oil-rich Kazakhstan was the top target for international retailers looking to expand in 2011, as brands sought to take advantage of the central Asian state's fast-growing middle class and improving infrastructure, research found.

A report by property consultancy CBRE Group said 18 global retailers entered Kazakhstan's largest city, Almaty, last year, the highest number among the 73 countries it surveyed.

## [The press talk is getting oilier ... the world stays the same oiliness](#)

As a self-proclaimed energy dork, it's somewhat exciting to see so much discussion of oil and gasoline (and petrol!) in the news recently. The discussions range from indicating that The Limits to Growth is still basically correct to how technology is trumping all

limits to enable the United States to soon be the world's number one oil producer and start exporting oil within 10 or 20 years. Non-energy adept or interested persons can be confused easily, and unfortunately this is many. Of course, energy 'experts' don't agree.

### [BP Will Rocket Higher On New Uist Well, Technip Contract](#)

Consider the amount of ink that has been spilled on the subject of the "Peak Oil" Crisis, the idea that oil production is heading into a period of terminal decline as the earth is finally stripped of its last remaining fossil fuels. A very brief search for "peak oil" in books on Amazon.com brought up 2,834 results!

Some prophets of doom suggest this oil shortage is already underway, with oil production having "peaked" in 2002. In addition, the alleged Western greed for fossil fuels has been blamed for dozens of wars (or the lack of) from Afghanistan to Sudan. I will leave it to the reader to investigate these claims and make up their own minds.

### [Looking For Returns In The Alternative Energy Space](#)

One thing that's guaranteed to improve renewable energy's economics is an oil crisis, preferably one which sends prices soaring to well above \$150 a barrel for a long period of time.

But wait, if you are betting on peak oil, why not just buy traditional energy companies that would do well in a significant oil price appreciation? You don't have to bet on smaller firms or rely on tax breaks. With traditional energy firms, one may do well even without an oil crisis. Better yet, why not just go long on oil futures. This way you have no business risk at all - the peak oil effect would go straight into income.

### [Russia claims outside forces threaten Syria's cease-fire](#)

ISTANBUL – Russian claims that a United Nations cease-fire is being undermined by outside forces was met with derision by Syrian activists Tuesday as the military of Bashar Assad expanded attacks on rebel-held neighborhoods.

Clouds of smoke rose over the cities of Homs and Idlib as bombs flattened homes despite Assad's acceptance of a cease-fire brokered last week by U.N. envoy Kofi Annan.

### [Meanwhile, Inside Iran: Khamenei Consolidates His Power](#)

Said Mortazavi made a name for himself as the strong arm of Iran's judiciary, first as a prosecutor at the Islamic Revolutionary Court and later as the prosecutor general of Tehran. His hard-line approach earned him nicknames like the Torturer of Tehran and the Butcher of the Press. Now it looks like Mortazavi may be getting a taste of his own revolutionary justice: last week, the Tehran judiciary announced that Mortazavi would

be summoned to court for a hearing on his role in torture and human-rights abuses at the Kahrizak prison after the controversial 2009 presidential election.

### [Iran says nuclear dispute can be solved 'quickly'](#)

TEHRAN, Iran (AP) — Iran is ready to resolve all of its nuclear disputes "quickly and easily" in a second round of talks with world powers planned for next month in Baghdad, the country's foreign minister said Monday.

Ali Akbar Salehi was quoted by the semiofficial ISNA news agency as saying that Iran might be more flexible if it could be guaranteed an external supply of enriched uranium — an apparent endorsement of a U.S. compromise proposal.

### [Western Sanctions on Iran's Precious Oil May Cost India Dearly](#)

TEHRAN (FNA)- Iran's oil is too precious to be ignored or replaced by any other supplier and any western sanctions on Iranian crude could cost India dearly, an analyst said.

### [Afghan officials say extremists poisoned schoolgirls' water](#)

At least 140 Afghan schoolgirls and female teachers have been hospitalized after drinking water that local officials say was poisoned by extremists opposed to women's education, CNN reports.

### [Obama and Romney on energy, environmental issues](#)

WASHINGTON (AP) -- A look at where President Barack Obama and Republican presidential candidate Mitt Romney stand on energy and environmental issues.

