



Drumbeat: June 1, 2012

Posted by [Leanan](#) on June 1, 2012 - 10:05am

[Saudi Output Rises to Highest Level in at Least 23 Years](#)

Oil output by the Organization of Petroleum Exporting Countries rose in May to the highest level since 2008 as Saudi Arabia pumped crude at the fastest pace in at least 23 years, a Bloomberg survey showed.

OPEC production gained 20,000 barrels to an average 31.595 million barrels a day in May from a revised 31.575 million in April, according to the survey of oil companies, producers and analysts. Output increased to the highest level since October 2008. The April total was revised 170,000 barrels a day higher.

Saudi Arabia, OPEC's biggest producer, bolstered output by 80,000 barrels to 9.9 million barrels a day this month, the highest level since at least January 1989, based on monthly data compiled by Bloomberg.

[Saudi unlikely to cut soon despite oil under \\$100](#)

LONDON, June 1 (Reuters) - Oil's fall below \$100 a barrel is unlikely to trigger a swift supply cut from OPEC power Saudi Arabia, which is pumping at its highest rate in decades, because its budget can comfortably withstand a much lower price.

Others in the Organization of the Petroleum Exporting Countries, including Iran and Iraq, need a higher price than Saudi Arabia to balance budgets and they may call on Riyadh to throttle back when producers meet on June 14 to set output policy.

[Brent Oil Falls Below \\$100 for First Time Since October](#)

Brent crude tumbled below \$100 a barrel for the first time in almost eight months, reaching a level targeted by Saudi Arabia's oil minister, amid slowing Chinese growth and rising U.S. unemployment.

Brent plunged to its lowest intraday level since February 2011, while in New York prices dropped to their lowest in almost eight months, as American employers in May added the smallest number of workers in a year, and China's manufacturing grew at the weakest pace since December. Saudi Arabian oil output advanced to the highest level since 1989, according to a Bloomberg survey.

[Oil glut seen in survey defying seaway reversal](#)

The U.S. oil boom that's pushing the nation toward energy independence is proving too strong to be offset by the reversal of the Seaway pipeline. Enbridge Inc. and Enterprise Products Partners LP on May 19 reversed the flow of crude on the link for the first time since 1976, carrying as much as 150,000 barrels a day from the Cushing, Oklahoma, supply hub and delivery point for the New York futures contract, to Gulf Coast refineries.

[Location is key to sting of summer gas prices](#)

NEW YORK — In February, few could have guessed that a brief fire at a refinery in Cherry Point, Wash., would have a more dramatic effect on U.S. gasoline prices than the threat of war in the Middle East or a historic boom in domestic oil output.

Yet three months later, with the BP plant barely back in action, West Coast motorists are paying a record premium for their gasoline relative to the rest of the country, even as sinking global oil prices curb costs at the pump.

[Where Are Gas Prices Going Up Fastest?](#)

Generally, global prices for crude oil drive gas prices in the United States. But regional variations in supply mean drivers in some metropolitan areas have seen sharper price hikes than others this year. Cities in the West, where many refineries have shut down for repairs, have seen the worst hikes, especially Seattle, Phoenix, Colorado Springs, and Denver. Honolulu, which already had the highest gas prices in the country, saw the biggest hike of all—a 27-cent increase. Meanwhile, prices improved slightly in the Midwest, with Kansas City enjoying the greatest price relief at 13 cents.

[Commodity Revenues at Top Banks Decline as Volatility Drops](#)

Revenues generated by the 10 largest banks' commodity units slumped 33 percent in the first quarter as volatility declined, clients reduced trading and gas supplies climbed, according to Coalition, a London-based research company.

[Commodities Head for Worst Loss Since Recession of 2008](#)

Commodities fell, capping the biggest monthly slump since 2008, as Europe's escalating debt woes dimmed prospects for demand and drove crude oil into a bear market.

[Airlines seek to slash fuel costs](#)

NEW YORK (CNNMoney) -- Few industries are hit as hard by high oil prices than the airlines, which can spend close to 40% of their budget on fuel.

With jet fuel prices near record highs, the drive to conserve is stronger than ever.

