



## Drumbeat: November 21, 2012

Posted by [Leanan](#) on November 21, 2012 - 9:46am

### [Will the U.S. Surpass Saudi Arabia in Oil Production?](#)

Don't misunderstand. The amount of oil on Earth is finite, and it could become depleted some day— in practical terms— particularly if consumption continues to increase exponentially in the near term. However, if the IEA prediction proves accurate, it ain't over yet. Price increases and technological innovation still matter, a lot.

The IEA's estimate for the U.S. is a bold prediction. It may be close ... or not. Although wildly successful since 2004, horizontal drilling and hydraulic fracture to recover tight oil and shale gas remain relatively young technologies whose long-term outcomes are unclear. It is worth considering a widely cited, though somewhat controversial, [evaluation of the Bakken field](#) in September 2012 by Rune Likvern at theoil Drum.com. Likvern notes that "the estimated breakeven price for the 'average' well is \$80 to \$90 per barrel," just barely profitable at today's prices. And, "the 'average' well ... experiences a year over year [production] decline of 40 percent", two to four times the typical rate for conventional oil wells.

### [The end of the oil world as we know it](#)

The International Energy Agency's report ricocheted around the world last week, and nowhere more so than in Canada.

The United States will become the world's largest producer of oil by 2020, predicted the IEA, and North America will become a net oil exporter by 2030. So much for foolishness about the end of oil. So much for the comfortable assumption in Canada that the U.S. would always soak up every drop of oil we could export to them.

### [What we missed in the global energy report](#)

On November 12, the Paris-based International Energy Agency (IEA) released World Energy Outlook 2012. Globally, the report provoked a flurry of inaccurate reporting about the prospects for U.S. oil production, consumption, and exports. The Globe and Mail focused more on the implications of an increase in U.S. oil production for Canadian oil exports.

However, there's nothing in the report to suggest Canadian exports to the U.S. must decline, although deliberately reducing the level of exports could well be a good idea.

### [Shale oil and gas to have deep effect on sector](#)

The boom in production of hard-to-access reserves risks weighing on prices of conventional crude, according to industry leaders.

"We are facing a revolution, from North America," Christophe de Margerie, the chairman and chief executive of the French energy giant Total, said.

### [The Peak Oil Crisis: Descent Into Chaos](#)

There is a growing disconnect between forecasts of prodigious amounts of oil coming out of the Middle East in coming decades and what is likely to happen in the region. The Middle East today is a patchwork of geographical entities known as states. A few, such as Iran, are reasonably coherent and go back hundreds of years, but others such as Iraq, Israel, and Jordan were created by outside powers out of a polyglot of ethnicities. In many countries, the people's first loyalty is to a tribe or a religion rather than a national government.

### [Conflicts have little impact on oil prices](#)

The price of oil is proving largely immune to conflict in parts of the region and remains on a generally downward trajectory, mirroring last month.

The Arabian Gulf's overall economic and political stability, increased output in the United States and a backdrop of weakening demand has offset potential supply risks caused by the civil war in Syria and growing geopolitical tensions between Israel and the Palestinian Territories.

### [Crude Oil Rises on Gaza Conflict Amid Declining U.S. Stockpiles](#)

Oil rose after a blast on a bus in Tel Aviv injured at least 10 people, boosting speculation that the conflict between Israel and the Palestinians of Gaza may disrupt crude supply from the Middle East.

Futures climbed as much as 1.3 percent after the explosion near the military headquarters in Israel's commercial hub. Egyptian plans to announce a cease-fire in Gaza fell through yesterday following a weeklong barrage of Palestinian rockets and Israeli airstrikes. Prices advanced earlier after American Petroleum Institute data yesterday showed crude inventories fell for the second week in three. An Energy Department report today is forecast to show supplies increased.

### [Can Jordan find a policy mix to avoid juggling with fire?](#)

"To play with prices is to play with fire," read the placards of demonstrators around the Al Husseini Mosque in downtown Amman last week. More than 10,000 people marched to protest against the removal of fuel subsidies. Demonstrations and riots spread to several cities throughout Jordan, and slogans became increasingly political.

The government is increasing the price of bottled gas, used for cooking and heating, and diesel and low-grade petrol. This is to save some of the US\$2.3 billion (Dh8.4bn) it spends annually on subsidies, almost a quarter of its budget, and the main reason for a deficit that has ballooned to \$3.5bn.

### [Average cost for Thanksgiving dinner? About \\$50](#)

With the United States having experienced its worst drought in decades this summer, there has been much concern about rising food prices. Yet the price of a Thanksgiving dinner in 2012 increased just slightly from its cost of \$49.20 in 2011. In fact, of the 12 items calculated by the AFBF for the dinner, eight got cheaper compared to last year, while only three became more expensive.

### [Drought No Obstacle to Record Income for U.S. Farms](#)

Even after the worst drought in a half century shriveled crops from Ohio to Nebraska, U.S. farmers are having their most-profitable year ever because of record- high prices and insurance claims.

