



Drumbeat: May 30, 2012

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[Storytelling our energy future](#)

I want to tell you two stories.

The first is this: You were born into an exceptional culture of enormous wealth. If you work hard and take advantage of the inherent genius and innovativeness of that culture, you can become wealthy, secure, happy, and comfortable. And if they work hard, your children can have even more wealth than you did.

Here's the second: Right now, you are living at the absolute historical peak of human wealth. In terms of the energy you consume, the variety of foods and beverages available to you, and the amount of physical labor you don't have to do every day, you are vastly more wealthy than any generation before you. Your children will be much poorer than you, will have far fewer options about what they can eat and drink and do with their free time, and will have to do a lot more physical labor. Their children will have even harder lives, and so on into the future, as wealth per capita declines for the next several hundred years.

Now: Which story do you think is more true?

[Brent Crude Declines Below \\$105 First Time Since December](#)

Brent oil declined to its lowest in five months before a report that may show U.S. stockpiles climbed to the highest level since 1990 and after economic confidence in the euro area fell more than forecast.

Brent futures dropped below \$105 a barrel in London for the first time since Dec. 20. In the U.S., prices are heading for the biggest monthly drop in more than three years. American crude inventories rose 800,000 barrels to 383.3 million last week, according to the median estimate of eight analysts in a Bloomberg News survey before the Energy Department report tomorrow. Economic confidence in the euro area fell to its lowest since 2009, a European Commission report today showed.

[Power Plant Gas Use Rose 40% in March, U.S. EIA Report Says](#)

U.S. power plants increased natural gas use by 40 percent in March from a year earlier as low prices prompted a switch from coal, the Energy Department said today. Coal's

share fell by 20 percent.

Gas used in electricity generation rose to 703.5 billion cubic feet in March from 503.9 billion a year earlier, the department's Energy Information Administration said today in its Electric Power Monthly. The increase represents 6.4 billion cubic feet a day of additional gas demand during the month, versus an average daily gain of 5.8 billion in February and 3.6 billion in January.

[Don't expect North American prices for LNG exports: Shell chief](#)

North American natural gas may be cheap, but the world is ready to pay far higher prices to bring it across the Pacific.

So says Peter Voser, chief executive of Royal Dutch Shell plc, an energy giant that, by its own math, delivers some 30 per cent of global liquefied natural gas through facilities it owns shares in.

[Chesapeake Valuation Seen Luring Major Oil Merger Deal](#)

Chesapeake Energy Corp.'s depressed valuation is making the company a potential target for acquirers willing to bet that natural-gas prices will rebound from a decade low.

Chesapeake's equity and net debt are valued at \$9.19 for each barrel of oil equivalent, the lowest among U.S. oil and gas explorers with market capitalizations greater than \$5 billion, according to data compiled by Bloomberg. While a stock purchase by Carl Icahn helped the \$11 billion company's shares rebound in the past week, Chesapeake is still down 27 percent in 2012 amid investigations into Chief Executive Officer Aubrey McClendon's personal loans backed by stakes in company-operated wells.

[More candidates emerge for top OPEC post](#)

(Reuters) - Two more countries are likely to field candidates for OPEC's next secretary general, OPEC sources said on Wednesday, widening a competition within the oil producer cartel for its top administrative post.

[Saudi Aramco seeks \\$12.5 bln in debt for Dow project](#)

(Reuters) - State-owned oil giant Saudi Aramco is seeking to raise \$12.5 billion in debt to help finance its joint venture with Dow Chemical, according to a report in Project Finance International (PFI), a unit of Thomson Reuters.

[Norway strike widens, threatens crude refiners, gas processing](#)

Copenhagen (Platts) - A public sector pay strike in Norway widened Wednesday, is threatening to disrupt crude refineries and gas processing plants, industry spokesmen said.

Norwegian papers reported that 50,000 workers were now out on strike, doubling last week's numbers, and including the operators of the boats carrying pilots which guide the tankers to and from the country's refineries.

[Abu Dhabi set to avoid Hormuz with pipeline](#)

Abu Dhabi oil will be able to bypass the Strait of Hormuz in a matter of weeks thanks to the completion of a pipeline leading to the port of Fujairah.

[Energy offers GCC rationale for real economic union](#)

The idea of a closer Gulf federation, raised by King Abdullah of Saudi Arabia last December, suddenly returned to prominence this month at the GCC leaders' meeting in Riyadh. But with only Bahrain enthusiastic and Qatar giving a probably tactical welcome, the prospects of immediate closer union seem doubtful. As with Europe, economics may be a better place to start - and petroleum is the Gulf's key resource, as coal was for Europe in the 1950s.