### [Tool and die makers desperately casting for workers](#)

These skilled manufacturers are vital. They produce tools, dies and molds that other makers use to shape products — from car fenders and dashboards to shampoo bottles and cellphones.

Yet tool and die makers shrank far more dramatically than other manufacturers in the downturn, and now they're struggling to find skilled workers. As a result, they may not have a large enough workforce to support the return of significantly more manufacturing to the U.S., a trend known as reshoring, according to a Congressional Research Service report last month.

### [Boeing updates 737 for a new era](#)

The new version, the 737 Max, which is scheduled to make its debut in 2017, is designed with new engines to burn less fuel than its three predecessors, to help airlines pare costs and leave less of a carbon footprint on the global environment.

### [Analyst: Calif. high-speed rail plan still vague](#)

Sacramento, Calif. (AP) -- The state Legislative Analyst's Office said Tuesday that the latest plan to build a \$68.4 billion high-speed rail system linking Northern and Southern California still relies on highly speculative financing, and it urged the state Legislature to reject funding until more details are ironed out.

### [Wider context to rail decision](#)

Energy and transport are inextricably linked. At present, New Zealanders are burning through \$21 billion in imported oil every day — and during the 2010-2011 year, this increased 22 percent to \$7.7 billion for that year.

With among the highest motor-vehicle ownership rates in the world, the most uneconomic fuel/km travelled, the highest vehicle/km travelled rate and the lowest access to alternative modes, New Zealand is extremely vulnerable to our dependence on imported fossil fuels.

### [It doesn't always pay to buy fuel-efficient cars](#)

The recent run-up in fuel prices has put the spotlight on hybrids, battery cars and other high-mileage vehicles. But while it may sound great to get 40, even 50 miles a gallon, are you spending an arm and a leg to save far less than you might expect on your annual gasoline bill?

### [New energy-efficient light bulb goes on sale Sunday](#)

NEW YORK — How much would you pay for an amazing, state-of-the-art light bulb? Shoppers will be asking themselves that very question at Home Depot and other outlets starting Sunday — Earth Day — when the bulb that won a \$10 million government contest goes on sale.

The bulb is the most energy-efficient yet, lasts about 20 years and is supposed to give off a pleasing, natural-looking light. But what separates it from the pack most is the price tag: \$60.

### [Online Cloud Services Rely on Coal or Nuclear Power, Report Says](#)



The infrastructure that supports the Internet, online commerce and nearly all corporate data services is engaged in a vast migration eastward in search of energy prices cheaper than anything available in Silicon Valley, where the digital revolution began, according to a report released Tuesday by the environmental group Greenpeace.

Internet companies often cloak themselves in an image of environmental awareness. But some companies that essentially live on the Internet are moving facilities to North Carolina, Virginia, northeastern Illinois and other regions whose main sources of energy are coal and nuclear power, the report said. The report singles out Apple as one of the leaders of the charge to coal-fired energy.

### [First Solar Latest Casualty in Renewable Energy Shakeout](#)

First Solar Inc.'s decision to fire 30 percent of its staff and reduce production shows that even the biggest solar panel makers aren't immune from the shakeout that's bankrupted at least eight companies on two continents in the past year.

### [Farmers must spend more on herbicides as effectiveness fades](#)

A much-used herbicide, which for years has helped farmers throughout the United States increase profits, is losing its effectiveness and forcing producers to spend more and use more chemicals to control the weeds that threaten yields.

### [Drought Draining Reserves of Oils Amid Record Demand](#)

Demand for edible oils is climbing to a record as drought damages crops across South America, leaving buyers with the smallest stockpiles in three decades.

The use of soy, palm, rapeseed and six other oils will rise 3.9 percent this year, reducing the ratio of reserves to demand to the lowest since 1977, the U.S. Department of Agriculture estimates. Palm, the most-consumed oil, will advance 8.5 percent to 3,800 ringgit (\$1,240) a metric ton in Kuala Lumpur by Dec. 31, the highest since February 2011, according to the median of 11 analyst and trader estimates compiled by Bloomberg.

### [Is Facebook Making Us Lonely?](#)

Social media—from Facebook to Twitter—have made us more densely networked than ever. Yet for all this connectivity, new research suggests that we have never been lonelier (or more narcissistic)—and that this loneliness is making us mentally and physically ill. A report on what the epidemic of loneliness is doing to our souls and our society.

