The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

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High oil prices threatened by ... high oil prices

> The fivefold increase in oil prices over the past decade has created boom times in Alberta, in North Dakota and in crude-producing regions across the globe, but the era of $100-a-barrel oil may be sowing the seeds of its demise.
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> Oil-consuming nations, such as the United States and China, have become preoccupied with security of supply, amid predictions of "peak oil" in which the global energy industry will have trouble keeping pace with rising demand.
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> But oil producers are increasingly worried about "security of demand." And none have greater cause for concern than those in landlocked Alberta. The crude they sell is some of the world's most expensive to produce, and they need a massive and politically-challenging expansion of pipelines to get it to global markets.

U.S. oil production is up, so why are gas prices so high?

> Given America's new oil rush, it would seem the best of times for gas prices. But with $4-per-gallon sticker shock, it might feel like the worst of times.
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> How can this be?
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> The question is all the more perplexing, because the United States is not only producing more crude oil but also using less of it. As a result, net oil imports have dropped a third since 2005.

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.

[Why Canada just pumps out cheap oil]

> "We have more oil moving into the system than the pipeline system in North America was designed to accommodate," as Randy Ollenberger, a managing director at BMO Capital Markets puts it.
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> Many factors are pushing the price for North American crude lower, but the hit for Canadian oil companies specifically is even worse. The most prevalent Canadian benchmark is called Western Canadian Select. A blend of conventional oil, bitumen and synthetics, WCS is heavier and therefore more difficult to process than some other types of oil like Brent and WTI.
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> Because of the added transportation and refining costs, the profit margin a refiner can earn from using WCS is less than they would get from WTI. So refiners are paying Canadian producers less per barrel as a result.

[Asia to Cut West African Crude Imports to Five-Month Low]

> Asian refiners will reduce daily imports of West African crude in May by 3.6 percent to the lowest in five months, a survey of five traders and an analysis of loading programs obtained by Bloomberg News showed.

[Elgin gas leak to cut supply this summer - Nat Grid]

> (Reuters) - Britain's energy network operator National Grid expects a gas supply loss of up to 2.3 billion cubic metres from a gas leak at Total's Elgin platform in the North Sea, the grid operator said on Tuesday.

[The hidden costs of a gallon of gas are rising]

> This month marks the second anniversary of the Deepwater Horizon oil rig explosion in the Gulf of Mexico that killed 11 workers and leaked 4.9 million barrels of crude oil, causing extensive damage to marine and wildlife habitats and to the area's fisheries and tourism industry. The spill's local impact still unfolds.
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> Now the nation is in the midst of an election-year energy debate -- with mostly a sole focus on rising prices at the pump -- that is, in light of the Gulf disaster, woefully shortsighted. This is underscored by a recent report from the Organization for Economic Co-operation and Development.

[Gas prices actually start falling around the US]

NEW YORK — The worst is over, for now. Gasoline prices are starting to fall.

After a four-month surge pushed gasoline to nearly $4 per gallon in early April, drivers, politicians and economists worried that gasoline prices might soar past all-time highs, denting wallets, angering voters and dragging down an economy that is struggling to grow.

Instead, pump prices have dropped 6 cents over two weeks to a national average on Friday of $3.88. Experts say gasoline could fall another nickel or more next week, saving drivers about $2 per fill-up.

Drivers might also get to say something they haven't since October 2009 — they're paying less at the pump than they did a year ago.

[Fuel Prices Rolled Back]

MANILA, Philippines - Oil companies will reduce their pump prices on Sunday.

At 12:01 a.m., major player Petron Corp. and small player Seaoil Philippines will slash P0.65 per liter off their respective prices of premium gasoline (including unleaded), P0.50 per liter off regular gas, P0.40 per liter off diesel and P0.25 per liter off kerosene.

[Protester dies as Bahrain Grand Prix tensions mount]

(CNN) -- Opposition groups said Saturday that a protester died after clashes with security forces, amid claims the government is cracking down on demonstrations ahead of the Bahrain Grand Prix.

Bahrain's opposition party Al-Wefaq and the Bahrain Youth Society for Human Rights said the man, named as Salah Abbas Habib, took part in a peaceful protest Friday evening which was violently broken up by security forces.

[Iran oil too precious to be dropped]

American president Barack Obama recently advocated to the world to ‘forge ahead’ with tough sanctions on Iran, saying there was enough oil in the world market - including emergency stockpiles - to allow countries to cut Iranian imports. In support of his case, Obama said increased production by some countries as well as ‘the existence of strategic reserves’ helped him come to the conclusion that sanctions can advance. ‘I will closely monitor this situation to assure that the market can continue to accommodate a reduction in purchases of petroleum and petroleum products from Iran,’ he said.