[China, Russia renew support for Syria amid international outcry](#)

(CNN) -- China and Russia on Wednesday reiterated their stance against military intervention in Syria despite soaring international condemnation in the wake of a massacre that killed more than 100, including children.

"One cannot take decisions on military operations in Syria by being guided by only emotions," Russian first deputy foreign minister, Andrei Denisov, was quoted as saying by the nation's state-run Itar-Tass news agency.

[Croatia clashes with MOL over oil firm INA](#)

(Reuters) - Tensions between Croatia and Hungarian oil and gas group MOL over their INA oil business flared up on Wednesday, as the country accused MOL of stifling the output of local refineries and focusing on importing oil derivatives instead.

"The refineries are working at a low capacity and we are importing derivatives instead. That is conducive to closing the refineries, which is intolerable," Croatian finance minister Slavko Linic told reporters.

[For Pakistani truckers, NATO route row is all about the money](#)

KARACHI (Reuters) - Pakistani truck drivers who deliver supplies to Western forces in Afghanistan seethe whenever they recall a cross-border NATO air attack that killed 24 Pakistani soldiers last year.

Despite their anger, financial survival outweighs nationalist sentiment and the shame of helping what many see as the enemy.

[To Stop Iran's Nuclear Program, Cut a Deal on Oil](#)

Before Western diplomats sit down again with Iran's negotiator, Saeed Jalili, they need to agree on exactly what is their achievable goal in the talks, and to calibrate their proposals -- even for interim deals -- accordingly. For all the many sins and faults of the Iranian side in this dispute, in Baghdad last week, European Union foreign-policy chief Catherine Ashton and her patrons from the P5+1 -- the U.S., Russia, China, France, the U.K. and Germany -- appeared to get the balance wrong.

[Glencore, Vitol keep oil flowing to Greece](#)

LONDON (Reuters) - Debt-stricken Greece is surviving on oil priced at a premium from trading houses Vitol and Glencore, who have stepped in as suppliers of last resort after sanctions forced Greece to halt imports from its main supplier Iran.

['Flame' spyware infiltrating Iranian computers](#)

Dubbed "Flame" by Kaspersky, the malicious code dwarfs Stuxnet -- the groundbreaking infrastructure-sabotaging malware that is believed to have wreaked havoc on Iran's nuclear program in 2009 and 2010. Although Flame has both a different purpose and composition than Stuxnet, and appears to have been written by different programmers, its complexity, the geographic scope of its infections and its behavior indicate strongly that a nation-state is behind Flame rather than common cyber-criminals, marking it as yet another tool in the growing arsenal of cyberweaponry.

[Computer virus briefly hits Iran's oil industry](#)

TEHRAN: A senior Iranian military official says Iran's oil industry was briefly affected by a powerful computer virus that has unprecedented data-snatching capabilities and can eavesdrop on computer users.

Gholam Reza Jalali, who heads an Iranian military unit in charge of fighting sabotage, said Wednesday that Iranian experts had found and defeated the "Flame" virus.

[Iraq Pressures Western Oil Companies In Dispute With Kurdistan](#)

A dispute between the Iraqi central government and the semi-autonomous region of Kurdistan over oil is heating up, with Baghdad moving to hinder the ability of the Kurdish authorities to make deals with foreign oil companies.

[Iraq offers 12 oil and gas blocks at auction](#)

Iraq on Wednesday put up for sale a dozen oil and gas exploration blocks at the start of a two-day auction it hopes will boost its reserves and strengthen its position as a key producer.

The sale, the fourth such auction to be organised by Iraq since mid-2009, comes as the country ramps up its oil exports, which account for the vast majority of government income, and looks to boost gas production to increase woefully inadequate electricity output.

[Iraq oil ministry fails to award all but one exploration block at auction](#)

Baghdad (Platts)- Iraq's oil ministry awarded only one exploration block on the opening day of what turned out to be a dismal start to a two-day auction of oil and gas acreage as international oil companies failed to submit bids or, in one case, rejected an Iraqi counter-offer to accept a lower remuneration fee.

[Blow to Cuban hopes for oil as well proves dry](#)

MADRID (AP) — Spanish oil firm Repsol said Tuesday it will stop looking for oil in Cuba after hitting a dry well drilled at a cost of more than \$100 million, a blow to the island nation desperate to find its own energy sources amid deep economic hardship.

Speaking to investors and reporters about the firm's plans over the next four years, Repsol Chairman Antonio Brufau said the company "won't do another" well in Cuba.

[Championing Africa's food revolution](#)

The quick and high returns of Nigeria's oil industry have led to it dominating the economy to the detriment of other sectors.

But Jite Okoloko saw an opportunity in the disarray of the agricultural sector to champion Nigerian farmers.

