



Drumbeat: December 7, 2012

Posted by [Leanan](#) on December 7, 2012 - 9:11am

[World's oil industry won't be the same in the wake of shale](#)

US domestic oil production has jumped by 18 per cent in the past year as the shale boom has expanded, and in the first eight months of this year oil imports were 800,000 barrels a day fewer than a year earlier. America's oil exports rose over the same time by 300,000 barrels a day, so net imports have fallen in just one year by 1.1 million barrels a day, or about 6 per cent of total consumption. If that pace is sustained the International Energy Agency's prediction of self sufficiency for the US by 2030 will prove to be conservative.

Oil production from shale in the US is rising much more strongly than expected because the boom itself is working to shift production into liquids. The shale contains a mix of gas and liquids including oil, and enough gas has been discovered to produce a structural downshift in the price of US domestic gas, which by law cannot be exported.

Companies that have bought into the shale boom, including BHP Billiton, have reacted by pulling drilling rigs out of fields that are gas-rich and relocating them in ones that are rich in liquids that take a price that is roughly four times higher, pushing US shale oil and liquids production up. It is now running at about a million barrels a day, and is predicted to reach about 3.5 million barrels a day by 2016.

[Report Bolsters the Case for Large U.S. Natural Gas Exports](#)

HOUSTON — In a finding that could help create a new industry of natural gas exports in the United States, a government study released on Wednesday concluded that the national economic benefits of significant natural gas exports far outweighed the potential for higher energy prices for consumers and industrial users of the fuel.

[Fracking-Study Conflicts Prompt Head of Institute to Quit](#)

University of Texas research that determined hydraulic fracturing for natural gas is safe was tainted by a conflict of interest involving the study's lead investigator, an independent panel has concluded.

After seeing the panel's findings, the head of the Energy Institute, Raymond Orbach, said he would "assume full responsibility" and resigned his position though he remains on the faculty. The lead investigator, professor Charles Groat, has left the university and the study he oversaw has been withdrawn, according to a statement the school released

yesterday.

[Exxon sells shale gas licences to Polish refiner PKN](#)

(Reuters) - U.S. oil major Exxon Mobil agreed to sell two shale gas exploration concessions in Poland to the country's top refiner PKN Orlen for an undisclosed price, the groups said on Friday.

Exxon dropped its exploration plans in June after test wells failed to produce commercial quantities of gas, dealing a blow to Poland's hopes of becoming a major producer of the non-conventional gas.

[Jeremy Grantham, Starving for Facts](#)

Jeremy Grantham, a well-known presence in the financial world, recently published a World View column in the journal Nature in which he concludes that, "simply, we are running out" of almost all commodities whose consumption sustains modern civilization. There is nothing new about such claims, and since the emergence of a vocal global peak oil movement during the late 1990s, many other minerals have been added to the endangered list. Indeed, there is now a book called Peak Everything. What makes Grantham's column – published under the alarmist headline "Be Persuasive. Be Brave. Be Arrested (If Necessary)" – worth noticing, and deconstructing, is that he puts his claims in terms more suitable for tabloids than for one of the world's oldest and most prestigious scientific weekly magazines.

[A Cause for Thanksgiving, Part I](#)

M. King Hubbert should be spinning in his grave. In defiance of Hubbert's theory of "peak oil," the International Energy Agency recently predicted that the U.S. will have energy independence by 2020 and return to its former place as the world's biggest producer of oil. By 2030 or sooner, according to the IEA, North America will be a significant energy exporter.

This was a turnabout as severe as it was sudden. As recently as 2010, the IEA still agreed that U.S. oil production could never catch up with demand; indeed, it was speculating that the whole world had already passed its point of peak oil production—70 million barrels per day in 2006.

[A Cause for Thanksgiving, Part II](#)

In a way, the geologist M. King Hubbert was right about "peak oil," just as Thomas Malthus was right about the number of people rising faster than the production of food: If people don't improve the technology of production, the human race will be doomed, either to extinction or to a miserably "sustainable" life not far advanced from the Stone

Age.