[Troubled Times for World Oil](#)

Major energy monitoring entities, including the US EIA and the OECD group's energy watchdog the IEA are forced to report that for the developed nation OECD group, and increasingly even for energy outlooks in Emerging economy giants China and India, energy demand is stagnant or falling. For the G20 group, including the largest Emerging economies, demand forecasts are presently set at growth for all types of energy being at most 2% in 2012. For oil, taking account of continuing shrinkage, or at best fractional growth of OECD demand and constantly revised-down demand growth in China and India, the year forecast is now well below 1% growth for global demand and can easily go lower.

[Jubilee Special: 60 Years Of Oil](#)

Over the last 60 years, technological developments and political crises have repeatedly driven the oil and gas industry to new locations and more extreme drilling techniques.

Yet some things haven't changed. As the Queen celebrates 60 years on the throne, problems in Iran are affecting global oil supplies, just as they were in 1952. Take a look at these headlines:

[Rights activists held over oil field strike in Oman](#)

Dubai Three activists were detained from Fahoud oil fields on Thursday for visiting the site to show solidarity with the striking workers from contracting companies, working for two oil companies in the country.

[BP Will Pursue Sale of Shares in Russian Venture TNK-BP](#)

BP Plc will pursue a sale of its stake in Russia's third-largest oil producer, unwinding a nine-year investment that provides about a quarter of the U.K. company's crude output.

A TNK-BP sale, which analysts said could raise at least \$30 billion, would be the biggest by Chief Executive Officer Bob Dudley following the U.S. oil spill in 2010 and dismantle BP's landmark venture, the largest foreign investment in Russia's oil industry. While the venture paid billions for BP, it also brought conflict with the Kremlin and billionaire partners.

[BP's Russian retreat could be best pragmatic outcome ... if price is right](#)

BP's grand ambitions have been thwarted and a quick, clean sale at a hefty price looks better than protracted politicking.

[China showing it's serious about drilling in deep](#)

BEIJING (Caixin Online) — On May 9, China National Offshore Oil Corp.'s (CNOOC) first deepwater drilling platform began operating in the South China Sea. The world-class vessel will operate at the Liwan 6-1-1 field, about 320 kilometers southeast of Hong Kong, in waters about 1,500 meters deep.

[Azerbaijan may establish gas reserves in Europe](#)

EU plans on ensuring its energy security envisage the creation of an integrated gas infrastructure, including construction of inter-connectors with the reverse mode of operation, LNG terminals and underground gas storage facilities(European Parliament's directive No 994/2010).

Underground gas holders are strategic facilities that store natural gas reserves to rapidly cover peak costs in case of unforeseen circumstances, accidents and to increase consumption volumes due to bad weather conditions.

[Natural gas export permits, including some affecting projects in Oregon, delayed till late summer](#)

WASHINGTON -- Consideration of licenses to export natural gas from the United States -- including proposed export projects in Oregon -- will have to wait until at least the third quarter, when a study is completed after a delay of several months, according to the U.S. Energy Department.

Since Cheniere Energy Inc. received a department permit to ship gas from Louisiana last year, the agency suspended other applications and commissioned a study of the impact of exports on domestic energy consumption, production and prices.

[Analysis: Iran commander's trip to disputed islands frays UAE nerves](#)

(Reuters) - A visit by the Iranian Revolutionary Guards commander to three tiny islands near the Strait of Hormuz oil shipping lane revives a bitter territorial dispute between Gulf antagonists - and trade partners - Iran and the United Arab Emirates.

Abu Dhabi has yet to comment on Thursday's trip by Mohammad Ali Jafari, but like other Gulf Arab capitals it reacted angrily when Iran's President Mahmoud Ahmadinejad toured one of the islands in April, and recalled its envoy from Tehran in protest.

[Syria set to become failed state: Israeli commander](#)

TEL AVIV (Reuters) - Syria is heading for collapse and will become a "warehouse of weapons" for Islamist militants as it descends into chaos, a senior Israeli army commander said.

"Syria is in civil war, which will lead to a failed state, and terrorism will blossom in it," said Major-General Yair Golan, making a rare public appearance at a conference at Bar Ilan University on Wednesday. "Syria has a big arsenal."