### [Iran starts \\$1-bn project to bring water to desert](#)

Iran on Monday officially launched a \$1-billion first phase of an ambitious project to pump water from the Caspian Sea to a city in its vast and expanding central desert, state media reported.

The initial phase will see a desalination plant and pipes built over the next two years to supply water to the desert city of Semnan, population 200,000, according to officials.

"The desert is growing... therefore we need to control its growth," President Mahmoud Ahmadinejad said in a speech in the northern city of Sari, near the Caspian shore.

### [ESF Professor Advises U.K. Leaders on Energy Issues](#)

ESF Professor Charles Hall spent a week in the United Kingdom in late March, giving presentations on and discussing energy and economic issues with British business, education and governmental leaders, including members of Parliament.

Hall, a systems ecologist with an interest in energy, biophysical economics and the links between energy and society, said he was invited to the United Kingdom to share his knowledge of the connection between global economic problems and the end of cheap energy.

### [Bill Clinton Is Headliner at Sustainability Enclave](#)

The conference, from Tuesday through Thursday at the New York Hilton in Midtown Manhattan, is expected to attract some 400 participants to panel discussions on energy-related topics like the management and performance of buildings. The conference will also feature tours and receptions to call attention to New York's green advances, from the retrofitting of the Empire State Building to construction of the High Line, a public park on the site of a former freight railway line.

### ["Political Economy of Oil" Topic of Shasha Seminar](#)

The Shasha Seminar includes sessions on Peak Oil and Beyond, the Oil Business: Profit and Social Responsibility; Oil and the Glory; War, Instability and the Search for Energy Security; and Environmental Sustainability and the Future of Petrocarbons.

The Wesleyan community is invited to the 10th annual Shasha Seminar for Human Concerns on April 19-20. This year, experts will explore the topic, "The Political Economy of Oil."

### [Low water flows cause U.S. avian cholera outbreak](#)

PORTLAND, Oregon (Reuters) - More than 10,000 migrating birds have died from an avian cholera outbreak blamed on reduced water flows through vast marshlands of southern Oregon and northern California known as Western Everglades, federal wildlife officials said.

### [In Poll, Many Link Weather Extremes to Climate Change](#)

Scientists may hesitate to link some of the weather extremes of recent years to global warming — but the public, it seems, is already there.

A poll due for release on Wednesday shows that a large majority of Americans believe that this year's unusually warm winter, last year's blistering summer and some other weather disasters were probably made worse by global warming. And by a 2-to-1 margin, the public says the weather has been getting worse, rather than better, in recent years.

### [Qatar Airways chief criticizes EU emissions law](#)

ABU DHABI, United Arab Emirates (AP) — The head of fast-growing Gulf carrier Qatar Airways on Monday criticized a new European policy charging airlines for their carbon pollution as a tax aimed at shoring up the continent's finances.

Speaking at an aerospace conference in the Emirati capital Abu Dhabi, Qatar Airways CEO Akbar al-Baker predicted the emissions policy would be "the most important thing" facing the industry — and Mideast carriers in particular — in the coming years.

### [Why business leaders should lobby politicians to lead on sustainability](#)

There is a simple and rather naïve question that keeps going round in my head. Given that companies now have a clear sense of the catastrophic consequences if they fail to act on climate change, resource depletion and ecosystem degradation, why is it that they are doing so little to confront them.

After all, one of the great strengths of companies is supposed to be their ability to act rationally on the basis of facts and figures, scientific reasoning, and likely future scenarios.

### [US greenhouse gases back up after decline](#)

US emissions of greenhouse gases blamed for climate change rose in 2010, ending a brief downward turn as the world's largest economy gradually recovers from recession, official data showed Monday.

The data showed that the United States -- the world's second largest emitter of

greenhouse gases after China -- would need to move aggressively if it seeks to reach President Barack Obama's targets for tackling climate change.

### [MPs warn UK pollution outsourcing](#)

Carbon emissions from goods imported and consumed in the UK are rising faster than the domestic fall in greenhouse gases, MPs say.

'Outsourcing' of pollution overseas will tarnish the UK's record on carbon emissions, experts warned.

The UK's carbon dioxide emissions fell by 19% between 1990 and 2008, but its carbon footprint, based on what the UK consumes, grew by 20%.



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