



Drumbeat: April 20, 2012

Posted by [Leanan](#) on April 20, 2012 - 9:59am

[Feeling peaky](#): *The economic impact of high oil prices*

AS THE developed-world economy tries to gain momentum, it faces a persistent headwind. The oil price remains stubbornly over \$100 a barrel, acting like a tax on Western consumers. Some blame the high price on evil speculators—Barack Obama unveiled plans to increase penalties for market manipulation on April 17th. But there is a simpler explanation: that supply is inadequate to keep up with rising demand.

The concept of peak oil—the idea that global crude production may be at, or close to, its limit—is far from universally accepted. One leading asset manager talked recently of the world being “awash with energy” because of the exploitation of American shale gas. Nevertheless, oil is still the main fuel for cars and trucks. And crude output (as opposed to alternatives such as biofuels and liquids made from gas) has been flat since 2005.

[Peak oil goes mainstream \(again\)](#)

Well, The Economist is talking about it in a non-sneery way.

Okay, perhaps that’s not fair — only in February the newspaper likened oil markets to a horror movie: with prices likely to stay high and tight capacity raising the risk of future price spikes.

Still, it’s interesting, in this time of triumphalism over shale gas and oil, to see such a pessimistic piece.

[A Primer on Peak Oil](#)

I ran across three separate articles on peak oil at well-regarded financial news sites today: The Economist, The Financial Times and Le Figaro. I thought I’d give you a run down of what they were saying and what it means for the economy and investing.

[Peak Oil Off: Great Game On](#)

Peak oilers have had a pretty hard time lately. Not only have global unconventional finds flattened Hubbard’s ‘peak’, more and more conventional plays are cropping up.

'Running out'? We have more than enough of the black stuff to incinerate ourselves several times over. Such supply side bounty has been well documented in the Americas – not just in the US and Canada, but across Latin America, offering a second pass at resource riches. Head all the way over to Australia, and you'll see a dazzling display of unconventional technologies rapidly increasing kangaroo LNG production. The North Sea can squeeze out a few more drops; Europe can finally get it's 'energy sovereignty' back from shale plays, all while the Arctic offers Russia untold oil riches. Anywhere you look, the narrative is the same. But just when we thought the global hydrocarbon map was complete, another serious player has cropped up, and it comes in the form of East Africa. This is *the* new African oil rush, and the race to secure regional riches between East and West is on. Nobody wants to lose: Peak oil is dead, the Great Game is back.

[How to Lower the Price of Oil](#)

Saudi Arabia is ready to increase its already high production volume further to 12.5 million barrels per day, an all-time high, and its storage facilities abroad have been filled to the brim, according to Naimi's article. It is anxious to assure international buyers that it could meet any shortfall of supplies -- for example, if Iranian oil disappeared from the market. Saudi Arabia may not want to be seen as actively undermining Iranian oil exports, but it is in fact doing just that.

So, why do oil prices remain stubbornly high? Why does the market behave irrationally and not want to listen? The reason is simply that Saudi Arabia deliberately refrains from using the market power that it might command. This is the result of past experience, when Saudi Arabia's market share and revenues suffered as a result of OPEC's aggressive price setting policy that existed before 1985. In the years prior to that date, Saudi oil production collapsed from an all-time high of 10.3 million barrels per day to a minimum of 3.6 million, in the futile attempt to defend OPEC imposed prices. Ever since that experience, Saudi Arabia has refused to be tied to a rigid price target.

[Oil Rises First Time in Three Days on German Confidence](#)

Oil rose for the first time in three days in New York, erasing this week's decline, after German business confidence unexpectedly increased.

Futures gained as much as 1.1 percent after the Munich- based Ifo institute said today its business climate index, based on a survey of 7,000 executives, rose to 109.9 from 109.8 in March. Economists forecast a drop to 109.5, according to the median of 40 economists in a Bloomberg News survey. Oil may resume its decline next week on speculation that the U.S. economic recovery will slow, reducing demand for crude, and tension with Iran will ease, a Bloomberg survey showed.

[Gas prices continue retreat](#)

NEW YORK (CNNMoney) -- The price of an average gallon of regular gasoline declined for the third straight day Thursday, putting a crimp -- at least temporarily -- in one of the fastest and steepest runups in recent memory.