[To solve energy crunch, focus on real solutions](#)

The agency responsible for making sure we have enough power, the Electric Reliability Council of Texas (ERCOT), says that Texas will be able to meet its energy needs this summer without resorting to rolling blackouts. We hope the council is right, but a closer look at the facts shows that Texas should not be so sanguine. ERCOT's projection assumes slow economic growth as well as markedly cooler summer weather and none of the power plant outages we saw last year. This is in spite of forecasts predicting a warmer-than-average summer and continuing signs of accelerating economic growth.

[Great Barrier Grief](#)

SOME locals in the port town of Gladstone recall swimming and catching mud crabs off Curtis Island in the city's harbour. The harbour is now undergoing the biggest dredging operation ever approved in Australia. From 2014, huge ships are due to load liquefied natural gas (LNG) from Curtis Island for export, mainly to Asia. Mud crabs, fish and other seafood have erupted in lesions, red spots and other signs of sickness.

[Chevron Fires Ogilvy as Lobbyist Over Ecuadorean Dispute](#)

Chevron Corp. fired Ogilvy Government Relations as its U.S. lobbyist after a person affiliated with the firm spoke to a group advocating for residents of the Ecuadorean rainforest in a multibillion legal fight with the oil company, a person familiar with the matter said.

[Pool of world oil exports dwindling](#)

The fact that world crude oil production has been stagnant since 2005 is now commonly acknowledged. But for all the world's net oil-importing countries – including South Africa – the crucial oil supply variable is total world oil exports, rather than total world oil production – that is, oil importers must compete for the surplus oil sold by oil-producing nations that is left over after the latter's domestic consumption.

According to the US Energy Information Administration, one of the leading providers of global oil data, world oil exports reached a peak in 2005 at 43.4-million barrels per day (mbpd) and have declined every year since then by an average of 1.8% year. World crude oil exports totalled 40.2 mbpd on average in 2009, according to the latest available data. This represented 48% of total world oil production of 82.4 mbpd.

[Jeff Rubin: To have and have not](#)

The Canadian landscape has always been fractured by regional divisions but the fault lines that will divide the country in the future will be very different from those that have done so in the past. The new divisions are not between east and west or between those who speak English and those who speak French. Those historic differences are overshadowed by a far more formidable force that today unites Ontario and Quebec in common cause as it does Alberta and Newfoundland.

The new fault line in the country is oil, or more precisely between those who have oil and those who do not.

[Oil sands sparked 'uniquely Canadian strain' of Dutch Disease: report](#)

A new report by the Pembina Institute argues that Alberta's oil sands boom has given other parts of the country a dramatic case of the Dutch Disease or what it calls "oil sands fever."

Over the last decade the rapid growth of bitumen production from 800,000 barrels to nearly two million barrels has changed the nature of Canada's currency and economy by giving the country a "uniquely Canadian strain of the Dutch Disease," says the report.

[Postcard From Canada](#)

While I can see the merits of Rubin's call/future vision -it was for this very same reason that I stood up and issued my anti-market consensus warnings in 2008- I believe these limitations imposed by crude oil on the world will prove temporarily in years to come. If you happen to be amongst those who agree with the Rubin vision which leads to oil price predictions of US\$250/bbl and more, I think you'll be surprised (just like in 2008) how quickly oil can be priced at lower levels. In fact we have all been experiencing a mini-version of it in 2012.

I predict in five years from now Rubin's growth constraints will look misplaced and out-of-time, not only because Canada will develop the tar sands, but also because of the natural gas revolution that is currently taking place around the world. China will become much more energy efficient than anyone thinks is possible today.

[A lasting solution to high oil prices](#)

The only way we are going to get the price of oil down to where it is not an immense tax on the American people is to offer an alternative to oil, namely natural gas.

[Ad campaign uses dead presidents to make nat gas pitch](#)

The ghosts of dead presidents will be coming soon to Houston movie theaters.

The appearance of former presidents John F. Kennedy, Lyndon Johnson, Richard Nixon, Dwight D. Eisenhower and Ronald Reagan before summer blockbusters comes courtesy of a new campaign by the American Clean Skies Foundation, a natural gas advocacy group.

['Golden age of gas' threatens renewable energy, IEA warns](#)

A "golden age of gas" spurred by a tripling of shale gas from fracking and other sources of unconventional gas by 2035 will stop renewable energy in its tracks if governments don't take action, the International Energy Agency has warned.