Iran has been exporting about 2.5 million barrels of crude oil per day (bpd), with 65 percent going to Asia and 30 percent to Europe. It is the second largest oil producer after Saudi Arabia in the Organization of Petroleum Exporting Countries (OPEC). India and China, which together buy 34 per cent of Iran's oil, appear unwilling to give in to western pressure, contending that the U.S. and EU sanctions go beyond measures approved by the United Nations Security Council and will be counterproductive.

Sanctions leave Iran with few options for selling oil

(CBS News) For years, the U.S. and Europe have been trying everything short of going to war to get Iran to drop its nuclear program. That includes unprecedented sanctions. CBS News correspondent Anthony Mason looks into how those sanctions are working.

The oil trade funds about half of the Iranian government's budget. But under sanctions, Iran's oil business has suddenly sprung a leak. The International Energy Agency predicts that by this summer, Iran's exports could be down by as much as 30 percent.

Japan Is Asked to Insure Iran Oil Shipments as EU Sanctions Bite

Japan's government may insure tankers carrying Iranian oil, joining China and India in responding to European sanctions blocking private providers.

Report: Israel threatens to strike militants if Egypt fails to secure Sinai

Israel delivered a threatening message to Egypt, according to which it would take action against militants in the Sinai if Cairo did not take responsibility and secure the countries' shared border, Egyptian officials indicated on Saturday.

Hints of possible Israeli intervention in Sinai could intensify tension between the Bedouin and the Egyptian government, as well as put the fate of the Camp David agreements at risk.

Israel-Cyprus Deal on Gas as Lebanon Won't Negotiate

Israel's biggest gas discovery, potentially turning the fuel importer into an exporter, is prompting a race by nations from Lebanon to Turkey to tap similar deposits in disputed waters of the East Mediterranean.

"Armed terrorist" group blows up pipeline in Syria - state news agency

(Reuters) - Syria's state news agency said that an "armed terrorist" group blew up an oil pipeline in Syria's eastern province of Deir al-Zor, near the border with Iraq, on Saturday.

Guar at Record May Fail to Boost U.S. Output, Help Halliburton

> Record-high prices for guar, a little-known legume used increasingly to help extract crude oil, may fail to boost U.S. production enough to cut imports or reduce costs for drillers including Halliburton (HAL) Co.
>
> While planting may triple to 50,000 acres this year from 15,000 in 2011, mostly in Texas and Oklahoma, U.S. supply will be dwarfed by the 8.6 million acres that will be sown in India, the world's largest producer, said Calvin Trostle, an agronomist at Texas A&M University. Few U.S. farmers know how to grow guar, which means "cow food" in Hindi, and there is no crop insurance like there is for corn or cotton, he said.

Argentina seeks Petrobras role in YPF

> Argentina urged Brazil's state-owned oil giant Petrobras to increase investment and collaborate further with oil company YPF, which Buenos Aires announced it would seize.
>
> "We are not asking Petrobras to replace (Repsol) but we would like it to increase its participation" in areas of Argentina, Argentine Planning Minister Julio de Vido told a news conference in the Brazilian capital, on Friday.

Spain Stings Argentina Over Oil Company Nationalization

> MADRID — Spain said Friday that it would seek to restrict imports of biodiesel fuel from Argentina, its first retaliatory measure after the government in Buenos Aires decided to seize control of the assets there of Repsol YPF, the largest Spanish oil company.

Cuba supports Argentina's oil firm takeover

> HAVANA (Xinhua) -- Cuba on Friday expressed support to Argentina for its decision to expropriate a majority share of Spanish-owned oil company Repsol YPF, saying it is lawful.
>
> Argentina has the "right to exercise permanent sovereignty over all its natural resources," the Cuban Foreign Ministry said in a statement carried by the country's official daily Granma.

Qatar's Stake in Total Rises to 3 Percent, De Margerie Says

> The Persian Gulf emirate, the world's biggest exporter of liquefied natural gas, has been buying shares in French companies including Lagarde SCA and LVMH Moet Hennessy Louis Vuitton SA amid rising gas revenues. The Qatar Investment Authority, the country's sovereign wealth fund, holds more than $65 billion of investments, Deputy Prime Minister Ahmed Abdullah al-Mahmood said at a conference in Doha.

[Gazprom, Eni agree to build onshore South Stream branch before trans-Adriatic section]

> Gazprom and Italy's Eni have agreed to build the northern onshore branch of the South Stream gas pipeline before the southern section, which will be laid across the Adriatic sea to Italy, Eni chief Paolo Scaroni told a press conference.
>
> The northern branch will cross Bulgaria, Serbia and Austria.