The average price fell 0.8 cent a gallon to \$3.891 in the latest daily survey conducted for the motorist group AAA, after dipping to \$3.899 on Wednesday. The price has fallen about 2 cents in the past week.

[Gas, food costs on the radar ahead of inflation update](#)

Groceries and gas are eating away at household budgets these days, leaving many Canadians feeling squeezed.

The consumer price index out Friday will reveal the extent to which prices are rising in Canada.

[Airlines post losses in large part due to rising fuel costs](#)

Southwest Airlines on Thursday reported an adjusted first-quarter loss of \$18 million amid rising fuel costs.

[Study sees \\$69B in savings on fuel by '30](#)

WASHINGTON -- Better technology and increased consumer interest in fuel economy could save as much as \$69 billion annually by 2030, according to a study released Thursday by the Natural Resources Defense Council.

The report said Americans facing higher gasoline prices are already availing themselves of more fuel-efficient vehicles to minimize the impact on their budgets.

[War and a missile, but low oil prices? What gives?](#)

Sudan has declared war on South Sudan, India has fired a long-range missile, yet oil and gasoline prices are down. What is going on?

Common sense has come over our much-scorned oil trader friends in New York and London.

For months, there has been a global surplus in oil and gasoline, which should mean lower prices than we have seen. Yet, because of geopolitical tension such as the trouble between Iran and the rest of the world, prices have not dropped -- until now.

[Oil speculators have a target on their back again](#)

While I realize this is an election year and putting a target on the back of oil speculators

is great politics, it once again illustrates what happens when politics and economics intersect. Rising gasoline prices have guided the Obama Administration to persuade Congress to strengthen the supervision of the gasoline and crude oil markets. The Administration would like stiffer penalties imposed on market manipulators and greater margins applied to trades. Margins are the amount of money traders are required for posting a trade.

[The Laws Between Supply And Demand In The Oil Patch - Wrong Call From President Obama](#)

President Obama has upped the ante on his efforts to limit the rise in oil prices. The usual process of getting oil and gas prices down at the pump takes oligarchic approval. This president, joined by Treasury Secretary Tim Geithner and Attorney General Eric Holder, called on Congress to adopt tougher rules on speculators in the oil market, as reported by Bernice Napach.

[President Unfortunately Gets No Help Attacking Oil Speculation](#)

The president's proposals to limit speculation in the oil markets does hint at political rhetoric. There is an instant suspicion, and rightly so, when President Obama unveils measures to attack "high gas prices" and asks for congressional help he knows he's not going to get in an election year.

But political posturing aside, the president is not wrong: Oil speculation, in its many forms, has driven prices upwards and away from the true supply and demand fundamentals that exist.

[India's Reliance Q4 profit falls 21 pct; lags fcasts](#)

(Reuters) - Indian energy conglomerate Reliance Industries Ltd reported its second consecutive quarterly drop in profit, hurt by weak refining margins and declining gas output from its offshore fields.

Net profit fell 21.2 percent to 42.36 billion rupees (\$815 million) for the fiscal fourth quarter ended March from 53.76 billion rupees a year earlier, the company said on Friday.

[Japan's Toyota Tsusho buys 32.5% stake in Encana's Alberta methane wells](#)

CALGARY — A Japanese company is investing \$602 million to acquire a share of Encana Corp.'s extensive coalbed methane reserves in southern Alberta.

Encana says Toyota Tsusho Corp. will acquire a 32.5 per cent royalty interest in about 5,500 existing and future Encana coalbed methane wells.

[US natgas hovers near 10-year spot low under \\$2/mmBtu](#)

NEW YORK (Reuters) - U.S. natural gas futures were little changed in early trading Friday, hovering near Thursday's 10-year spot chart low under \$2 per million British thermal units as mild spring weather and record supplies hung over the market.

[Cheap natural gas feeds chemical industry boom](#)

LAKE JACKSON - The shale boom's bounty of cheap natural gas is fueling an industrial renaissance on the Texas coast, one that was in full focus Thursday as Dow Chemical announced the latest piece of a \$4 billion expansion of its chemical operations in Southeast Texas.

The \$1.7 billion plant Dow announced Thursday, one of four it plans to build or expand at its Freeport complex, is aimed at taking advantage of cheap natural gas produced from shale, which the company expects to be available for the long term.

