



## Drumbeat: September 24, 2012

Posted by [Leanan](#) on September 24, 2012 - 9:57am

### [Doubts on Saudi Capacity May Keep Oil Volatile](#)

Oil prices are likely to remain volatile over the next year, analysts say, amid worries that Saudi Arabia has become less able to pump the global market out of any extraordinary disruptions to supply.

Saudi Arabia and some smaller Gulf oil producers have stepped in to cover recent shortfalls, but analysts are increasingly skeptical about whether these countries have the capacity to shield Western consumers against a new oil shock.

### [Futures Jump as Government Moots Oil Tax Cuts: Russia Overnight](#)

“Taxes are one of the major factors and if the government is really going to lower taxes paid by oil producers, it’s very positive for them and for Russian equity markets overall,” Ilya Kravets, who helps manage \$100 million of investments at ED Capital, including crude producers OAO Lukoil (LUKOY) and OAO Surgutneftegas (SGTPY), said by phone in New York yesterday. “It’s very good news for Russian oil producers.”

### [The Pricing of Crude Oil](#)

Arguably no commodity is more important for the modern economy than oil. This is true in terms of both production and financial market activity. Yet its pricing is relatively complex. In part this reflects the fact that there are actually more than 300 types of crude oil, the characteristics of which can vary quite markedly. This article describes some of the key features of the oil market and then discusses the pricing of oil, highlighting the important role of the futures market. It also notes some related issues for the oil market.

### [Shale Oil Reserves: A Game Changer Or Just Over Hyped?](#)

Going forward over the long-haul, much oil will become economically recoverable that wasn't already, boosting production in the coming decades. Still, this means the price will likely keep increasing for basic energy consumption, especially when we remember that it takes more energy to produce this oil. The EROEI ratio will be dropping as it gets more and more expensive.

Still, the doomsday accounts are overblown at best. If oil prices continue to increase, the buses and truck fleets of the world will have an economic incentive to switch to natural gas, and the investment and research and interest in electric vehicles will continue to increase.

### [TransCanada toll will put Alberta at competitive disadvantage: gas users](#)

The battle over tolls on a big natural gas pipelines has become a fight over the future of manufacturing products from energy in Alberta.

The makers of fertilizers and petrochemicals in the province are warning that a TransCanada Corp. proposal to change its natural gas transportation charges stands to price them out of business – worsening a competitive disadvantage that has already seen Alberta spurned for new project spending in recent years.

### [Kuwait warns dissenters against protest rally](#)

KUWAIT (Reuters) - Kuwait's Interior Ministry said on Sunday it would act firmly against any "unlicensed" protests in the country, a day before a planned demonstration outside parliament.

### [Kuwait opposition rallies ahead of crucial verdict](#)

Thousands of Kuwait opposition supporters rallied on Monday ahead of a crucial court ruling on an electoral constituency law amid rising tensions in the oil-rich Gulf state.

Around 10,000 people, who filled the seaside square opposite the parliament building, cheered loudly as opposition figures called for an elected government and warned against what they called a politicised ruling.

### [Lebanon ready to drill for offshore gas: minister](#)

Lebanon is technically ready to start drilling for offshore natural gas reserves, its energy minister said on Monday, after exploration in around half the country's exclusive economic zone was completed.

"Lebanon has now reached the stage where it can start drilling for gas," Gebran Bassil told journalists on a tour to an area in the south of the country where reserves are disputed with Israel and Cyprus.

### [U.S. clears path for more sanctions on Iran oil deals](#)

WASHINGTON (Reuters) - The U.S. government officially linked Iran's state oil company to the country's Islamic Revolutionary Guard Corps on Monday, a determination that enables Washington to apply new sanctions on foreign banks dealing with the company.

The Treasury Department determined that the National Iranian Oil Company, one of the world's largest oil exporters, is "an agent or affiliate" of the IRGC, which the United States has long put under sanctions for terrorism and human rights abuses.

### [Brazil Oil Spill: Petrobras Charged With Crimes At Duque De Caxias Refinery](#)

RIO DE JANEIRO (Reuters) - A prosecutor from Brazil's Public Ministry has charged state-run oil company Petrobras with environmental crimes for a spill at its Duque de Caxias refinery that allegedly contaminated the mangroves and estuary of Guanabara Bay off Rio de Janeiro.

