



Drumbeat: October 12, 2012

Posted by [Leanan](#) on October 12, 2012 - 9:52am

[In the energy business, constant change is the new normal](#)

Peak oil? That's so yesterday. U.S. energy independence? No longer unthinkable. Natural gas glut? Don't bet on it any more. Railway tankers? Add them to your watch list.

Who said the energy business is boring? Long-standing tenets and assumptions are being ripped up faster than an application for a pipeline through a nature reserve. New business dynamics are popping up faster than a rig in a shale play. Mashed together, the collective influence of technology, price signals, government policies, geopolitics, demographics and social licence are challenging the status quo of our energy complex with a vigour not witnessed since the post-1970s oil price shocks.

It's easy and exciting to embrace the new, positively-sloped energy mega-trends taking shape – light tight oil production, oil on rails, gas-fired power generation, and LED light bulbs, to name just a few. On the other hand, it's more difficult to shake old beliefs and admit that yesterday's linear trajectories are now bent out of shape.

[Jeff Rubin: Growth Alone is Not the Answer](#)

If we know anything about what makes our economy tick we know this: Feed it cheap oil and it runs like a charm. But keep it rationed to expensive fuel, and growth stops dead.

Every major global recession in the past four decades has oil's fingerprints all over it. For all of our efforts to wean ourselves off the fuel, oil remains the world economy's most important source of energy (and, as a transit fuel, almost its only source of energy).

In the past, oil prices spiked to growth-killing levels when key producers shut off supply. Today we see these prices with the spigot wide open.

[Renewables Are Overrated, We Need Cheap Oil – Interview with Gail Tverberg](#)

I am doubtful that shale gas will be the energy savior that we have been hoping for. There are several issues: (a) It is hard for US natural gas prices to rise to the point where shale gas extraction will truly be profitable, because of competition with coal in electricity generation. (b) While natural gas can be used for transportation, it takes time,

investment, and guaranteed long-term supply for it really to happen. This will be a long, slow process, if it occurs. (c) People won't stand for "fracking" next door, if the end result is LNG for Europe or Japan. We have otherwise "stranded" non-shale gas in Alaska that would be a better option to develop and sell abroad.

If shale gas does come into widespread use, it will take many years. The quantity will be helpful, but not huge. Furthermore, it will still be natural gas, rather than the fuel we really need, which is cheap oil.

[IEA Sees Oil Supply Rising as Demand Growth Slows to 2017](#)

Global oil markets will become better supplied in the next five years as demand growth slows and production rises in North America and the Middle East, according to the International Energy Agency.

Worldwide fuel demand is projected to gain 1.2 percent annually to 95.7 million barrels a day in 2017, from 89 million last year, the Paris-based energy adviser said in its medium term oil market report today. Output is forecast to advance about 1.5 million barrels a day each year to 102 million barrels a day in the same period. Crude prices may not drop much even as producers pump more because of increased geopolitical risks, the agency said.

[IEA doubts Russia can replicate US unconventional oil, gas success](#)

(Platts) - The International Energy Agency does not expect Russia to replicate the success of North America in the development of unconventional oil and gas resources, a senior agency official said Friday.

[China Could Become Oil Product Export Powerhouse](#)

China, the world's second-largest oil consumer, could become a new oil product exports powerhouse if all planned projects of refining capacity expansion in the country go ahead, the International Energy Agency said Friday.

The Paris-based energy watchdog said in its medium-term oil market report that it is capacity expansions, rather than declining demand, that fuel increase in product exports in Asia and the Middle East, with China, India and Saudi Arabia leading the trend.

[Oil prices rise after US jobless claims fall](#)

The price of oil rose slightly above \$92 a barrel Friday after a big fall in U.S. unemployment benefit claims suggested some improvement in the world's biggest economy, raising expectations for increased demand for energy.

[Are We Thinking About Gas Prices Incorrectly?](#)

The market can be wrong sometimes. It can gyrate dramatically and overcorrect in times of fear and uncertainty, like during the financial crisis of 2008 to 2009. So we should be careful what we wish for when we pine for those days of \$2 gasoline again. In modern times, that price indicates some trouble with the economy. A \$2 gallon of gas is nice, but you better hope you're still getting a paycheck to buy it with.