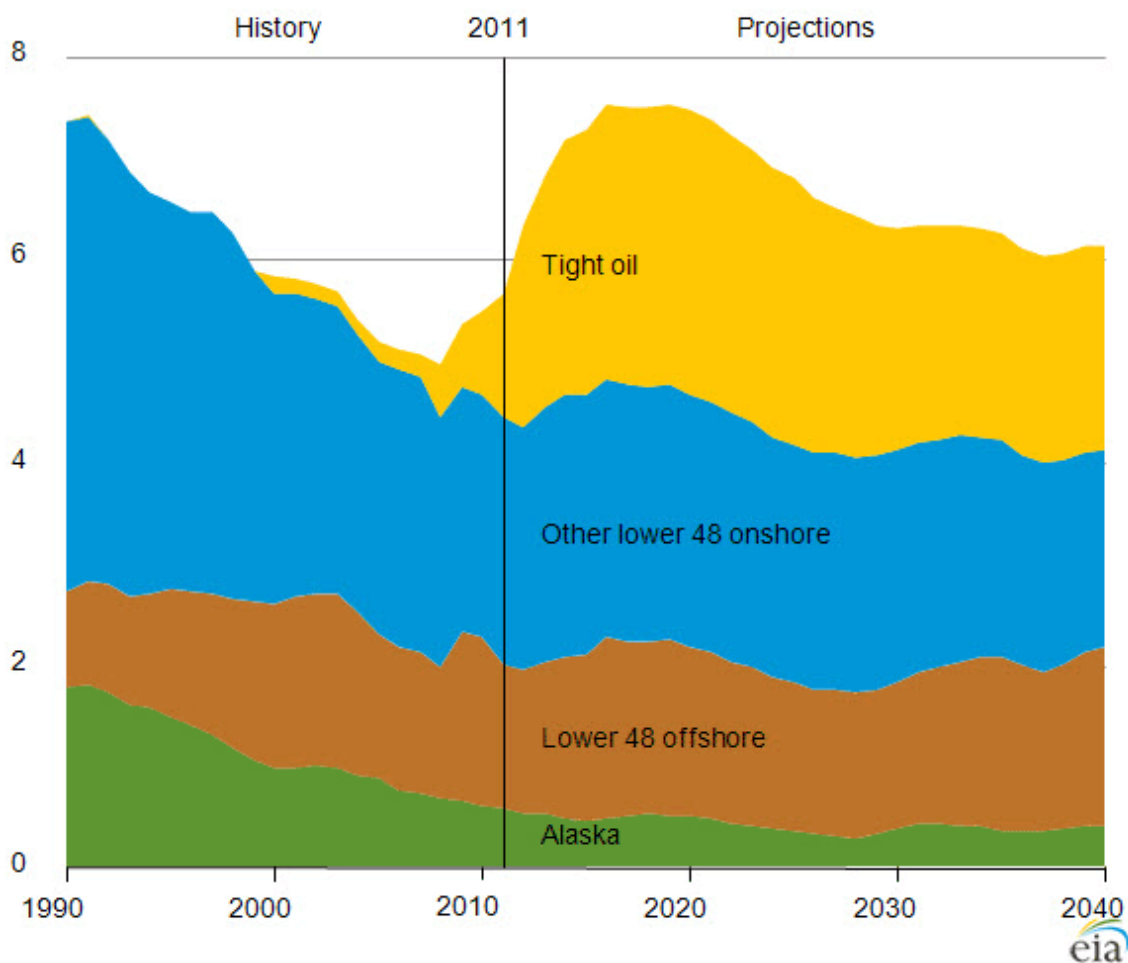
Fortunately for those who are comfortable in a 21st-century middle-class American lifestyle, and even more fortunately for those who aspire to such comfort, technologists have improved the production of energy and food, and they continue to do so.

Even though the absolute size of any energy resource is finite, technology may increase the percentage of the resource that can be recovered.

[This chart explains why the US is irrationally exuberant about self-sufficient oil production](#)

Figure 1. U.S. domestic crude oil production by source, 1990-2040

millions barrels per day



[U.S. Feels Less Gasoline Pain as Pakistan Tops Ranking](#)

The U.S., the world's biggest oil consumer, is among the nations feeling the least pain at the gasoline pump, while Pakistan tops the list of 60 countries ranked by Bloomberg.

A gallon of premium gasoline cost Americans 3 percent of their daily income in October, 55th out of 60 nations, according to data compiled by Bloomberg. In Pakistan, a gallon

cost 46 percent more than a worker's daily wage. Venezuelans paid 0.3 percent of their income to buy each gallon, the least in the world, the data show.

"It's good to keep that number down, just because we drive so much in the U.S.," said Jacob Correll, a Louisville, Kentucky-based analyst at Summit Energy Inc., which manages more than \$20 billion in companies' annual energy spending. "We need fairly cheap gasoline prices because you have so many miles being driven."