Public Prosecutor Renato Machado also charged two employees of Petrobras in a statement released on Monday.

### [State studies impacts of nuke plant seismic tests](#)

SACRAMENTO, Calif. (AP) — State wildlife officials are mulling whether to issue permits that would allow Pacific Gas and Electric Co. to conduct seismic testing near the Diablo Canyon nuclear power plant.

The California Fish and Game Commission on Monday heard testimony from scientists and others regarding the possible impacts of the large air canons used in the tests on whales and other marine life.

### [Uranium Substitute Is No Longer Needed, but Its Disposal May Pose Security Risk](#)

Uranium 233 looked attractive because it could be made in a reactor from thorium, a cheap and abundant radioactive metal, and, almost magically, the reactor would produce more fuel than it consumed. Utilities manufactured some of it at the Indian Point I reactor in Westchester County, N.Y., which is now retired, and at reactors in Colorado, Illinois and Pennsylvania.

But in the end, ordinary uranium was cheaper, and 233 was not needed.

"Nuclear physicists weren't geologists and didn't understand the supply of uranium," said Frank N. Von Hippel, a physicist and public policy specialist at Princeton. "It turned out there was more uranium than people thought and less nuclear power than people thought there would be."

### [Dozens protest against detention of relatives at Saudi prison](#)

Jeddah: Security forces were blockading roads around a desert prison in central Saudi Arabia on Monday where relatives of inmates were staging a demonstration to demand their release - a rare protest in the world's biggest oil exporter.

More than 100 people, including 13 children, had gathered since Sunday afternoon in the desert around the prison in Qassim province but were told by police they would be arrested if they tried to leave, protesters said by telephone.

### [Oil Drops From 1-Week High in New York on Europe Debt Woe](#)

Oil dropped from the highest close in almost a week as renewed discord among European leaders on measures to stem the region's debt crisis outweighed concern that tensions in the Middle East may disrupt crude supplies.

New York futures fell as much as 1.7 percent after German Chancellor Angela Merkel and French President Francois Hollande disagreed over closer integration of Europe's banking system at the weekend. Iran, OPEC's third-largest oil producer, will defend itself if attacked by Israel, according to excerpts of a CNN interview with Iranian President Mahmoud Ahmadinejad scheduled for broadcast today.

### [Gas prices dip, breaking nine-week run-up](#)

Gasoline prices in the United States dropped four-tenths of a cent over the past two weeks as crude oil prices fell, ending a long stretch of sustained price increases, according to a widely followed survey.

### [Nigerian oil exports to hit 6-month high in Nov](#)

LONDON (Reuters) - Nigeria's crude oil exports are due to hit a six-month high in November as almost all its oilfields pump near recent peak levels, provisional loading programmes showed on Monday.

Africa's biggest oil producer is to due sell around 2.12 million barrels per day (bpd) of crude oil in November, up from 2.05 million bpd scheduled to load in October and 1.84 million bpd in September.

### [UK prompt gas falls as Norway ramps up exports](#)

LONDON (Reuters) - British prompt gas prices fell on Monday following an increase in imports from Norway where a key gas field and production facility were ramping up output following maintenance.

Gas for within-day delivery fell to a two-week low at 59.75 pence per therm on Monday morning, but traded up slightly to 60.00 pence by 1114 GMT.

### [Wyoming, Alaska top list of states that use most energy](#)

In 2010, the United States used roughly 97.7 quadrillion Btu of energy, up from roughly 95 quadrillion in 2009. To put that in perspective, the U.S. Energy Information Administration estimates global consumption at roughly 500 quadrillion Btu. Effectively, the U.S. population, which accounts for approximately 4.5 percent of the world's population, uses a fifth of the world's energy.

The vast majority of U.S. consumption is from fossil fuels, mostly petroleum, followed by natural gas and coal. The remaining use comes from nuclear energy, at 8.6 percent, and renewable energy, at 8.2 percent. While the U.S. consumes an enormous amount of energy as a whole, some states consume much more energy than others. Based on the Energy Information Administration's data for 2010, 24/7 Wall St. reviewed the 10 states that consume the most energy per capita.