[Energy costs & reshoring in the USA](#)

Cheap natural gas prices at home and rapidly rising labor costs in China should boost US manufacturing. A new study by the Hackett Group found that US companies are exploring reshoring as an option for nearly 20% of their offshore manufacturing capacity between 2012 and 2014. "This repatriated capacity could roughly offset the jobs that will otherwise move offshore, indicating that the great migration of manufacturing offshore over the past several decades is stabilizing." The Hackett Group's research found that the cost gap between the US and China has shrunk by nearly 50% over the past eight years, and is expected to stand at just 16% by 2013. This trend is largely driven by rising labor costs in China and falling energy costs in the US.

[The Skinny American](#)

When it comes to gasoline, are Americans transforming from the world's chief gluttons to models of moderation? According to Philip Verleger, the energy economist, that is more or less the country's direction, with surprising consequences.

Verleger spells out this scenario in a note to clients, his version of the narrative of coming fossil-fuel abundance that we have heard elsewhere. Verleger's 11-page note is as oil-bullish as his most enthusiastic colleagues, who as a group say the U.S. is on the cusp of near energy independence. The oil-abundance narrative is a global one, and asserts flatly that peak oil theory is wrong.

[Former President of Exxon \(XOM\) Arabian Gulf Says We Have Exploited Much of the Easy to get Oil](#)

HOUSTON /PRNewswire-iReach/ -- Dr. Gerald Bailey tells FutureMoneyTrends.com that "the cheap oil is pretty much behind us."

Though he is not a believer in peak oil, he does believe the world has exploited much of the easy to get oil.

[BLM rejects permit for methane bacteria project](#)

GILLETTE, Wyo. — Federal land managers have rejected an application by a Colorado company to use bacteria to produce methane from northeast Wyoming coal beds.

[Safety officials scrutinise Statoil leak](#)

The serious situation caused by the weekend's Heimdal platform is to be investigated, Norway's Petroleum Safety Authority (PSA) says.

96 people on the Statoil-operated North Sea platform mustered in the lifeboats following the gas leak alarm. The leak, which according to the PS occurred in connection with testing some valves, was stopped after two hours.

[Anadarko Claims Act of God in Contract Case After Spill](#)

Anadarko Petroleum Corp., in what will be the first case arising from the 2010 Gulf of Mexico spill to go to trial, argues a U.S. ban on deep-water drilling qualified as an act of God that allowed it to end a rig lease.

[IEA: Shale Gas Boom At Risk Over Environment Failings](#)

LONDON - Global exploitation of shale gas reserves could transform the world's energy supply by lowering prices, improving security and even curbing forecast carbon dioxide emissions, but the industry might be stopped in its tracks if it doesn't work harder to resolve concerns over its environmental safety, the International Energy Agency said Tuesday.

The IEA's report shows how the shale gas industry, which has already dramatically altered the energy landscape in the U.S., stands at a tipping point that will determine how it spreads across the rest of the world.

[Obama's Aide on Climate Change Seeking Oil, Gas Allies](#)

Heather Zichal spent her early days in the Obama administration pushing a climate-change bill in Congress that oil and gas companies helped to derail.

Now President Barack Obama has named Zichal, his deputy assistant for energy and climate change, as a liaison to that industry, and to make sure proposed rules don't slow the surge in U.S. natural-gas development.

[Ottawa's environmental-review overhaul hits tough hurdles](#)

The federal government's insistence that cabinet should have final say over resource projects such as Enbridge Inc.'s Northern Gateway pipeline is stirring opposition that could undermine its effort to streamline environmental approvals.

First nations groups in British Columbia are poised to launch legal challenges if the government intervenes in the ongoing National Energy Board review of the Gateway project through legislation now before the House of Commons.

[Even in Coal Country, the Fight for an Industry](#)

LOUISA, Ky. — For generations, coal has been king in this Appalachian town. It provided heat, light and jobs for the hundreds of people who worked in the nearby coal

mines and the smoke-coughing Big Sandy power plant that burned their black bounty.

But now, coal is in a corner. Across the United States, the industry is under siege, threatened by new regulations from Washington, environmentalists fortified by money from Michael R. Bloomberg, the billionaire mayor of New York City, and natural gas companies intent on capturing much of the nation's energy market.

[How Will Nuclear Plants Stand Up to Quakes and Floods?](#)

The Nuclear Regulatory Commission should consider requiring nuclear power plants to analyze their vulnerability to natural hazards like earthquakes by using the same advanced tools that the industry uses to understand the risks from mechanical accidents, a new report from the Government Accountability Office argues.