[India can no longer be at sea](#)

So are we going to witness a new military entrant in the form of India into the already overcrowded South China Sea arena? Thus far, India's naval projection in East Asia is no match to that of the humongous People's Liberation Army (PLA) Navy of China. The scope and pace of Chinese military modernisation, highlighted by the PLA'S 'anti-access/area denial' build-up in its spheres of influence in Southeast and East Asia, mean that not even the US can be absolutely sure of taming China if a crisis erupts over the Spratlys, the Paracels or the Taiwan Straits.

[Protests continue ahead of Grand Prix race in Bahrain](#)

(CNN) -- In an effort to reassure race fans ahead of the Bahrain Grand Prix, the Bahraini government said Friday that members of team Force India were not the intended target of a gasoline bomb thrown by protesters.

The claim comes as the opposition accuses the Gulf kingdom of cracking down on demonstrations in the run-up to Sunday's race.

There are mounting fears that civil unrest in Bahrain could upend the race and pose a threat to Formula 1 teams and fans. Last year's race was canceled twice because of the unrest, but the sport's governing body said Friday the event would go ahead as planned despite tension on Bahrain's streets.

[Turkey stops ship with suspected arms headed for Syria](#)

Turkey has intercepted a vessel in the Mediterranean suspected of carrying weapons

and ammunition to Syria, a diplomatic source told AFP.

"We received information that the vessel has a cargo of arms and ammunition headed for Syria," the source said Wednesday on condition of anonymity, adding that Turkish authorities would search the vessel.

[EU could review Iran oil ban in coming months: official](#)

BRUSSELS (Reuters) - European Union member states may review in the next two months an embargo on Iranian oil imports that is scheduled to take effect from July, a senior EU official said on Friday.

For now, the official said there was no economic reason to change plans for the ban, which was agreed in January as part of EU efforts to put pressure on Tehran over its nuclear program.

[Swiss leave loophole on EU's Iran oil embargo](#)

GENEVA (Reuters) - Switzerland on Wednesday left a loophole open as sanctions tighten against Iran, that may let Swiss-based oil trading companies evade a European Union ban on trading Iranian oil.

The Swiss Economics Ministry said it would make a decision on the EU's ban on the importation, purchase or shipping of Iranian oil, at a "later date", without giving specifics.

[Iran oil minister adds confusion to EU ban claims](#)

TEHRAN, Iran (AP) — Iran's oil minister says Tehran has only stopped crude sales to Britain and France while continuing sales to "other countries" in the world.

Thursday's remarks by Rostam Ghassemi are likely to stir up confusion since they appear to contradict earlier government statements that Tehran has also cut off exports to Greece and Spain.

[Feed me, Seymour](#)

FIRST they came for the pensions, then they went for the central-bank reserves. Argentines have wondered for years which kitty Cristina Fernández, the president, would grab next in order to satisfy her government's voracious appetite for cash. On April 16th they got their answer, when she announced that Argentina would expropriate and nationalise 51% of YPF, the former state oil company, which had been sold to Repsol, a Spanish firm, in 1999. Of the confiscated portion, 51% will go to the national

government and 49% to Argentina's oil-producing provinces. The president did not reveal how much she plans to pay Repsol in exchange. "We are the only country in America, and basically in the whole world, that doesn't control its own natural resources," she declared—a puzzling assertion, since foreign companies own resource assets in every oil-producing country in the Americas save Mexico.

[GE to Seek \\$6 Billion in Australian Contracts Amid Resource Boom](#)

General Electric Co. (GE) is seeking \$6 billion in contracts out of Australia by the end of the decade as it taps the country's growing role as a supplier of liquefied natural gas, iron ore and wind power.

[Tanzania arrests five suspected pirates near gas fields](#)

(Reuters) - Tanzania has arrested five suspected Somali pirates on an island close to its natural gas reserves in the southern part of the east African country, the army said on Friday.

Tanzania's coastline is fast becoming a major gas hub with major discoveries made there.

[Schlumberger First-Quarter Profit Rises on Offshore Oil](#)

Schlumberger Ltd. (SLB), the world's largest oilfield-services provider, said first-quarter profit rose 38 percent as customers increased higher margin deepwater drilling around the globe in response to climbing crude prices.