[China, Iceland announce deal on oil-rich Arctic]

> REYKJAVIK — China and Iceland announced a deal on the oil-rich Arctic region Friday after Chinese Premier Wen Jiabao flew in to Reykjavik on the first stage of a four-nation European tour.

[Chesapeake Energy: Forced into fire sales?]

> NEW YORK (CNNMoney) -- Can Chesapeake Energy's chief executive pull yet another rabbit out of his hat?
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> To plug what's been estimated as a $9.2 billion gap between Chesapeake Energy's 2012 capital expenditures and its cash flow, CEO Aubrey McClendon needs to sell assets fast.

[BP says Texas City hydrocracker shut by storm]

> (Reuters) - A hydrocracking unit was shut by a lightning strike on Friday at BP Plc's 406,570 barrel per day (bpd) Texas City, Texas, refinery, a company spokesman said.

[Drilling in deep Gulf getting busy again]

> Drilling in the deep Gulf of Mexico is becoming robust two years after the oil spill that prompted a six-month moratorium on deep-water exploration, but more of the work now is left to large companies.
>
> Triple-digit oil prices are driving the activity, making it worthwhile to go forward even given the cost, risk and heightened government scrutiny of working in waters often a mile deep or more.

[Gulf Still Grapples With Massive BP Oil Leak 2 Years Later]

> Two years after the largest oil leak in U.S. history, the Gulf of Mexico region still

struggles with its impact. Jeffrey Brown, David Valentine of the University of California, Santa Barbara and Garret Graves of the Coastal Protection and Restoration Authority of Louisiana discuss the state of the Gulf and related industries.

Editorial: 2 years after BP spill, lower risks

Two years after the disastrous Deepwater Horizon oil spill in the Gulf of Mexico, two conclusions are inescapable.

One is that the spill, as bad as it was, didn't cause the sort of long-term, catastrophic environmental damage that some predicted at the time. While the Gulf is still recovering, it's no dead sea.

The other is that another spill of this magnitude is much less likely today, and that if one did happen, the oil industry would be better able to stop it and contain the damage.

Ted Danson: Move away from offshore oil

This second anniversary of the worst accidental oil spill in world history is a time to reflect on how far we've come in breaking our oil addiction and improving offshore drilling safety. Sadly, we've not come far enough.

Romney: 'I Will Build That Pipeline If I Have To Do It Myself'

Mitt Romney vowed Friday that, if elected president, he would build the controversial Keystone Pipeline linking oil deposits in Canada to refineries on the Texas gulf coast.

Kyushu Electric calls on customers to conserve power

TOKYO — Kyushu Electric Power Co on Friday called on households and businesses in its service area to conserve power as much as possible in an attempt to reduce electricity demand by 5% this summer.

KEPCO President Michiaki Uriu said the utility does not plan to restart any of its six nuclear power reactors that it has put into cold shutdown, Sankei Shimbun reported. Uriu said that this will result in nearly zero surplus power and called on residents to conserve electricity where possible.

Nuclear-Free Summer Looms Over Japan’s West in Risk to Recovery From Quake

Japan’s economic rebound from the deepest contraction among advanced nations after Greece and Portugal may be stunted this year as power shortages threaten its western region.

[Inspection of San Onofre's Faulty Tubes Completed]

> Inspections of faulty tubes that caused the shutdown of two reactors at the San Onofre Nuclear Generating Station have been completed, but findings are not yet being released, Southern California Edison said Friday.
>
> Investigators are hoping that the inspections will pinpoint the cause of unusual wear in steam-generating tubes in Units 2 and 3, which was detected in January.

[What does California use for power when nuclear reactors are offline?]

> After the Fukushima Daiichi meltdowns, WEM proposed that CPUC launch a planning process for replacing nuclear power with the cleanest, most affordable resources available, should California's reactors be offline for any reason. I say it's high time for CPUC to explore clean, affordable replacement for nuclear power, especially since San Onofre's two reactors have been out of service for two months, and majority owner Southern California Edison (SCE) is silent about when they'll be restarted.

[Electrical Fire at San Onofre]

> The fire, which started at an electrical panel in an area where non-radioactive steam spins turbines that generate electricity, burned for about 40 minutes and was "easily extinguished," according to Jennifer Manfre, a spokeswoman for plant operator Southern California Edison.

[Optimistic Visions of the World After the Oil Runs Out]

> Our whole economy and way of life is based on the idea of cheap petroleum. So what happens when the oil starts to run out? Most scenarios assume that it will be catastrophic — rioting in the streets, governments collapsing, Mel Gibson fighting guys with big mohawks.
>
> But what are the optimistic scenarios for a post-peak oil future? We went looking, and here's what we found.