[Producer prices up on surging gasoline, core rate flat](#)

(Reuters) - Producer prices rose more than expected in September as the cost of energy surged, a government report showed on Friday, but underlying inflation pressures were muted.

The Labor Department said its seasonally adjusted Producer Price Index increased 1.1 percent last month.

[BP to export U.S. crude to Canada, Shell seeks permit](#)

(Reuters) - Oil major BP Plc has secured U.S. government permission to ship U.S. crude oil to Canada, and Royal Dutch Shell has applied for an export license, as rising production in the world's top oil consumer upends global energy flows.

A surge in output from shale oil reserves in the Bakken of North Dakota and Eagle Ford of Texas has raised U.S. domestic production to the highest level since 1995.

While the United States still imports more than 8 million barrels of crude oil per day, a glut of light, sweet crude oil created by the controversial hydraulic fracturing or 'fracking' boom could fetch higher prices on international markets.

[Why the Oil Boom is Over](#)

One of the biggest and most pervasive of myths surrounding oil demand is that somehow it is price inelastic. In other words no matter how much the price goes up the demand will remain the same. This idea is simply not true and here is the evidence to prove it.

[Disputed Islands With 45 Years of Oil Split China, Japan](#)

China and Japan sat down for talks and agreed to jointly develop a natural gas field under the East China Sea, defusing a dispute between Asia's biggest economies over who owns the reserves. That was in 2008.

The accord, hailed as a model for cooperation at the time, has yet to be carried out and the countries now face a new territorial dispute, also in the East China Sea. The quarrel

over who owns the uninhabited islands called Diaoyu by China and Senkaku by Japan is again linked to a prize beneath the ocean that may hold enough oil to keep China running for 45 years.

[Will China's auto boycott backfire?](#)

HONG KONG (CNNMoney) -- Chinese car buyers boycotting Japanese brands due to a dispute over a group of oil-rich islands could end up hurting local engineering firms and dealerships as much as the big automakers in Japan.

Sales of Japanese cars in China fell by between 35% and 50% in September, with Toyota, Honda, Nissan, Mazda and Mitsubishi all feeling the pain.

[Iraq looms large in era of growing oil scarcity](#)

Gone are the heady days of the early oil booms, when wildcatters would stumble on rich reserves conveniently located a few metres underground.

Rapidly developed oilfields on the American plains no longer flood the market with kerosene, and it has been a while since the wells around Baku quickly pumped enough oil to satiate most of Europe's demand.

In today's world, increases in production are incremental and a cause for anxiety over whether they will meet projected increases in demand.

But there is one country that has the potential to recreate the oil bonanzas of old. After being diminished by years of conflict and long periods of under-investment, Iraq's oil output is now predicted to almost triple in the coming decades.

[US: Hackers in Iran responsible for cyberattacks](#)

WASHINGTON — U.S. authorities believe that Iranian-based hackers were responsible for cyberattacks that devastated Persian Gulf oil and gas companies, a former U.S. government official said. Just hours later, Defense Secretary Leon Panetta said the cyberthreat from Iran has grown, and he declared that the Pentagon is prepared to take action if American is threatened by a computer-based assault.

The former official, who is familiar with the investigation, said U.S. authorities believe the cyberattacks were likely supported by the Tehran government and came in retaliation for the latest round of American sanctions against Iran.

[Iran's oil exports fall in September, may slip further](#)

LONDON (Reuters) - Iran's oil supply, which has fallen to the lowest in more than two decades, is unexpectedly continuing to decline due to Western sanctions, in a further strain to the country's financial resources.

In a report on Friday, the International Energy Agency estimated Iranian supply fell by 220,000 barrels per day (bpd) to 2.63 million bpd in September, a steeper decline than other estimates of Iranian output last month.

[Turkish imports of Iranian oil halve in Sept vs Aug](#)

London (Reuters) - Turkish imports of Iranian crude oil plummeted to around 100,000 barrels per day in September after spiking in August, data from Reuters AIS Live ship tracking and a shipping source showed.

Turkey's state oil refiner Tupras imported two 140,000 tonne cargoes and one 145,000 tonne cargo to one of its oil import terminals, Tutunciflik, in September. The crude oil was lifted from the Egyptian port of Sidi Kerir, the end of the Sumed pipeline linking the Red Sea to the Mediterranean.