[TNK-BP on defensive after rebuke from Russia](#)

MOSCOW (Reuters) - TNK-BP, Russia's third-largest crude oil producer, said it was aware of the urgency of environmental issues, such as the need for pipeline maintenance, following a barrage of criticism from the government over oil spills in Siberia.

"Since the company was established in September 2003, environmental protection has been and remains a priority in TNK-BP's business activities," the company said on Friday.

[11 deaths refute offshore drilling safety myths](#)

The wooden crosses rise from the beach in Grand Isle, La., each bearing the name of one of the men who died 40 miles offshore two years ago.

The 11 crosses stand against the myth of 50,000 wells.

The refrain is so common in the oil industry that in the two years since the Deepwater Horizon disaster, it has become a tired cliché. The industry, the saying goes, drilled 50,000 wells in the Gulf of Mexico and has only had one major accident.

It's a verbal blanket of denial that prevents fundamental change in the way wells are drilled at depths greater than 5,000 feet.

[Fracking-Linked Earthquakes Spurring State Regulations](#)

With scientific evidence emerging that wastewater from oil and gas drilling is the possible cause of earthquakes, states are adding new requirements for disposal wells.

Researchers think an increase in wastewater injected into the ground by drilling operators may be the cause of a six-fold increase in the number of earthquakes that have shaken the central part of the U.S. from 2000 to 2011, according to a U.S. Geological Survey study. The demand for underground disposal wells has increased with the proliferation of shale-gas drilling, a technique that produces millions of gallons of wastewater a well.

[EPA issues air pollution rules for fracking wells](#)

Federal regulators issued first-ever air pollution rules for "fracking" wells on Wednesday, requiring that drillers burn or capture the gas and its smog-producing compounds released when the wells are first tapped.

[French oil firm Total SA says it will drill relief well to halt Nigeria plant natural gas leak](#)

IBADAN, Nigeria — French oil firm Total SA says it will drill a relief well to stop a natural gas leak at a plant in Nigeria's oil-rich southern delta.

The March 20 leak at its Obite natural gas site has forced the company to evacuate those nearby and led to daily monitoring of air and water surrounding the plant in Nigeria's Rivers state.

[Papers Detail BP Settlement in Gulf Oil Spill](#)

The estimated multibillion-dollar settlement between BP and lawyers representing individual and business plaintiffs in the 2010 Gulf of Mexico oil spill was fleshed out on Wednesday in hundreds of pages of motions and exhibits.

The broad outlines of the agreement in principle reached last month, including an estimated \$7.8 billion in payments for economic loss and medical claims, are unchanged in the papers filed in Federal District Court in New Orleans on Wednesday.

[Gulf residents to get extra \\$64M for 2010 oil spill claims](#)

NEW ORLEANS (AP) – Roughly 7,300 residents and businesses harmed by the 2010 oil spill in the Gulf of Mexico will get more than \$64 million in additional payments because their claims with BP's \$20 billion compensation fund were shortchanged or wrongfully denied, the Justice Department announced Thursday.

[The Gulf Spill: BP Still Doesn't Get It](#)

BP is a \$135 billion company with limitless resources for communicating progress in the Gulf. Ironically, it has probably been more successful repairing the Gulf Coast than rebuilding its brand image. I'm quite sure many of its executives believe the task is insurmountable. It isn't. Where there is a will, there is always a way. This challenge is not about the funds needed to spread the word. It is about the culture behind the word itself. A culture driven by bottom line and stock value keeps getting in the way.

[2 years after spill, troubling signs for life on seafloor](#)

The scientists were a little tired and burned out. For two weeks, they had been aboard a research ship in the Gulf of Mexico, trying to find and analyze deep-sea communities of coral on the dark bottom, nearly a mile below.

A robot submersible was down there now. Charles Fisher, a Penn State biologist who specializes in corals, was doing other work as he kept an eye on the video feed.

Suddenly, he stopped.

They had found the reef they were searching for.

And it didn't look good. Something was wrong.

[Why we must remember the BP oil spill](#)

(CNN) -- As we prepare to celebrate Earth Day on Sunday, let us not forget that Friday marks the second anniversary of the start of the BP oil spill. It deserves more than a shrug, an "oh, yeah," and "how's the fishing?" It deserves more than a solemn voiced announcer relegating it to a "this day in history," with a picture from the archives to jog our memory.