### [Belgium nuclear plan breaches 2009 deal – Electrabel](#)

London (Argus) – The Belgian government's decision to close two of the country's seven nuclear plants before 2015 and its proposals to increase the tax on nuclear plants has come under fire from the units' operator Electrabel. The firm says the plans breach the terms of the initial deal agreed between Electrabel's parent company – France's GDF Suez – and the Belgian state in 2009.

### [Hedge Funds Cut Bets as Prices Drop Most Since June: Commodities](#)

Hedge funds cut bullish commodity bets for the first time this month as weaker manufacturing from China and Europe eclipsed central banks' efforts to boost growth, driving down prices the most since June.

### [Russia to apply more cuts in oil exports duty](#)

MOSCOW (Reuters) - The Russian government has offered to cut export duty for more remote oilfields in a move aimed at boosting crude output in the world's largest oil producer and generating more revenue for state coffers.

Local news agencies quoted Energy Minister Alexander Novak as saying the government will discount export duty by 45 percent for new oil fields in the East Siberian regions of Krasnoyarsk and Irkutsk, the far north Yamalo-Nenets and Nenets districts, and the Republic of Yakutia.

### [Libya targets oil production increase to 1.8 million b/d in 2013](#)

Tripoli (Platts)- Libya is currently producing an average 1.6 million b/d and expects to increase output by 30,000-40,000 b/d by early 2013 once repairs to one of the pipelines in eastern Libya are completed, National Oil Company Chairman Nuri Berruein said Monday.

He told reporters on the sidelines of the CWC Libya Summit that Libya was targeting production of 1.8 million b/d next year.

### [An Urgent Warning for Energy Investors](#)

Is it priceless oil... or just worthless mud?

For decades, the U.S. Securities and Exchange Commission (SEC) wouldn't allow Canadian oil-sands promoters to call their assets "oil reserves." Instead, the SEC required them to be classified as "mining reserves." It was a distinction that cost them billions of dollars...

### [China envoy warns Canada against politicizing Nexen deal](#)

TORONTO: China's ambassador to Canada warned in remarks published on Saturday against letting domestic politics drive the Canadian government's decision on whether to approve a Chinese state-owned oil company's proposed \$15.1 billion takeover of Calgary-based Nexen Inc.

"Business is business. It should not be politicized," Ambassador Zhang Junsai said in an interview with Canada's Globe and Mail newspaper.

### [Indian Consortium Bids for ConocoPhillips Assets in Canada](#)

A consortium of India's state-run companies have jointly bid to acquire stakes in oil-sands assets owned by ConocoPhillips in Canada that are valued around \$5 billion, senior executives at Oil & Natural Gas Corp. and Oil India Ltd. said Monday.

India's state-run oil and gas companies are scouting for opportunities overseas to cut their exposure to the country's highly regulated sector and as part of a government strategy to secure energy supplies for Asia's third-largest economy, which imports four-fifths of its crude oil needs.

### [U.S. Is Said to Link Iran's Oil Company to Revolutionary Guard](#)

The Obama administration will today report that Iran's state-owned oil company is



linked to a military unit sanctioned for weapons proliferation, terrorism and human-rights abuses, according to a U.S. official involved in the finding.

In a classified report to Congress, Treasury Secretary Timothy F. Geithner will present evidence that the National Iranian Oil Co., known as NIOC, is “an agent or affiliate” of Iran’s Islamic Revolutionary Guard Corps, the official said on condition of anonymity because the finding isn’t yet public.

### [Ahmadinejad Says Iran Will Defend Itself From Any Attack](#)

Iranian President Mahmoud Ahmadinejad said in a U.S. television interview that his nation will defend itself if attacked by Israel.

“The response of Iran is quite clear, I don’t even need to explain that,” Ahmadinejad said in an interview with CNN’s Piers Morgan scheduled to be broadcast tonight, according to a transcript. “Any nation has the right and will indeed defend herself.”