[EU insurers strip coverage from Titan ships storing Iran oil](#)

Two European insurers have withdrawn coverage for tankers involved in the Iranian oil trade, the first such move since tough new sanctions were imposed in July, documents obtained by Reuters show.

[Despite targeting nuclear program, sanctions affect Iran's food imports](#)

Despite the fact that International sanctions from U.S. and EU target Iran's nuclear program, the restrictions also affect Islamic Republic's food imports, Reuters reported.

A lot of Iran's imports, including food and consumer goods, arrive on container, bulker and other ships, but the number of vessels calling at its ports has reduced by more than a half this year, because of the tightening sanctions.

[Senators Contradict Oil Industry's Challenge of SEC Rules](#)

Two U.S. senators who wrote the provision in the Dodd-Frank law requiring oil and gas companies to report payments to foreign governments defended it against a lawsuit that said regulators went beyond what Congress intended.

The American Petroleum Institute, whose members include Exxon Mobil Corp. and Chevron Corp., and other business groups sued in federal court yesterday, saying the regulation based on the law "grossly misinterpreted" the lawmakers' directive by requiring each company to report publicly payments made to a foreign government.

[CFTC Said to Be Close to Granting Delay on Energy Swaps Rule](#)

The Commodity Futures Trading Commission is close to granting a delay on a rule set to take effect tomorrow affecting energy swaps clearing, potentially helping CME Group Inc. avoid customer defections, according to three people with knowledge of the matter.

[Canada Extends Cnooc-Nexen Review Period by 30 Days](#)

Canada said it extended its review of Cnooc Ltd.'s \$15.1 billion takeover of Nexen Inc. for 30 days to conduct a "thorough and careful" assessment.

Prime Minister Stephen Harper's government is reviewing the bid, China's largest ever foreign acquisition, under Canada's foreign takeover law, which specifies transactions must have a domestic "net benefit" to win approval.

[Tesoro California Plant Swap Proposed as Antitrust Antidote](#)

Intensifying regulatory scrutiny of record gasoline prices in California may force Tesoro Corp. to sell its Los Angeles-area refinery to complete a \$1.18 billion purchase of a larger BP Plc plant in the state.

Tesoro proposed selling its 97,000 barrel-a-day Wilmington refinery to overcome any government antitrust opposition to the acquisition, according to a company filing. Adding BP's 266,000 barrel-a-day Carson refinery would double Tesoro's California market share, making it the state's largest crude processor with control of 25 percent of refining capacity, according to data compiled by Bloomberg.

[India to Pay for Highways for First Time in 14 Years: Freight](#)

India will end a 14-year policy of solely depending on private capital to build major roads as it grapples with infrastructure worse than Guatemala's.

The government will award \$2.3 billion of state-funded highway contracts by the end of March after a credit crunch left builders unable to find bank loans, Road Transport Minister C. P. Joshi said Oct. 8 in New Delhi. India has previously relied on construction companies funding new roads with loans, which they then repay from income including toll fees.

[EPA fines Sinclair \\$378,000 for violations at Rawlins refinery](#)

Sinclair Oil will pay a \$378,000 fine under a settlement with the U.S. Environmental

Protection Agency stemming from a 2010 inspection of the company's troubled oil refinery near Rawlins, the agency announced Thursday.

The inspection showed Sinclair hadn't properly implemented its risk management plan, a key requirement for the facility, which deals with a large range of toxic substances and hazardous gases, the EPA said.

[Nigerian oil pollution case against Shell to start in Dutch court](#)

(Platts) - A legal case against Shell is set to begin Thursday in a Dutch court with the Anglo-Dutch major facing charges of causing environmental pollution in Nigeria.

[Will Seismic Blasts Upend Atlantic Marine Life?](#)

As a federal decision draws near, environmental and commercial fishing groups are marshaling their forces to protest a plan by the Obama administration to allow seismic airgun testing for oil and gas exploration off the Atlantic coast.

[U.S. Panel to Hear Opponents of Indian Point Nuclear Plant](#)

The Indian Point nuclear plant is going on trial.

On Monday, the federal Nuclear Regulatory Commission will open a hearing to determine whether opponents, among them the Cuomo administration, have valid arguments against a 20-year extension of operating licenses for the Westchester County site's reactors.