[Oil Heads for Weekly Drop on German Growth Cut](#)

Oil headed for its first weekly decline since October in New York as lower economic growth forecasts for Germany and an earthquake in Japan fanned concern that fuel consumption may be curtailed.

West Texas Intermediate futures fell as much as 0.4 percent as the Bundesbank sliced more than 1 percentage point off its forecast for economic expansion in Germany next year after the sovereign debt crisis pushed the euro area into recession. A tsunami alert was issued after a magnitude 7.3 earthquake hit Japan's northeast coast.

[Brent Favored Over WTI Oil by U.S. for First Time](#)

Even the U.S. Energy Department no longer deems America's benchmark oil grade the best guide to global prices, as rising production swells national stockpiles.

The Energy Information Administration in Washington dispensed with West Texas Intermediate for its price forecasts in its Annual Energy Outlook 2013 released yesterday, adopting North Sea Brent crude instead. It's the first time the department has used Brent, reflecting "a growing discrepancy" between WTI and global crude prices, it said.

[Russia May Lose Investment Rating with \\$80 Oil – Kudrin](#)

MOSCOW (RIA Novosti) – Russia may lose its investment-grade rating if world oil prices plunge to \$80 per barrel and the Russian government continues massive social and defense spending, ex-finance minister Alexei Kudrin said on Wednesday.

"If the [oil] price is \$80 per barrel, the budget deficit will widen to 3 percent of GDP," Kudrin said.

[10 hrs of power cuts from Saturday](#)

Nepal Electricity Authority (NEA) has decided to increase the load-shedding hours for the second time in the past 10 days. The new load-shedding regime will come into effect

from December 8.

The state-monopoly on supply of electricity has hiked the load-shedding hours by 14 hours to make it 70 hours a week from the existing 56 hours.

[Fuel Import Plan to Ease Airline Pain: Corporate India](#)

Indian airlines including SpiceJet Ltd. and IndiGo may be allowed to store imported jet fuel at state-owned refiners' facilities as the government works to ease rules to help carriers pare their biggest cost.

The petroleum ministry agreed to allow airlines to use refiners' infrastructure at airports when they import the fuel, Aviation Minister Ajit Singh said in a Dec. 4 interview. Oil Minister Veerappa Moily said the next day that his ministry will discuss the terms of access with the refiners. He didn't give a timeframe for concluding the talks.

[Nigeria: Unions Strike Responsible for Fuel Queues](#)

The federal government has attributed the lingering artificial fuel scarcity to the strike embarked upon by the Petroleum and Natural Gas Senior Staff Association (PENGASSAN) over the refusal of Shell Petroleum Development Company (SPDC) to recall sacked oil workers.

[Freeport's Oil-Gas Bet Prompts Biggest Slump in 4 Years](#)

Freeport-McMoRan Copper & Gold Inc.'s \$9 billion bet on Gulf of Mexico oil and gas assets is the latest example of mining companies' move into energy that ends up hurting investors.

[U.S. refiner PBF switches up Saudi crude routes](#)

NEW YORK (Reuters) - Thomas O'Malley, the U.S. refinery magnate with a history of squeezing profits from forsaken facilities, is using a rare shipping maneuver to bolster margins, bringing imported Saudi crude from the Gulf of Mexico to his East Coast plants.

A Reuters data analysis shows that in the past five months at least 11 oil tankers have loaded -- or "lightered" -- crude off of super-tankers parked off the Gulf Coast, outside of U.S. waters, and delivered it to PBF Energy's Delaware City and Paulsboro, New Jersey, refineries.

[Chevron Seen Eyeing Cobalt to Kosmos in Oil Hunt](#)

Chevron Corp., the U.S. oil giant facing its longest slide in energy output in four years, could tap record cash to reignite growth by acquiring Cobalt International Energy Inc. or Kosmos Energy Ltd.

Oil and natural gas production from Chevron's wells during the third quarter dwindled to the lowest since 2008, slashing profit by one-third and adding to declines that had already forced the world's fourth-largest energy company to abandon its full-year output target. Even after the earnings drop, Chevron's cash stood at an all-time high of \$21.3 billion, exceeding that of bigger rivals Exxon Mobil Corp. and Royal Dutch Shell Plc, according to data compiled by Bloomberg.

[Oil frontier in Iraq loses its allure](#)

Erbil // The Kurdish region in northern Iraq has been hailed as one of the last frontier oil territories, but it has recently begun to lose some its allure as the dispute over energy autonomy between Baghdad and Erbil rumbles on.