### [Ahmadinejad Under Attack at Home and Away as Bow Out Nears](#)

Iranian President Mahmoud Ahmadinejad makes his final appearance at the United Nations this week as a leader vilified abroad and with dwindling popularity at home.

With nine months left before his final term expires, Ahmadinejad, 55, presides over an economy hobbled by European and U.S.-led sanctions and a currency collapse that’s firing inflation. As Israel repeatedly warns that it may bomb Iran to stop it getting atomic weapons, Ahmadinejad’s last speech to the UN on Sept. 26 may highlight his growing isolation.

### [Activists: Syrian warplanes bomb Aleppo, killing 5](#)

BEIRUT (AP) -- Activists say Syrian warplanes have bombed two buildings in the northern city of Aleppo, killing at least five people.

The Britain-based Syrian Observatory for Human Rights and the Local Coordination Committees say Monday's raids in a southern neighborhood badly destroyed the buildings.

### [Karim Masimov quits as prime minister of oil-rich Kazakhstan](#)

Karim Masimov, widely credited with steering Kazakhstan through the global financial crisis, has quit as prime minister of Kazakhstan, the largest economy in Central Asia owing to its oil reserves.

### [Criminal investigation at Chevron refinery](#)

Federal authorities have opened a criminal investigation of Chevron after discovering that the company detoured pollutants around monitoring equipment at its Richmond refinery for four years and burned them off into the atmosphere, in possible violation of a federal court order, The Chronicle has learned.

Air quality officials say Chevron fashioned a pipe inside its refinery that routed hydrocarbon gases around monitoring equipment and allowed them to be burned off without officials knowing about it. Some of the gases escaped into the air, but because the company didn't record them, investigators have no way of being certain of the level of pollution exposure to thousands of people who live downwind from the plant.

### [Data Barns in a Farm Town, Gobbling Power and Flexing Muscle](#)

In an attempt to erase a \$210,000 penalty the utility said the company owed for overestimating its power use, Microsoft proceeded to simply waste millions of watts of electricity, records show. Then it threatened to continue burning power in what it acknowledged was an “unnecessarily wasteful” way until the fine was substantially cut, according to documents obtained by The New York Times.

“For a company of that size and that nature, and with all the ‘green’ things they advertised to me, that was an insult,” said Randall Allred, a utility commissioner and local farmer.

### [Two thirds support nuclear in the USA](#)

Almost two thirds of US adults favour the use of nuclear energy as one of the ways to provide electricity in the United States, according to a September telephone survey, the Nuclear Energy Institute announced in a press release.

The survey found that American strongly favouring nuclear energy outnumber those strongly opposed by a two-to-one ratio, 29% versus 14%. Figures are up on a poll conducted in September 2011, six months after the Fukushima accident, when 62% of American favoured nuclear energy, with 35% opposed.

### [Wind Sprints to the Cliff](#)

The wind industry's main trade association is predicting that new installations will fall to zero without a renewal of the production tax credit, which applies only to projects finished by New Year's Eve. Since renewal is iffy, some wind machine factories are already shutting down, as my colleague Diane Cardwell reported on Friday.



### [Audi Backs a Biofuels Startup](#)

Most biofuels companies take some form of biomass, such as corn, grass, or algae, and process it to make biofuel, often with the aid of microorganisms. Joule's approach is to take out as many of the intermediate steps as possible. Joule has taken a microorganism (the company won't name the organism) and introduced combinations of genes known to produce ethanol from carbon dioxide and water and sunlight. To increase the productivity of the microbe, it has removed as many of the microorganism's original genes as possible—without killing it—to ensure that its metabolism is geared toward making ethanol rather than growing the microorganism. Joule calculates that it could produce 25,000 gallons of ethanol per acre per year this way, and has demonstrated a rate of 15,000 gallons in the lab. It's also developing organisms that produce diesel.

### [Urban areas poised for growth spurt; Yale researcher says planning needs to start now](#)

NEW HAVEN — The world is on the cusp of a city-building boom that potentially will transform everything from public health and housing to climate change and biodiversity, a Yale University researcher says.

In a new study published in the Proceedings of the National Academy of Sciences, Yale's Karen Seto and other researchers predict that by 2030, urban areas around the world will expand by more than 463,000 square miles.