[Merkel Curbs Renewables to Limit Voter Anger on Power Bills](#)

German Chancellor Angela Merkel's decision to cap taxpayer subsidies for renewable energy is aimed at limiting the political fallout among voters from a surge in electricity bills due next week.

With the grid operators planning to announce an increase in the surcharge consumers pay for clean energy on Oct. 15, the government said it will extend caps on subsidies for solar energy to more technologies including wind and biomass. The plan is designed to contain the rising costs of scrapping nuclear power.

[Lanai to become eco-lab that runs on solar, billionaire Ellison promises](#)

HONOLULU, Hawaii -- Four months after snapping up nearly the entire island of Lanai, billionaire Larry Ellison has presented his vision of paradise: an eco-lab based on solar

power, with electric cars replacing gas guzzlers and sea water transformed into fresh water for an organic farm export industry.

[Solyndra Bankruptcy Plan Has Objections From IRS, Energy](#)

Solyndra LLC, the failed solar-panel maker that received a \$535 million U.S. Energy Department loan guarantee before going bankrupt, faces objections to its bankruptcy plan from the Internal Revenue Service and the Energy Department.

The IRS argues in court papers filed yesterday in Wilmington, Delaware, that the plan can't be approved because its principal purpose is to allow the owners of Solyndra's parent, Argonaut Ventures I LLC and Madrone Partners LP, to avoid future taxes.

[Solar Silicon to Bottom as China Halts Factory Expansion](#)

Polysilicon, the raw material used by the \$38 billion a year solar industry, is forecast to bottom near a record low next year after the leading manufacturers in China and South Korea halted factory expansions.

[U.S. sets steep final duties on Chinese solar panels](#)

WASHINGTON (Reuters) - The United States on Wednesday set steep final duties on billions of dollars of solar energy products from China, but turned down a request from lawmakers and U.S. manufacturers to expand the scope of its order.

Chinese solar manufacturers criticized the decision, adding more heat to the U.S.-China trade relationship following a congressional panel report on Monday urging American companies not to do business with two Chinese telecommunications companies because of security concerns.

[Texas Windmills Make Schools Share With Poorer Districts](#)

Giant turbines that give Texas the largest wind-generating capacity among U.S. states have forced seven school districts facing budget cuts to share new wealth from the equipment under the state's education-finance system.

The Hermleigh Independent School District had to give up \$2 million a year -- about the same as its annual budget -- after growth of local wind-driven generating capacity spurred a 10- fold increase in district property values per student, according to a report from Standard & Poor's.

[9 ways to cut your energy bills](#)

An attic-to-basement primer on amping up energy efficiency and cutting your power bill this winter.

[Are India's Farmers Victims of a Global Land Rush?](#)

An Oxfam report released on Oct. 3 argues that these rising food prices are part of what's forcing more and more farmers in developing nations off their land in a "global land rush." According to Oxfam's calculations, the amount of land bought around the world by private investors from 2000 to 2010 could produce enough food to feed 1 billion people, and yet it is having the opposite effect. After the food scare in 2008, investors rushed to pour money into land deals. "From mid-2008 to 2009, reported agricultural land deals by foreign investors in developing countries rocketed by around 200%," the report reads. Much of what's produced on that land, particularly in Africa, is destined for export. Meanwhile, the small farmers from whom it was acquired are no longer able to feed themselves.

[Everyone Eats There](#)

California's Central Valley is our greatest food resource. So why are we treating it so badly?

[Know Your Farmer, Know Your Food](#)

With the tools below, learn about how USDA supports local and regional food economies; see examples of producers, businesses and communities putting these resources to work; and explore the map to find out what's happening near you. Use the tools and get involved!

[Halting extinctions would cost \\$80 bln; half of bankers' bonuses](#)

OSLO (Reuters) - Governments need to spend \$80 billion a year to halt extinctions of endangered animals and plants, many times current levels and only half the amount paid to bankers in bonuses last year, a study showed.

The extra spending is vital to protect natural services such as insect pollination of crops or water purification by wetlands, the report in Friday's edition of Science said. "These are investments in natural capital. They are not bills. They are dwarfed by the benefits we get back from nature," Stuart Butchart of BirdLife International in England, one of the authors of the study, told Reuters.