### [Investors sought for Turkmen gas pipeline](#)

Turkmenistan is actively seeking investors for a planned Dh30 billion (US\$8.16bn), 1,700km pipeline to transport its gas through war-torn Afghanistan to India and Pakistan.

### [Exxon warning adds to Nigeria oil output problems](#)

ABUJA/GENEVA (Reuters) - ExxonMobil on Wednesday became the fourth oil major in a month to warn customers over delays to Nigerian oil and gas exports, adding to a raft of problems for Africa's biggest energy producer caused by oil spills, theft and flooding.

### [Clinton Seeks Gaza Truce as Blast Injures 21 on Bus](#)

U.S. Secretary of State Hillary Clinton held talks with Israeli and Palestinian leaders in a bid to end to their weeklong conflict, as a blast hit a bus in Tel Aviv and air strikes on Gaza continued.

A bomb exploded on the bus around midday today near military headquarters in the Israeli commercial hub, police spokesman Micky Rosenfeld said. Television footage showed broken windows and damage to the interior while the chassis was largely intact. Roadblocks were set up in the city after the blast, and 21 people were hospitalized, three of them with serious injuries, Rosenfeld said by phone.

### [Rifle-Toting Terrorists Pose Great Threat to Power Grid](#)

An attack on the power grid by terrorists -- even ones armed with relatively simple weapons is among the greatest threats to the reliability of the nation's power system, the chairman of the U.S. Federal Energy Regulatory Commission said.

"There are ways that a very few number of actors with very rudimentary equipment could take down large portions of our grid," FERC Chairman Jon Wellinghoff said today at a Bloomberg Government breakfast in Washington. "I don't think we have the level of physical security we need."

### [Iraq to prefer Russia and China bids for Exxon stake](#)

Iraq would give preference to offers by Russia's Lukoil and China's CNPC if they decided to bid for ExxonMobil's stake in the West Qurna-1 oilfield, a senior oil ministry official was reported as saying on Friday.

### [Rosneft 'bags two Arctic licences'](#)

Rosneft is reported to have gained two more offshore licences in the Russian Arctic after they were awarded to the state-owned oil company without a tender taking place.

Russian Prime Minister Dmitry Medvedev handed over the pair of Pechora Sea blocks, Pomorsky and Pomorsky-2, to Rosneft in a signing ceremony earlier this month, according to a Russian-language RBC.ru report cited by the Barents Observer.

### [Gazprom-led group to start laying underwater South Stream gas pipeline in 2014](#)

Moscow (Platts) - South Stream Transport, the operating company for the underwater section of the South Stream gas pipeline project aimed at bringing Russian gas across the Black Sea to Europe, expects to start laying pipe in 2014, after receiving all of the necessary approvals from the countries involved, consortium spokesman Sebastian Sass said Wednesday.

### [Potential problems in the oil pipeline remain](#)

NOT long ago, the peak oil consensus painted a picture of a future of uncontrollably spiking oil prices. The rapid rise of developing market demand would lead to a squeeze on oil markets and surging oil prices. But as oil and gas producers can attest, many of these forecasts have come to nothing - a loose short to medium-term supply balance has put the brakes on any dramatic price rise.

Rather than floating on a cushion of huge fuel price increases, oil producers are instead facing a challenging future. And rather than global economic growth of 4 per cent or more, oil-demand driving GDP is now closer to 3 per cent.

### [Analysis: Why US will allow more LNG exports](#)

Companies are eager to export cheap US natural gas, but only Cheniere Energy has an Energy Department permit to do so. The Obama administration is likely to issue more permits.

### [SUNY Buffalo Shuts Down Its Institute on Drilling](#)

The State University of New York at Buffalo announced Monday that it was closing down its newly formed Shale Resources and Society Institute, which was devoted to the study of hydraulic fracturing, citing "a cloud of uncertainty over its work."

### [Search called off for missing oil platform worker in Gulf of Mexico off US after deadly blast](#)

NEW ORLEANS - The search has been called off for a Filipino worker missing since Friday's deadly explosion and fire aboard an oil platform in the Gulf of Mexico off the U.S.

### [South Korea sets sights on more nuclear deals in UAE and Middle East](#)

South Korea wants to win further nuclear deals in the UAE and the wider region, and build on its successful bid to construct the Arab world's first reactors in Abu Dhabi.

### [The Energy Bill: What's the real cost?](#)

Throughout its time in power, Coalition energy ministers have stated, time and again, that there will be no subsidies for nuclear power. Ed Davey, the current Coalition Secretary of State for the Department of Energy, has so far played a straight bat on this. In 2006, before the Coalition existed, he concluded that "a new generation of nuclear power stations will cost taxpayers and consumers tens of billions of pounds...in addition to posing safety and environmental risks, nuclear power will only be possible with vast taxpayer subsidies or a rigged market." More recently he has confirmed that "there will be no blank cheque for nuclear - unless they are price competitive, nuclear projects will not go ahead."