[10 reasons why investing in Arctic drilling is reckless – according to the world's top risk assessors](#)

Last week, Lloyd's of London - the world's leading insurer which sets the global standard for risk assessment - released a report warning investors not to rush in and invest in Arctic drilling. Looking at the industrial onslaught that is likely to hit the Arctic

as the sea ice melts, the report covers the environmental impacts and financial risks of industrial fishing, shipping and mining. But it's most scathing on oil drilling, and in particular of the ability of oil companies to clean up after a major spill.

So I've put together a list of 10 reasons from the Lloyd's report on why it's not a great idea to drill for oil in the Arctic – in Lloyd's own words.

[Fukushima Daiichi: Inside the debacle](#)

An unprecedented look at the disastrous handling of the accident at TEPCO's nuclear power station explains why Japan still doesn't trust nukes.

[Nuclear safety policy in Emirates brought into sharp focus](#)

The Fukushima disaster and a recent cover-up at a nuclear plant in South Korea could have cast a shadow over the UAE's nuclear energy programme.

Instead, both incidents are giving Abu Dhabi a chance to bolster safety standards and guard against surprise occurrences - black swan events - five years before its first reactor is scheduled to go online.

[UAE presses the case for nuclear gold standard](#)

New nuclear nations should not pursue uranium enrichment because it makes no commercial sense, says the UAE's top atomic envoy.

[PG&E Quake Risks at Diablo Nuclear to Undergo 3D Exam](#)

PG&E Corp. (PCG) and Edison International (EIX) are embarking on the most extensive and costly study of earthquake risks ever undertaken for U.S. nuclear power plants using 3-D seismic technology pioneered by the oil industry.

The utilities plan to spend \$128 million and use research gathered at sea to acquire a better understanding of seismic hazards at California's two atomic plants built along the coast in the most earthquake-prone area of any U.S. reactors.

[Builder of Rare Earth Plant in Malaysia Counters Complaints](#)

KUANTAN, MALAYSIA — The Australian company building a rare earth refinery in Malaysia sought to counter critics who are concerned that the plant could pose radioactive hazards, laying out detailed responses on Thursday that it said refuted the many “false allegations” made about the plant.

[Oregon Town Weighs a Future With an Old Energy Source: Coal](#)

BOARDMAN, Ore. — A new link in the world's future energy supply could soon be built here on the Columbia River, and it would have nothing to do with the vast acres of wind turbines or the mammoth hydroelectric dams that give this region's power sources one of the cleanest carbon footprints in the nation.

Instead, Boardman is pursuing one of the oldest and dirtiest of fossil fuels: coal. The question is not whether to use it to produce new energy but whether to make what some say would be tainted new profits.

[Honda seeks to reverse hybrid owner's small claims award](#)

TORRANCE, Calif. (AP) — Lawyers for American Honda Motor Co. returned to court Thursday to try to overturn a highly publicized small claims court award to a woman who sued over the fuel economy of her hybrid Honda Civic.

[Asia's largest solar field switched on in India](#)

NEW DELHI (AP) — The west Indian state of Gujarat is flipping the switch on Asia's largest solar power field as part of its 600 megawatt solar energy addition to India's power grid.

[Some neighborhoods dangerously contaminated by lead fallout](#)

Kathleen Marshall used to think the fenced backyard of her Philadelphia home was a safe place for her five children to play. Not anymore.

Marshall was horrified to learn that a long-forgotten factory once melted lead just across the street and that soil tests by USA TODAY indicate her yard is contaminated with hazardous levels of the toxic metal.

[Lead by Example, Clinton Tells Sustainability Forum](#)

“Chill out — sometimes this stuff takes years.”

That was Bill Clinton's wry observation on Thursday as he addressed a sustainability conference in New York City, expressing frustration over how long it is taking for the country to move forward on clean energy and energy efficiency.

[Americans Confess 'Green Guilt' Is Growing](#)

The number of Americans who admit that they suffer from environmentally related "green guilt" has more than doubled in the past three years, according to a new survey. Environmental experts define green guilt as the knowledge that you could and should be doing more to help preserve the environment. Today it affects nearly one-third (29 percent) of Americans.