[Iran Oil Export Delays Seen Worsening as Sanctions Hinder Trade](#)

Iranian oil tankers are contending with longer delays in shipments and some are idled amid increasing pressure on buyers to curb purchases from what was once OPEC's second-biggest producer.

NITC, the Tehran-based tanker owner, has 42 crude oil carriers and 13 were delayed in transit since Oct. 21, according to data compiled by Richard Hurley, a senior maritime consultant at IHS Fairplay in London who has tracked vessel movements for two decades. Four NITC ships with cargoes are idling while they await orders and four others have switched off their signals and are presumed to be anchored, the data show.

[Turkey says no new US request to cut Iran oil imports](#)

ANKARA (Reuters) - Turkey has not received any new request from the United States to reduce the level of its crude oil purchases from Iran and is continuing with its existing level of imports, Turkish Energy Minister Taner Yildiz told Reuters on Wednesday.

In June Washington exempted Turkey, along with six other countries, from financial sanctions on Iran's oil trade for six months in return for a 20 percent cut in Ankara's purchases.

[Iran shipping signals manipulate vessel movements to Syria](#)

Iranian oil tankers are sending incorrect satellite signals that confuse global tracking systems and appear to conceal voyages made by other ships to Syria, which, like Iran, is subject to international sanctions.

The two countries are close allies and have helped each other deal with shortages by swapping badly needed fuels such as gasoline for diesel.

[In Cairo, shooting, anger, and bracing for more confrontation](#)

Sherif Azer, one of the original Tahrir Square activists who helped sweep Hosni Mubarak from power in February 2011, is matter-of-fact, as if what is happening today in Cairo was somehow inevitable.

"We're just waiting until enough people are here," he says. "Then we will attack. It has to be this way."

Mr. Azer is among several hundred people gathered a block away from the presidential palace. Hours earlier, Muslim Brotherhood supporters, armed with clubs, attacked a sit-in outside the palace that started the day before at the end of a huge protest march against President Mohamed Morsi, himself a member of the Muslim Brotherhood.

"The Muslim Brotherhood have been incredibly stupid," says Azer. "Nobody was fighting them, nobody was questioning their legitimacy."

[Sudan rules out devaluation despite black market gap](#)

KHARTOUM (Reuters) - Sudan plans to close the gap between official and black market exchange rates through higher earnings from resources like gold and oil instead of devaluing the pound again, a vice-president said on Wednesday.

Sudan has been in economic crisis since South Sudan seceded last year, taking with it three-quarters of the once unified nation's oil output. This had been Sudan's main source of revenues and the dollars it needs to pay for imports.

[China cautions India against oil exploration in South China Sea](#)

BEIJING: China today cautioned India against any "unilateral" attempt to pursue oil exploration in the disputed South China Sea, saying that it is opposed to nations outside the region to intervene in the disputed area.

"China opposes any unilateral oil and gas exploration activities in disputed areas in the South China Sea and hopes relevant countries respect China's sovereignty and national interests, as well as the efforts of countries within the region to resolve disputes through bilateral negotiations," Chinese foreign ministry spokesman Hong Lei said.

[Lithuania's Russian-backed utility complains to EU over gas law](#)

VILNIUS (Reuters) - Lithuania's partly Russian-owned gas utility has complained to Brussels over a law, aimed at cutting the country's reliance on pipeline gas from Russia, that would make the company buy some supply from a liquefied natural gas terminal.

[Construction Formally Starts on South Stream Gas Pipeline](#)

ANAPA (RIA Novosti) - Welding work formally started on Friday on South Stream, a Russian-led pipeline project designed to link Russia's gas fields to the markets of southern Europe via the Black Sea.

[ExxonMobil to spend \\$300 mln on Rosneft venture](#)

(Reuters) - ExxonMobil agreed to spend \$300 million on advanced horizontal drilling and fracking at Russian state oil company Rosneft's Siberian fields in a project designed to help Russia realise its vast tight oil potential.

The two companies will form a joint venture, split 51-49 between Rosneft and Exxon, to carry out the pilot programme and launch commercial production if they find sufficient oil in the Bazhenov shale and the nearby Achimov formations of Western Siberia.

[Coal deal could boost exports; Mont layoffs stand](#)

BILLINGS, Mont. (AP) -- A pair of coal companies have struck a deal on a disputed Montana mine that both sides said could boost Asian exports through the West Coast, but won't prevent up to 75 layoffs in the short term.

The deal calls for Australian-based Ambre Energy to gain full control of the Decker mine near the Wyoming border for \$57 million. The company wants to ramp up production and ship fuel overseas through a pair of Columbia River ports.