Gas is now relatively abundant in some regions, thanks to the massive expansion of hydraulic fracturing – fracking – for shale gas, and in some areas the price of the fuel has fallen. The result is a threat to renewable energy, which is by comparison more expensive, in part because the greenhouse gas emissions from fossil fuels are still not taken into account in the price of energy.

Fatih Birol, chief economist for the IEA, said the threat to renewables was plain: "Renewable energy may be the victim of cheap gas prices if governments do not stick to their renewable support schemes."

[Don't worry – we'll never run out of oil](#)

Remember the term "peak oil"? Whatever happened to it?

The notion that world oil production had reached its summit and would soon begin a decline — bringing with it shortages, economic collapse, resource wars, and general ruination — was in great vogue not so long ago.

[Oil rationing within a decade?](#)

What happens when a handful of the world's largest oil fields- accounting for two-thirds of the world's oil-run dry? What are the implications of such a prospect for food production, economic growth and ultimately, global security? In his new book, *Peeking at Peak Oil* (Springer, 2012) physicist Kjell Aleklett explores the science and

consequences behind the sobering reality that the world's oil production is entering terminal decline with no satisfactory alternatives.

[David MacKay: A reality check on renewables](#)

How much land mass would renewables need to power a nation like the UK? An entire country's worth. In this pragmatic talk from TEDxWarwick, David MacKay tours the basic mathematics that show worrying limitations on our sustainable energy options and explains why we should pursue them anyway.

As an information theorist and computer scientist, David MacKay uses hard math to assess our renewable energy options.

[Craig Venter's Bugs Might Save the World](#)

In the menagerie of Craig Venter's imagination, tiny bugs will save the world. They will be custom bugs, designer bugs — bugs that only Venter can create. He will mix them up in his private laboratory from bits and pieces of DNA, and then he will release them into the air and the water, into smokestacks and oil spills, hospitals and factories and your house.

[China May Resume Nuclear Plant Approvals as Cabinet Passes Plan](#)

China, planning to build more nuclear reactors than any other country, approved a safety framework that may help end a ban on approving new atomic plants imposed after last year's Fukushima disaster in Japan.

The State Council, or Cabinet, approved "in principle" the proposed plan on nuclear safety for the five-year period ending 2015 and long-term targets for 2020, the government said on its website yesterday. The report didn't specify when approvals for new plants would resume or mention capacity goals.

[New Nuclear Chief Can Act Fast on Yucca, Fukushima Fixes](#)

Gregory Jaczko's resignation as chairman of the U.S. Nuclear Regulatory Commission gives the agency a fresh chance to tackle two crucial issues: nuclear- plant safety and waste disposal.

The U.S. nuclear-power industry is in turmoil, competing as it does with rock-bottom natural-gas prices. Even as most power companies wait to make new investments in nuclear, 104 existing reactors need close attention right away.

['Eco' models aren't worth the money, study shows](#)

Hoping to squeeze every last mile out of a gallon of gas? Automakers have been launching a flood of new “eco” models designed to do just that. But a new report warns that the minimal extra mileage isn’t worth the hefty price tag – which in some cases would require as much as 38 years of driving to recover in terms of lower fuel costs.

The new study by Consumer Reports raises questions about a variety of conventionally powered Eco models, such as Ford Focus SFE, Chevrolet Cruze Eco and Honda Civic HF. But it was also skeptical of the benefits promised by some hybrid models, such as the new Toyota Prius C which, it declares, “is fuel efficient, but not a deal.”

[WSDOT extends West Coast Electric Highway](#)

The Washington State Department of Transportation (WSDOT), along with its electric vehicle (EV) charging station partner AeroVironment, has opened 10 new public charging stations, seven along Interstate 5 and three on US Route 2, which will allow EV drivers to travel ‘emission-free’ from Seattle to the Canadian border.

[Short subway line, \\$4.5 billion price tag](#)

NEW YORK (CNNMoney) -- New York City is building a new subway line, one of the largest public works projects in American history.

The Second Avenue Subway -- a project more than 40 years in the making -- has a budget of \$4.5 billion for the first mile-and-a-half segment. With three stops and a new entrance to an existing station, the cost of construction is more than a billion dollars a stop.