### [L.A. prepares for freeway closure, Carmageddon II](#)

At Ronald Reagan UCLA Medical Center, just outside the Carmageddon Zone, officials plan to house as many as 300 doctors, nurses and other staff members in dorms at nearby hotels so nobody will have trouble getting to work.

Some patients, including women in the latter stages of complicated pregnancies, are being encouraged to check in before the freeway closes at 12:01 a.m. Sept. 29.

### [Breathing European air shortens lives -report](#)

BRUSSELS (Reuters) - Microscopic particles, among the most harmful forms of air pollution, are still found at dangerous levels in Europe, although law has cut some toxins from exhaust fumes and chimneys, a European Environmental Agency (EEA) report said.

### [Extreme weather cost US insurers \\$34bn in 2011](#)

The US insurance industry racked up losses of \$34bn during 2011, according to a new report.

The Ceres sustainable investment coalition said the losses are the largest in a single year

since 2005.

Extreme weather triggered widescale drought, wildfires and tornadoes in the West and Central States while the East coast was battered by storms and flooding.

### [Climate expert: Record loss of arctic ice could impact Wisconsin](#)

"We believe that the winds aloft at the level of the jet stream will weaken and lead to slower-moving and 'wavier' atmospheric circulation patterns," he explains. "Such a change would favor more extreme weather events in middle latitudes, such as heat waves, droughts, floods, and—ironically—cold snaps."

Vavrus sees a connection between the record Arctic melting and recent unusual weather across the country.

"This year alone has produced dramatic examples of societally relevant extremes right here in Wisconsin: a very mild winter, an absurdly warm March followed by a killing frost, and record dry and hot weather during the summer," he says.

### [Senate to EU: US airlines won't pay carbon tax](#)

The Senate unanimously passed a bill on Saturday that would shield U.S. airlines from paying for their carbon emissions on European flights, pressuring the European Union to back down from applying its emissions law to foreign carriers.

### [Report warns of global food insecurity as climate change destroys fisheries](#)

The Persian Gulf, Libya, and Pakistan are at high risk of food insecurity in coming decades because climate change and ocean acidification are destroying fisheries, according to a report released on Monday.

The report from the campaign group Oceana warns of growing food insecurity, especially for poorer people, from the Faroe Islands in the North Atlantic to the Cook Islands in the South Pacific, Eritrea, Guyana, Indonesia, Kuwait and Singapore.

Some of the countries at highest risk were in oil-rich – and politically volatile – regions.

### [Tropical cyclones in the Arabian Sea have intensified due to earlier monsoon onset](#)

The tropical cyclones in the Arabian Sea during the pre-monsoon season (May – June) have intensified since 1997 compared to 1979 - 1997. This has been attributed to decreased vertical wind shear due to the dimming effects of increased anthropogenic black carbon and sulfate emissions in the region. The decrease in vertical wind shear, however, is not the result of these emissions, but due to a 15-day on average earlier

occurrence of tropical cyclones, according to a study spearheaded by Bin Wang at the International Pacific Research Center, University of Hawaii at Manoa and published in "Brief Communications Arising" in the September 20, 2012, issue of *Nature*.

### [A Melting Greenland Weighs Perils Against Potential](#)

But even as warming temperatures are upending traditional Greenlandic life, they are also offering up intriguing new opportunities for this state of 57,000 — perhaps nowhere more so than here in Narsaq.

Vast new deposits of minerals and gems are being discovered as Greenland's massive ice cap recedes, forming the basis of a potentially lucrative mining industry.

### [What Will Ice-Free Arctic Summers Bring?](#)

Noting the climate change in Cannon's backyard, the rest of the globe is indeed taking action—just not the type that could reduce greenhouse gas emissions. "The world is looking at the Arctic as a new ocean to be developed and exploited," notes Arctic system scientist David Barber of the University of Manitoba, most particularly oil as evidenced by Shell's bid to drill the first offshore well in the Chukchi Sea. The U.S. Geological Survey estimates that the Arctic holds an oil and gas bonanza—and companies from Russia to the U.S. are lining up to start exploiting it.



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