[Texaco Disputes \\$17 Million Mississippi Claim Over Children's Disabilities](#)

Attorneys for Texaco Inc. argued this week that no evidence showed the oil company was responsible for ailments of children born to five women who claimed they were exposed to leaded gasoline fumes.

Texaco, now part of Chevron, asked the Mississippi Supreme Court to throw out a \$17 million verdict for the women.

[EON Loses as RWE's Coal Plants Win Germany's Green Shift](#)

Germany's largest power generator is emerging as the biggest loser in the country's

shift to renewable energy.

EON SE, the worst-performing stock in Germany's benchmark DAX index for the first year since the company was formed in 2000, has ripped up earnings forecasts as a surfeit of electricity from wind turbines and solar panels makes its fleet of gas-fired plants unprofitable. In contrast, RWE AG has gained 16 percent because EON's closest rival has more cheap-to-run coal stations better able to compete with renewables.

[Ford hybrids don't live up to MPG hype - Consumer Reports](#)

Ford's C-Max and Fusion hybrids get nowhere near the fuel economy estimated by the Environmental Protection Agency, according to a new blog post by Consumer Reports magazine.

Consumer Reports does its own fuel economy tests separately from those conducted by the EPA. But the magazine says that its results usually track more closely to the EPA's.

[BP to double size of Brazil cane mill in Goiás state](#)

(Reuters) - BP Biocombustíveis, a unit of oil company BP Plc, said on Friday that it will invest 716 million reais (\$348 million) to double capacity at Tropical, its Brazilian sugar cane mill in Edéia in Goiás state.

[Human misery behind high food prices](#)

Extreme weather around the world in 2012 has led to low food yields and an increase in prices. Climate is not the only driver of high food costs, but the recent price spikes have caused hardship around the world, especially in impoverished nations that rely on imported food.

Find out how farmers have coped with the challenging conditions, and read the moving accounts to learn of the daily struggle families face to find enough to eat.

[Bring On the Hacks \(Meat Lovers Preferred\)](#)

Glazed pork chops, sizzling bacon, a gargantuan slab of spare ribs — increasingly, people are choosing to buy these succulent staples from sustainable meat farms instead of the industrial kind. The New York City Meat Hackathon is saluting this trend a three-day event, beginning today, where farmers, butchers, tech mavens, policymakers and entrepreneurs — all “steakholders” — will confer on potential improvements in the ways that livestock is farmed and meat is processed and consumed.

[Season Has Changed, but the Drought Endures](#)

KANSAS CITY, Mo. — Even as the summer swelter has given way to frost, nearly two-thirds of the country remains in a drought, with forest fires still burning, winter crops choking in parched soil and barges nearly scraping the mucky bottoms of sunken rivers.

More than 62 percent of the continental United States is experiencing moderate to exceptional drought, according to the weekly Drought Monitor report released on Thursday, compared with just over 29 percent at this time last year.

[Past Dead Sea Dry-Up Points to Ominous Future](#)

The fact that the Dead Sea has dried up before may have implications for the future of the Middle East. Several water-hungry countries in the region already use all of the runoff that flows into the sea, and if climate change further dries up the freshwater supply, it could worsen an already tense situation, said Steven Goldstein, a geologist at the Lamont Doherty Earth Observatory at Columbia University and a study co-author.

"Water is a source of conflict in this area," Goldstein told OurAmazingPlanet.

Freshwater from the Sea of Galilee, on the border of Syria, Lebanon, and Israel, feeds into the Dead Sea via several lakes in the region. As that freshwater travels south through several rivers, Lebanon, Syria, Jordan, Israel and Palestine all pull water to maintain their populations. Already, the salty body's water level is dropping about 5 feet (1.5 meters) a year, and that fall is accelerating, said Ari Torfstein, a study co-author also from Lamont Doherty.

[Drought May Have Killed Sumerian Language](#)

"As we go into the 4,200-year-ago climate anomaly, we actually see that estimated rainfall decreases substantially in this region and the number of sites that are populated at this time period reduce substantially," he said.

Around the same time, 74 percent of the ancient Mesopotamian settlements were abandoned, according to a 2006 study of an archaeological site called Tell Leilan in Syria. The populated area also shrank by 93 percent, he said.

"People still live in this region. It's not that the collapse of a civilization means that an area is completely abandoned," he said. "But that there's a sharp change in the population."

[Green investing is back in vogue](#)

SANTA MONICA, Calif. (MarketWatch) — Going green is back in vogue and you can bet investment opportunities will follow.