['Green lanes' mean 'go' for more cities' cyclists](#)

To boost transit options, U.S. cities are revving up plans for something that has long been popular in Europe – bike lanes protected from traffic.

Separated by curbs, planters, posts or parked cars, these "green lanes" are taking off in – among other cities – Austin, Chicago, Memphis, San Francisco, Portland, Ore., and Washington, D.C.

[Turn Waste Into Energy, Group Urges New York](#)

New York City should embrace waste-to-energy plants to reduce the \$300 million it spends annually disposing of its garbage, a government watchdog group suggested in a report released on Thursday.

[Regulator refuses to budge on Scotland](#)

UNITED KINGDOM: The viability of up to 1GW of wind in the Highlands and Islands of Scotland is still in doubt after energy regulator Ofgem refused to change the way transmission charges are calculated to benefit wind farms in remote locations.

[U.S. Imposes Duties on Chinese Wind Tower Makers](#)

WASHINGTON — Chinese manufacturers of towers for wind turbines received unfair subsidies and must now pay duties of 13.7 to 26 percent, the Commerce Department said on Wednesday in a preliminary decision in a case brought by four American manufacturers of the towers.

[Romney Calls Solyndra a Symbol of Failure for Obama](#)

Mitt Romney visited the closed facilities of Solyndra LLC, the solar-panel manufacturer that went bankrupt after receiving a \$535 million federal loan guarantee, and called the company a symbol of failure for President Barack Obama's administration.

[For Obama, some promises kept, some broken](#)

Almost exactly four years ago, Obama was riding high after Hillary Clinton suspended her campaign, and he made a promise.

"I'll make oil companies like Exxon pay a tax on their windfall profits, and we'll use the money to help families pay for their skyrocketing energy costs and other bills," Obama said.

The windfall tax would have skimmed the top off the mega-profits oil companies were earning. Average families would have received \$1,000 checks as a result.

[Mail box thefts stymie delivery in Chicago neighborhood](#)

The brass fixtures, built into the bricks and stone facades of the homes, are worth at minimum \$4 apiece on the scrap-metal market, according to CBS Chicago. The station tallied a total of 26 of them missing from 40 homes in one block.

Victim Henry Moore wonders: "Now where can I get a mailbox to fit in there? How much is it going to cost me to have it put back in?"

"It has to be done, and you can't leave it open like. If it rains, it'll go into the house," he said.

[Food for Thought](#)

In 1969 the world watched Neil Armstrong and Buzz Aldrin fulfill President John F. Kennedy's promise to put a human on the Moon, ending a decade-long, \$24 billion space race (\$150 billion in today's dollars). We need investment on a similar scale to fund research that addresses the biggest challenge facing the United States in the next 30 years: food and energy security.

Today, we face growing and economically empowered nations, energy-intensive global economies, and major shifts in global climate that together constitute the perfect storm for agriculture. Yet plant-science research has been underfunded for decades—and funding is projected to shrink.

[As Regulators Meet, Fishing Boats Thumb Their Noses](#)

Talk about timing. As American and European fisheries officials met this week in Brussels to talk about, among other things, the problem of illegal and unregulated fishing, Chinese boats were illegally in the Mediterranean, making a mockery of efforts to manage the bluefin tuna fishing season.

[Clouded Forecast](#)

OUR ability to forecast the weather is in big trouble.

Last month, the National Research Council concluded that the nation's system of Earth-observing satellites is in a state of "precipitous decline" and warned of a "slowing or even reversal of the steady gains in weather forecast accuracy over many years."

This worrisome development puts all of us in harm's way and should particularly trouble us as the annual six-month hurricane season begins today.

[North Carolina tries to wish away sea-level rise](#)

Some lawmakers will go to great lengths to deny the reality of climate change. But this week, North Carolina lawmakers reached new heights of denial, proposing a new law that would require estimates of sea level rise to be based only on historical data—not on all the evidence that demonstrates that the seas are rising much faster now thanks to global warming.

[Fourteen Programs Show CO2 Trade Taking Off: World Bank](#)

New carbon programs in at least 14 emerging nations from China to Costa Rica show emissions trading may take off even as U.S. lawmakers focus on non-market-based regulations for climate protection, a World Bank official said.



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