Although these statements could hardly be clearer, the Coalition Government is now considering capping onshore wind development and handing nuclear power large subsidies in the forthcoming Energy Bill. The key to this is what's called a 'strike price'.

### [Cloudy future for cash-soaked solar technology](#)

Big Asian manufacturers are scooping up next-generation solar technology from the United States on the cheap.

But they face a long slog to turn these start-ups into serious competitors for the Chinese panel makers that dominate the market.

### [China Grabs Share in Latin America Wind With Cheap Loans](#)

Chinese wind-turbine makers have broken into the South American market, the world's fastest-growing, by offering government-backed loans at interest rates as much as 50 percent lower than local offerings.

### [Californians can now fill up on algae-based biodiesel](#)

The algae-based fuel is known as B20, which means a mix of 80% conventional diesel and 20% biofuel. That's generally the maximum motorists can find at a public filling station – though company officials insist they could use 100% organic diesel in a conventional vehicle without and change in performance or reduction in the life of a diesel engine.

### [King Coal, Alive and Kicking](#)

Some 1,200 new coal-fired power plants are being planned across the globe despite concerns about greenhouse gas emissions from such generating stations, the most polluting type, the World Resources Institute estimates. Two-thirds of them would operate in China and India, it says.

### [Jane Holtz Kay, a Prophet of Climate Change, Dies at 74](#)

Ms. Kay's 1997 book, "Asphalt Nation," told harsh truths about the environmental consequences of a car-centered society.

### [California's CO2 Now Has a Price, but a Low One](#)

A free-market auction has established a price for pollution in California: for each metric



ton of carbon dioxide emitted, businesses, utilities and industries that bought allowances last week will pay just \$10.09.

### [IEA report reminds us peak oil idea has gone up in flames](#)

The truly global implications of the 2012 report lie in the warning that we must leave most of our fossil fuels in the ground.

### [Princeton geoscientists report Greenland ice sheet melting rate is increasing](#)

(Phys.org)—Princeton geoscientists Christopher Harig and Frederik Simons have been applying new methods to study the amount of ice melt in the Greenland ice sheet. They report in a paper published in the *Proceedings of the National Academy of Sciences* that the rate is approximately 200 billion tons annually and is rising at a rate of approximately 9 billion tons per year.

### [Swift action needed to tackle widening emissions gap: UN](#)

LONDON (Reuters) - Greenhouse gas emissions in 2020 could be between 8 billion and 13 billion tonnes above what is needed to limit global warming to two degrees Celsius, a United Nations' Environment Programme (UNEP) report showed on Wednesday.

The annual report, prepared by UNEP and the European Climate Foundation, studied a range of estimates to assess whether current pledges for emissions cuts are enough to limit the worst effects of climate change.

### [For some US cities small steps key to storm protection](#)

SACO, Maine, (Reuters) - In the aftermath of the historic floods caused by Superstorm Sandy, some city leaders have begun to argue for the construction of sea walls capable of shielding the U.S. coastline from ever more intense storms. But in Saco, Maine, storm protection comes in a far less glamorous package. Along what used to be Surf Street, owners of beachfront houses are jacking their homes up to allow storm surges from Saco Bay to flow underneath them.

The northeastern city of 19,000 people has reason to be wary of the water - over the past decade it has washed away six homes and in 2007 took several blocks of Surf Street itself. Today the street is a gravel track along a wall of dishwasher-size chunks of rock built by the city to blunt the force of storm waves. The road "was damaged several times and we repaired it," said Dick Lambert, Saco code enforcement officer. But after a 2007 nor'easter swept away much of it, "We said, 'We're spending good money after bad. This time we're going to stop.'"

## [After Sandy: Why We Can't Keep Rebuilding on the Water's Edge](#)

The reason so many Americans make their homes in storm and flood zones is partly because we simply like living along the water. But the other part is that government-subsidized flood insurance essentially eliminates the financial risk. The question now, after Sandy, is whether we'll keep making the same circular mistake, paying billions to put people back in harm's way, or whether we'll instead say, "Build if you want, but the risk is all yours."

## [As Coasts Rebuild and U.S. Pays, Repeatedly, the Critics Ask Why](#)

Across the nation, tens of billions of tax dollars have been spent on subsidizing coastal reconstruction in the aftermath of storms, usually with little consideration of whether it actually makes sense to keep rebuilding in disaster-prone areas. If history is any guide, a large fraction of the federal money allotted to New York, New Jersey and other states recovering from Hurricane Sandy — an amount that could exceed \$30 billion — will be used the same way.

Tax money will go toward putting things back as they were, essentially duplicating the vulnerability that existed before the hurricane.

"We're Americans, damn it," said Robert S. Young, a North Carolina geologist who has studied the way communities like Dauphin Island respond to storms. "Retreat is a dirty word."



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