[Mesa school district moving toward all-propane bus fleet]

> Arizona's largest school district is striving to have the first all-propane bus fleet in the state.
>
> The district's transportation director, Ron Latko, said the change comes with rising diesel prices and increased emission standards.

[A Push to Make Motors With Fewer Rare Earths]

> FOR much of the last century, the straightforward solution to making a car perform better has been to install a bigger engine. In the hybrids and electric cars of coming years, however, the answer might be installing motors with more powerful magnets.

[Do a reality check before writing a check for more MPGs]

> Earlier in Drive On, we posted an item about a report that says President Obama's new federal fuel economy rules will save U.S. drivers $69 billion a year overall by 2030.
>
> The Natural Resources Defense Council's report, called "Relieving Pain at the Pump," also says there already are more efficient vehicles for Americans facing higher gasoline prices to buy now.

[Will IBM's Battery 500 Project Disrupt The Automobile Industry?]

> During the last few decades, environmental impact of the petroleum-based transportation infrastructure, along with the peak oil, has led to renewed interest in an electric transportation infrastructure. Electric vehicles differ from fossil fuel-powered vehicles in that the electricity they consume can be generated from a wide range of sources, including fossil fuels, nuclear power, and renewable sources such as tidal power, solar power, and wind power or any combination of those. So then why haven't we seen the industry disrupted?

[Discovering Green Alternatives to Driving]

> Transportation is the second-highest contributor to greenhouse gas emission. Cars rank among the highest within this category, due to the way they are manufactured and the sheer number of them.

[Israeli Desert Yields a Harvest of Energy]

> After more than five years of political and regulatory battles with the Israeli authorities, the company has transformed 20 acres of a sand-colored field on the edge of the communal farm. It now glistens with neat rows of photovoltaic panels from China — 18,600 in all — that harness the sun. There is no smoke, only a slight buzz in the spotless rooms where the panels' current is turned into electricity that can be fed into the electrical grid. Small openings in the perimeter fence allow animals to cross the field.
>
> Depending on the time of year and rate of energy consumption, this field provides power for as many as five communities.

[Getting our land back]

> No matter which result we should consider as the most reliable, the data clearly show that building takes place mostly in flat and fertile areas. There, the fractions covered by human-made structures are much larger than the world average. For instance, recent data for Europe indicate that, in January 2012, the most urbanized European states were Holland and Belgium with, respectively, 13.2% and 9.8% of the surface. As you see below (From Schneider et al.), urbanization in Europe is, indeed, concentrated in the fertile plains. Apparently, we are engaged in the task of destroying the land that supports our physical existence.

[Muskrat megaproject called burden for future generations]

> Critics of a proposed $6.2-billion hydro plant in Labrador say the battle over natural gas pipeline tolls in Canada shows how inflexible megaprojects can hamstring consumers as technology evolves.
>
> They say the plan to bring Muskrat Falls power from Labrador to Newfoundland and then mainland markets locks the province into a 50-year deal that backloads risks for future residents and businesses who will be tied to the pricey venture.

[In tornado season, words save lives]

> More than 100 tornadoes struck the US Midwest last weekend - the most severe outbreak so far this year. But the death toll of six people was very low compared with similar outbreaks in recent years.
>
> That seems in part to be down to research about how people respond to warnings. After the US's deadly tornadoes in 2011, the National Weather Service (NWS) found that residents waited for visible signs of the threat before responding. New warnings try to conjure those images in words.

[No Place for Heated Opinions]

> A Discovery Channel series about changes in polar regions does not mention causes, avoiding the fury that often accompanies mention of climate change.

[Vietnam Dispatch: The Salt Problem]

> Ben Tre is the most affected of the country's provinces in terms of sea level rise, with 50 percent of its land area expected to be submerged by 2100 with one meter of sea level rise (which is within the range of what scientists predict will occur). But saltwater intrusion is already a major problem, and local officials say that the brackish water is

> creeping as much as 5 kilometers farther up the river each year. (It's also exacerbated by decreased flow down the Mekong from big dams upstream, and by more severe dry seasons that mean less fresh water flowing through.)

No Letup in World's Warming

> Global warming contrarians remind the public that the world has not warmed all that much, if at all, during the past decade or so. But that's the atmosphere. Oceanographers with their thermometers in Earth's biggest reservoir of heat—the world's ocean—report in a paper to be published in *Geophysical Research Letters* that greenhouse warming has in fact been proceeding apace the past decade, not to mention the past half century. Ninety-three percent of the heat trapped by increasing greenhouse gases goes into warming the ocean, not the atmosphere.