



## Drumbeat: October 29, 2012

Posted by [Leanan](#) on October 29, 2012 - 9:04am

### [Hurricane set to slash fuel demand in Northeast US](#)

(Reuters) - As the Northeast United States locks down in the path of Hurricane Sandy, the freakishly large tropical storm careening in from the Atlantic, the main impact is likely to be on fuel demand rather than supply.

Regional product prices initially rose on Monday, but the storm is more likely to have a bearish impact later this week.

The region is a major net consumer of refined products such as gasoline, diesel and aviation fuel and covers more than 30 percent of its demand by imports and even more by pipeline deliveries from refineries on the U.S. Gulf Coast.

Hurricane Sandy will therefore depress regional fuel demand more than supply and should be bearish for crude and product prices at the margin, provided there is no serious and sustained damage to the refineries clustered in Pennsylvania and New Jersey.

### [Oil Slides, Gasoline Gains as Hurricane Sandy Nears U.S.](#)

Crude fell for the first time in three days in New York while gasoline rose as refineries curbed operations before Hurricane Sandy strikes the U.S. East Coast.

West Texas Intermediate futures slid as much as 1.1 percent, while prices of the motor fuel advanced as much as 1.9 percent. Sandy will probably make landfall tomorrow, according to a National Hurricane Center advisory. Phillips 66, NuStar Energy LP and Hess Corp. said they are shutting or reducing output at New Jersey refineries as a precaution against the storm that may become the worst to hit the region in 100 years.

“The crude supply situation has improved, and high inventories are capping prices,” said Michael Poulsen, an analyst at Global Risk Management in Middelfart, Denmark, who predicts that Brent will trade from \$105 to \$110 a barrel next month. “But we should watch out for Super-Storm Sandy, as refineries are being shut while the storm rages.”

### [Stocks Fall as Sandy Shuts U.S. Markets; Gasoline Gains](#)

Stocks fell around the world and gasoline rose as Hurricane Sandy threatened U.S. East

coast refineries and closed equity trading. Italian two-year notes dropped for a sixth day and the euro weakened.

### [East Coast grinds to a halt as superstorm nears](#)

"I think this one's going to do us in," said Mark Palazzolo, who boarded up his bait-and-tackle shop in Point Pleasant Beach, N.J., with the same wood he used in past storms, crossing out the names of Hurricanes Isaac and Irene and spray-painting "Sandy" next to them. "I got a call from a friend of mine from Florida last night who said, 'Mark, get out! If it's not the storm, it'll be the aftermath. People are going to be fighting in the streets over gasoline and food.'"

### [Asia Fuel Oil-Cracks weaken, China demand subdued](#)

SINGAPORE (Reuters) - Asia's fuel oil cracks weakened on Monday, with the front-month November discount widening to its lowest in more than a week on a weak demand outlook.

The November contract was at a discount of \$8.49 a barrel to Dubai crude by the Asian close, down 56 cents from the previous session and weakest since Oct. 19, according to Reuters data.

Enquiries from Chinese teapot refiners improved slightly, but remained at weakened levels as the and outlook for diesel and gasoline was subdued, according to trade sources.

### [Speculators Reduce Wagers as Annual Advance Erased](#)

Speculators lowered bullish wagers on commodities for the third straight week, the longest streak since April, as prices erased this year's gain on mounting concern about slowing economic growth.

Hedge funds cut net-long positions across 18 U.S. futures and options by 0.2 percent to 1.18 million contracts in the week ended Oct. 23, the lowest since July 24, U.S. Commodity Futures Trading Commission data show. Copper holdings fell the most in seven weeks, and sugar wagers dropped to a one-month low. Bullish bets on gold slumped the most in three months.

### [UK need for more gas storage to grow from 2020: analysts](#)

(Platts) - The UK will be vulnerable to import disruptions and high prices into the next decade, according to two reports published Monday and commissioned by the dominant UK gas supplier Centrica.

Eclipse Energy says that without new seasonal storage capacity -- which means very large plants -- the UK gas price will be prone to rise sharply in the years after 2020,

because of the compounding effects of less production in the UK and Norway and more import reliance; the limited extent of long-term supply commitments; relatively low storage capacity; and the very liquid spot market, the National Balancing Point, which allows other countries to balance their portfolios.

### [No slip up for UAE oil industry](#)

The UAE produced on average 2.69 million barrels per day (bpd) in September, similar to the production levels in a month earlier, latest data from the Paris-based International Energy Agency (IEA) showed.

The UAE has a sustainable oil production capacity of 2.79 million bpd at present, said the IEA, which advises 28 industrialised countries on energy policy. In July, the UAE's oil production was estimated at 2.68 million bpd.

### [Petrobras Profit Falls as Drilling Costs Rise: Corporate Brazil](#)

Petroleo Brasileiro SA, the world's largest deep-water oil driller, is becoming less profitable as costs rise faster than sales because of equipment shortages and falling output.