[Tribes Add Potent Voice Against Plan for Northwest Coal Terminals](#)

Many environmental groups and green-minded politicians in the Pacific Northwest are already on record as opposing a wave of export terminals proposed from here to the

south-central coast of Oregon, aiming to ship coal to Asia. But in recent weeks, Indian tribes have been linking arms as well, citing possible injury to fishing rights and religious and sacred sites if the coal should spill or the dust from its trains and barges should waft too thick.

And as history has demonstrated over and over, especially in this part of the nation, from protecting fish habitats to removing dams, a tribal-environmental alliance goes far beyond good public relations. The cultural claims and treaty rights that tribes can wield — older and materially different, Indian law experts say, than any argument that the Sierra Club or its allies might muster about federal air quality rules or environmental review — add a complicated plank of discussion that courts and regulators have found hard to ignore.

[Clean coal projects face political, financial headwinds-report](#)

WASHINGTON (Reuters) - At least 130 projects that capture and store carbon emissions at coal power and industrial plants must come online by 2020 if the world is to stay on course to keeping the rise in global temperatures below a threshold deemed dangerous by scientists, a new report released Wednesday said.

In its 2012 report on the global state of carbon capture and storage (CCS) deployment, the Global CCS Institute warned that reaching the 130-project goal from 16 in the works will be unlikely amid current investment levels and regulatory uncertainty.

[U.S. Struggles to Rescue Green Program Hit by Fraud](#)

WASHINGTON — A Maryland man is awaiting sentencing for what may seem an unusual crime: selling bogus renewable energy credits and using the \$9.3 million in illicit proceeds to buy jewelry and a fleet of luxury cars.

In a similar case in Texas, a man has been indicted for selling a whopping \$42 million in counterfeit credits. He bought real estate, a Bentley and a Gulfstream jet.

[Norway to double carbon tax on oil industry](#)

Norway is to double carbon tax on its North Sea oil industry and set up a £1bn fund to help combat the damaging impacts of climate change in the developing world.

In one of the most radical climate programmes yet by an oil-producing nation, the Norwegian government has proposed increasing its carbon tax on offshore oil companies by £21 to £45 (Nkr410) per tonne of CO₂ and a £5.50 (Nkr50) per tonne CO₂ tax on its fishing industry.

[China Carbon Debut Defies Emission Doubters](#)

China's first steps to build what is destined to be the world's second-biggest emissions market are boosting the prospects for fledgling programs from Australia to California.

Four cement makers in China, the world's biggest emitter, bought 1.3 million pollution permits for 60 yuan (\$9.55) a metric ton last month in Guangdong. The province plans the largest of seven pilot programs for a proposed national market within three years. Exchanges will trade permits to emit an estimated 1 billion metric tons of greenhouse gases a year by 2015, close to half the volume in the European Union system.

[Forests to feel climate change effect—damage could cost billions](#)

A new pan-European study suggests that the economic value of forests will decline between 14 % and 50 % due to climate change. If measures are not taken to change this, the damage could reach several hundred billion euros, say researchers led by the Swiss Federal Institute for Forest, Snow and Landscape Research (WSL) in Switzerland. The study was presented in the journal *Nature Climate Change*.

[Afghanistan to Strengthen Climate Change Defenses](#)

BAMYAN, Afghanistan (ENS) – To strengthen Afghanistan's ability to withstand climate change, the government and United Nations partners today announced a US\$6 million initiative, the first of its kind in the country's history.

The program will be run by Afghanistan's National Environmental Protection Agency, NEPA. It aims to reduce the vulnerability of communities to the effects of climate change, such as drought, floods and erosion, and to build the capacity of Afghan institutions to address climate change risk.

[North India to be warmer than the south, says study](#)

Mumbai -- A new study on future climatic changes in India by the Centre for Sustainable Technologies, Indian Institute of Science (IISc), Bangalore, has indicated that north India is likely to experience more rise in temperatures than south India. In Maharashtra, Marathwada and Vidarbha will experience higher levels of warming while coastal areas, including Mumbai, will be similar to the south. The study, reported in the latest issue of *Current Science* journal of the Indian Academy of Sciences, Bangalore, has made long-term climate projections for India.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).