A string of natural disasters has recently drawn attention to nuclear safety and natural disasters, including the Fukushima Daiichi quake and tsunami in March 2011, tornado damage near the Tennessee Valley Authority's Browns Ferry complex in April 2011, the Missouri River flooding that nearly inundated two reactors in Nebraska last summer and the quake near Mineral, Va., last August.

[Distrust could hamper Green Deal](#)

Public mistrust of the "big six" energy firms may undermine the UK government's planned Green Deal, according to the International Energy Agency.

The energy firms are supposed to deliver a mass programme of home insulation under the Deal.

The IEA warns that customers could be deterred by high prices and instances of poor service and mis-selling.

[Drivers, cyclists square off on sharing the road](#)

"What I think we really need to focus on are more fuel-efficient vehicles, better city planning for the number and types of vehicles on the road, and more public transportation options," Curtis Lewis said.

"This is the 21st century after all; trying to solve modern problems with solutions over 100 years old is just simply not going to work. Why not change this to 'What's Your Solution? Week (where you send your ideas to manufacturers, politicians, city officials, etc.)' instead of 'Bike to Work Week.' "

[Impending Resource Depletion Ahead: But We Are Intelligent](#)

Since the beginning of time, human beings have used and consumed natural resources at their own will for their survival and desires.

Although this has gone on for several hundred years, the consumption of natural resources has skyrocketed in the past one hundred years with the advent of the industrial revolution, which created a growing concern for its depletion among Governments and organizations. So what will really happen if our natural resources run out?

[Spain Ejects Clean-Power Industry With Europe Precedent](#)

Spanish renewable-energy companies that once got Europe's biggest subsidies are deserting the nation after the government shut off aid, pushing project developers and equipment-makers to work abroad or perish.

[Michelle Obama on her garden, her future and the campaign](#)

She has been tending the White House garden with similarly determined oversight, chronicled in her first book, *American Grown: The Story of the White House Kitchen Garden and Gardens Across America* (Crown, 271 pp., \$30). Out today, the book is filled with photos and stories about her efforts to encourage gardens — from plots in vacant city lots to pots of herbs on apartment windowsills — and, with them, healthier diets, especially for kids.

[Global warming skeptics know more about science than climate change believers](#)

People who are not that worried about the effects of global warming tend to have a slightly higher level of scientific knowledge than those who are worried, according to a new study.

The results published in the journal *Nature Climate Change* was determined by asking questions about both science and statistics to 1,540 representative Americans.

[U.K. Energy Policy May Fail to Meet Carbon Goals, IEA Says](#)

The U.K.'s energy policies may fail to deliver nuclear power and renewables needed for the nation to meet its goals for reducing greenhouse gases, the International Energy Agency said.

Britain's new electricity generation capacity is coming mainly from natural gas fired plants, the Paris-based agency, which advises 28 nations, said today in a report. The government should spur an "efficient mix of new, cleaner generation, more efficient use of existing infrastructure and more flexible demand," the IEA said.

[Is California preparing for climate change?](#)

A majority of California's coastal planners and resource managers now view the threats from climate change as sufficiently likely that practical steps on the ground need to be taken to protect against growing threats, according to results from a new survey published by Stanford University's Center for Ocean Solutions (COS) and the California Sea Grant.

Survey respondents acknowledge the need to prepare for changes along the coast that might result from rising sea levels and other impacts, such as more floods, loss of beach access, coastal erosion and potential damage to transportation infrastructure, including highways, roads and ports.

[Coastal N.C. counties fighting sea-level rise prediction](#)

State lawmakers are considering a measure that would limit how North Carolina prepares for sea-level rise, which many scientists consider one of the surest results of climate change.

Federal authorities say the North Carolina coast is vulnerable because of its low, flat land and thin fringe of barrier islands. A state-appointed science panel has reported that a 1-meter rise is likely by 2100.

[Extra heatwaves could kill 150,000 Americans by 2099](#)

A report by the US Natural Resources Defense Council (NRDC) estimates how many extreme heat events will hit the US this century, assuming greenhouse gas emissions continue on their current path.

Climate models suggest that by 2099 the 40 most populous cities will have approximately eight times as many days of extreme heat per year as today.

[Warmer Climate To Deprive South Africa of Water](#)

Warming climate may mean less rainfall for drought-sensitive regions of the Southern Hemisphere, a new study says. Hundreds of species of unique South African plants may be affected.

"The link between climate change and rainfall in certain latitudes can have large effects on ecosystems," said Paul Filmer, of the National Science Foundation, which funded the work, said in a statement. "Plants, for example, may be able to grow in a wider area, or conversely, be squeezed up a mountain or onto a peninsula. When the affected ecosystem supports a food crop, that can mean a bonanza — or a famine."



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