For every \$100 of revenue in the third quarter, Petrobras had a gross profit of \$25, down from \$32 a year earlier and \$40 in the same period of 2009, according to data compiled by Bloomberg. Gross margins have fallen on a year-over-year basis for 11 straight quarters.

### [Exxon Seen Bidding for Anadarko to EOG to Boost Growth](#)

With Exxon Mobil Corp. poised to lose its lead as the largest publicly traded oil producer by output, acquiring Anadarko Petroleum Corp. or EOG Resources Inc. would accelerate growth and help the company regain its lead.

OAO Rosneft's plan this week to buy BP Plc's Russian venture TNK-BP for \$55 billion would vault the Moscow-based company past Exxon in terms of production. Irving, Texas-based Exxon also is lagging behind on growth, with analysts estimating only a 3 percent increase in sales through 2014, according to data compiled by Bloomberg. That compares with 28 percent at Rosneft and more than 26 percent at Anadarko and EOG, which have market values exceeding \$30 billion.

### [TransCanada, Phoenix team up to build \\$3-billion Alberta pipeline](#)

TransCanada Corp. and Phoenix Energy Holdings Ltd. are forming a partnership to build a \$3-billion pipeline project in Northern Alberta to serve an area of emerging oil sands

production.

### [Lithuania suing Russian energy giant Gazprom](#)

BRUSSELS - Lithuania has highlighted that Russian energy giant Gazprom is facing a series of billion-euro lawsuits on alleged price-fixing, as well as the recently-opened European Commission probe.

### [Statoil expands in offshore UK](#)

Norwegian energy provider Statoil has been awarded shares in seven exploration licences on the United Kingdom continental shelf (UKCS).

The company is operator for two of these, and expects this number to increase when the blocks pending environmental assessment are awarded.

### [Rosneft to buy BP out of TNK-BP first - source](#)

MOSCOW (Reuters) - Giant BP is set to exit its stake in the TNK-BP joint venture ahead of the AAR consortium of tycoons, when they sell out to state-controlled Rosneft, a source close to Rosneft told Reuters on Monday.

BP has struck a deal to sell its stake in the joint venture, Russia's third-largest crude producer, after a nine-year partnership with the consortium of Soviet-born billionaires known as AAR.

### [Japan's Tepco to tap more coal suppliers to cut costs](#)

Tokyo: Japan's biggest utility, Tokyo Electric Power Co (Tepco, plans to buy coal from a wider group of suppliers in a drive to cut costs as it starts operations of new coal-fired power stations, a company official said.

It would be the first time that Tepco, battered financially by last year's Fukushima nuclear disaster, was buying cheaper low-calorie sub-bituminous coal through term contracts, traders said.

### [The dash for gas is a dangerous gamble](#)

The 20GW goal is what ministers are now pursuing, so according the CCC they have chosen a more risky and more expensive path.

How so? First, no-one outside the shale gas lobby thinks fracking will deliver cheap,

plentiful gas for the UK and so make a big dash for gas sensible. "Look at European gas price projections ... they all agree on the direction – up. European shale will help, but not on a US scale." says the CBI's boss John Cridland. He later added: "An over reliance on new gas would leave us exposed to global price and supply fluctuations and jeopardise our carbon targets."

### [BP Oil-Spill Judge Postpones Trial on Fault to February](#)

The trial over liability for BP Plc's 2010 Gulf of Mexico oil spill was postponed to Feb. 25 so the lawyers won't lose their accommodations to Super Bowl and Mardi Gras crowds, a New Orleans judge said.

The Super Bowl, the National Football League's title game, is set for Feb. 3, and the last day of Mardi Gras, the pre-Lenten festival, is Feb. 12. The trial, originally set for Jan. 14, will be delayed six weeks because lawyers involved have been told they'll be "kicked out" of their hotel rooms, U.S. District Judge Carl Barbier said at a hearing today.

### [Peak oil may already be here, and the knock on effect could range from bad to truly awful](#)

The second alternative scenario . . . considers the implications of a 3.8 percent rather than 1 percent annual decline in world oil output growth. Given an initial growth rate of 1.8 percent per annum in the data, this implies that, except for the small supply response to higher oil prices, oil production declines by 2 percent annually. We also assume that this outright output contraction is accompanied by an annual increase in real extraction costs per barrel of 4 percent rather than 2 percent.

In this scenario, the longer-term output and current account effects are approximately four times as large as in the baseline, in other words they increase roughly in proportion to the size of the shock.

### [An economic theory of limited oil supply](#)

An adequate supply of cheap (\$20 or \$30 barrel) oil is no longer available, because most of the "easy to extract" oil is gone. The cost of extracting oil keeps rising, but the ability of oil-importing economies to pay for this oil does not. There are no good low-cost substitutes for oil, so substitution is very limited and will continue to be very limited. The big oil-importing economies are already finding themselves in poor financial condition, as higher oil prices lead to cutbacks in discretionary spending and layoffs in discretionary industries.