[For Weed Warriors, the Motto Is Endurance](#)

To the untrained eye, a weed is just a weed, and few of us can tell a thistle from a teasel. But for Paul Heiple and his team of Weed Warriors, knowing the difference is essential to their work routing out invasive plants that threaten the native species at Edgewood Park, a 500-acre natural preserve that overlooks California's Silicon Valley.

Mr. Heiple, a retired geologist, leads a group of about 50 volunteers who spent 4,000 hours last year hunched over the park's grassland areas digging up culprits like the yellow star thistle, broom, teasel and Italian thistle. They work on behalf of the California Native Plant Society, a nonprofit conservation organization for which Mr. Heiple heads the San Mateo County chapter's invasive plant group.

[Drought forecast for Southwest, California 'not optimistic'](#)

Most of the Southwest as well as parts of California and the Southeast can expect drought conditions to worsen through July, federal forecasters said Thursday.

[Salt threatens Mekong rice](#)

BANGKOK - With Vietnam's fertile Mekong delta threatened by rising sea levels and salt water ingress, the country's future as a major rice exporter depends critically on research underway in the Philippines.

Scientists at the International Rice Research Institute (IRRI) are working with Vietnamese counterparts in the town of Los Banos, southeast of Manila, to develop a strain of rice that can withstand submergence for over two weeks and resistant salinity. A flood-tolerant variety dubbed "scuba rice", which has the submergence (SUB 1) rice gene, already offers half the solution.

[What Cuba Can Teach Us About Food and Climate Change](#)

After the Cold War, Cuba faced many of the agricultural challenges that the rest of the world is now anticipating.

[Corn Growers: Climate Change Is 'A Grave Threat To Rural Livelihoods And Quality Of Life'](#)

Corn farmers concerned about the impact of climate change are speaking out, calling the problem “a grave threat” to the nation’s agricultural sector.

Responding to the increase in severe weather — and the prospects for a “quantum jump” in such devastating events — a group of corn farmers is renewing calls for policies to help cut global warming pollution.

[Early Bloomers](#)

THE naturalist and philosopher Henry David Thoreau coined a wonderful word for an imagined instrument in his 1854 book, “Walden”: the “realometer.” Thoreau’s realometer would allow an inquiring person to measure the reality of his perceptions, to push past the “mud and slush of opinion, and prejudice, and tradition, and delusion, and appearance ... to a hard bottom.”

[EU vote on tar sands oil delayed until 2013](#)

The European Commission has decided to carry out a full study into the impact of proposed fuel quality laws on business and markets, delaying until next year any ruling on how to rank the polluting effect of oil from tar sands, an EU official said.

Ministers had been expected to vote on the regulations in June as part of EU efforts to reduce greenhouse gas emissions.

[EU Starts Five Battles to Resuscitate Carbon Market, SocGen Says](#)

The European Union, already facing criticism after expanding carbon trading this year to airlines, has opened five battlegrounds in its bid to resuscitate its flagging market, according to Societe Generale SA.

“It’s very clear their primary goal is to increase prices,” Emmanuel Fages, an analyst in Paris for the bank, said today by phone. “It’s the result of their political ambition.”

[Rising sea levels put coastal communities at risk](#)

In short, the planet is warming, the oceans are rising. By how much and why leaves much room for debate, but it is an issue becoming increasingly impossible for coastal communities to ignore.

"We have begun the conversation about how do we approach this whole topic," Ventura County Supervisor Steve Bennett said. "It's a very complicated moving target to try to map."

[Senate Testimony on Sea Level Rise by Ben Strauss](#)

At more than half the 55 sites where we studied flood risk, storm surges on top of sea level rise have better than even chances to reach more than 4 feet above the high tide line by 2030. Yet nearly 5 million U.S. residents live in 2.6 million homes on land below this level. Multiplied by the national average sales price of existing homes in 2010, this stock comes to more than \$500 billion of residential real estate, in a rough estimate.

An enormous amount of infrastructure also lies in the same zone, from airports to wastewater treatment plants, and including nearly 300 energy facilities — as you can see in the second display, along with values for some individual states, and population figures. The facilities shown are mainly natural gas, oil and gas, and electric facilities. More than half are in Louisiana, the vast majority there unprotected by levees.



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