The government is caught up in this, as layoffs lead to more need for stimulus funds and for payments to unemployed workers, at the same time that tax revenue is reduced. There can be a temporary drop in oil prices (as there was in late 2008), as recession worsens, but eventually demand rises again, oil prices rise again, and the pattern of layoffs and increased governments financial problems occurs again.

### [Fujairah power plant keeps the UAE's lights on](#)

Expanding demand is requiring projects of a scale never before seen in the region as Arabian Gulf governments race to keep the lights on.

In the next five years, Middle East nations will have to bring 123.9GW of power online just to keep up with demand, which is growing in the region at a rate of 7.9 per cent every year, according to Arab Petroleum Investments Corporation (Apicorp).

### [Talk of a Wind Subsidy 'Phaseout'](#)

The wind industry, fighting to hold onto a generous tax credit set to expire in December, has been arguing that it does not need the support forever – just a little while longer, until it can compete with fossil fuels on its own.

The tax break subsidizes wind power by 2.2 cents a kilowatt hour to bring its cost closer to that of conventional fuels, and it has periodically been renewed by Congress with support from both parties. But like other subsidies for alternative energy, it has been tarred in some people's eyes by the government's investment in the failed solar company Solyndra and has become a wedge issue in the presidential contest. President Obama wants the credit extended, while Mitt Romney has urged that it expire as scheduled.

### [Poland Renewables Bill to Forge New Solar Market as EU Cuts Back](#)

Poland is set to approve renewable- energy laws that may spur a 100-fold increase in solar-power capacity next year, just as the rest of Europe scales back.

The country that has 3 megawatts of solar capacity may build as much as 400 megawatts next year if the renewables bill comes into effect on schedule in January, said Stanislaw Pietruszko, the head of Poland's photovoltaic association. Neighboring Germany has 30,000 megawatts installed.

### [South Africa to beef up renewable energy](#)

The government is poised to sign its first contracts with independent power producers (IPPs) for the provision of 1400 megawatts of renewable energy.

Briefing the media in Pretoria on Monday, Energy Minister Dipuo Peters said the contracts - with 28 preferred bidders - would be signed on November 5 and 6.



### [Solar glider project seeks funding for two-seater](#)

The Sunseeker, a solar-powered plane-glider hybrid that has been flying for more than two decades, is about to get a new, more spacious successor — but only if the builders can secure the funding.

### [Abu Dhabi studies rubbish-powered plant](#)

The emirate's first waste-burning power plant could be followed by others to help to cut down on growing amounts of landfill trash, says the developer.

### [Community energy is on the up. But will the government hobble it?](#)

Government energy reforms could make it impossible for new community energy projects to scale up.

### [Rachel Carson's Lessons, 50 Years After 'Silent Spring'](#)

She was a classic introvert who exhibited few of the typical qualities associated with leadership, like charisma and aggressiveness. But as people like Susan Cain, author of "Quiet: The Power of Introverts in a World That Can't Stop Talking," have pointed out, leadership can come in less obvious forms.

Carson's life shows that individual agency, fueled by resolution and hard work, has the power to change the world. In this election year, when so much influence seems concentrated in "super PACs," lobbying groups and other moneyed interests, her story is a reminder that one person's quiet leadership can make a difference.

### [Costly repairs: Hurricane changes homeowners policy](#)

The Atlantic Coast, the Gulf of Mexico and the Hawaiian islands are home to the U.S. counties most vulnerable to hurricanes. These counties account for nearly two-thirds of the nation's coastline population, according to the U.S. Census Bureau.

"As more people have moved to the coasts, it's become too expensive for the insurance companies to assume the cost of the hurricane damage," Barry says.

### [Casualties of Toronto's Urban Skies](#)

So many birds hit the glass towers of Canada's most populous city that volunteers scour the ground of the financial district for them in the predawn darkness each morning. They carry paper bags and butterfly nets to rescue injured birds from the impending stampede of pedestrian feet or, all too often, to pick up the bodies of dead ones.

The group behind the bird patrol, the Fatal Light Awareness Program, known as FLAP, estimates that one million to nine million birds die every year from impact with buildings in the Toronto area. The group's founder once single-handedly recovered about 500 dead birds in one morning.

### [Coal resurgence threatens climate change targets](#)

Coal is enjoying a renaissance, with the highest consumption of the fuel since the late 1960s. The unexpected development threatens to put climate change targets out of reach – and much of the reason is the rise of a supposedly "green" fuel, natural gas.

The controversial use of shale gas in the US, where it now makes up a quarter of electricity generation, has brought down carbon emissions there – but the greenhouse gases have simply been exported elsewhere, meaning no net gain for the planet, research by the Guardian and other sources has found.

### [U.S. study checks climate, conflict link](#)

BOULDER, Colo. (UPI) -- While there may be links between conflict in East Africa and climate change, U.S. researchers said political and socioeconomic factors play a greater role.

A study from researchers at the University of Colorado, Boulder, said risks of conflict in East Africa declines with more rainfall but rises when temperatures increase. It notes, however, that "socioeconomic, political and geographic factors play a much more substantial role (in conflict) than climate change."



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