Superstorm Sandy, droughts, and freakish weather events around the world have

turned people's attentions to the climate and climate change once again.

[2012 warmest year in US? Odds rise to 99.7 percent](#)

A warm winter, a record warm spring, a record hot July and a warmer than average autumn combined to make it even more likely that 2012 will go down as the warmest year in the contiguous United States on record, the federal government reported Thursday.

Just how likely?

"For 2012 not to be record warm, December would have to be unprecedented," Jake Crouch, a scientist at the National Climatic Data Center, told NBC News. "December temperatures would need to be more than 1 degree F colder than the coldest December on record, which occurred in 1983."

[Catastrophic storms' costs put cloud over federal budgets](#)

After months spent preparing for a race about teacher evaluations, police tactics and other municipal mainstays, City Hall hopefuls are confronting a 2013 contest that has been rewritten, perhaps permanently, by the wrath of Hurricane Sandy.

Candidates are facing questions on sea gates and tidal marshes, exotic topics that were never in their briefing books. The minutiae of federal disaster relief is suddenly in the headlines. And the lopsided impact of the storm has opened up a fresh set of class and interborough tensions to navigate and, in some cases, exploit.

[Post-Sandy, NYC Will Lead in Climate Change Battle, Mayor Says](#)

Mayor Michael Bloomberg, addressing a meeting on New York City's recovery from Hurricane Sandy this morning, spoke of a future in a warming world with the stark reality of more such devastating storms, saying the city will lead the way in stemming climate change.

"We cannot solve the problems associated with climate change alone here in New York City, but I think it's fair to say we can lead the way," Bloomberg said during his speech, which was broadcast on local news channel NY1.

[Storm Writes a New Script in Campaigns for New York Mayor](#)

This is when the New York City mayor's race goes off script.

[Gore raps Obama on climate change in post-Sandy speech](#)

NEW YORK (Reuters) - Former U.S. Vice President Al Gore on Thursday sharply criticized President Barack Obama, a fellow Democrat, for failing to make global warming a priority issue, saying action was more urgent than ever after the devastation in the Northeast from Superstorm Sandy.

"I deeply respect our president and I am grateful for the steps that he has taken, but we cannot have four more years of mentioning this occasionally and saying it's too bad that the Congress can't act," Gore told the New York League of Conservation Voters.

[Fund May Use \\$100 Billion a Year to Encourage Carbon Price](#)

The Green Climate Fund, designed to channel as much as \$100 billion a year in pledges to emerging nations, may try to wean recipients off fossil fuel and encourage them to put a price on carbon, according to an overseer.

The fund may guarantee bank loans in developing nations for projects ranging from wind farms to building insulation and less-polluting agricultural equipment, Naoko Ishii, chief executive officer of the Global Environment Facility in Washington, said yesterday in an interview in Doha. She heads one of two secretariats governing the fund.

[Qatar deports activists after climate talks protest - group](#)

DOHA (Reuters) - Two activists were deported from Qatar on Thursday after calling for more leadership on tackling climate change from the Gulf state, which is hosting U.N. talks in Doha, their campaign group said.

[Rich-poor bickering over aid stymies U.N. climate talks](#)

DOHA (Reuters) - Bickering over when rich nations will step up aid towards a promised \$100 billion by 2020 to help developing nations tackle the effects of climate change threatened to derail talks in Doha between 200 countries. Environmental activists said the two-week talks, due to end on Friday, were "on the brink of disaster" after rich nations failed to set dates for releasing the promised cash or to set goals on curbing greenhouse gas emissions.

[Report: IPCC Is Underestimating Climate Threat](#)

The Intergovernmental Panel on Climate Change, or IPCC, is a favorite punching bag for climate deniers. The panel, made up of scientists from around the world who evaluate and coalesce the best and latest science on climate change, issues new reports every five to six years; the fifth report is will begin rolling out in 2013. But while deniers love to cry that the IPCC is "alarmist," the comparison between what the panel has predicted over

the last 20 years and what actually panned out in the real world shows that the IPCC has "consistently underestimated" the impacts, according to a new report highlighted by the *Daily Climate*.

[Arctic's loss of sea ice sets record](#)

A fast-changing Arctic broke new records for loss of sea ice and spring snow cover this year, as well as the extent of the summertime melt of the Greenland ice sheet, federal scientists reported Wednesday.

[Smoke from Arctic wildfires may have caused Greenland's record thaw](#)

The freak melt of the Greenland ice sheet last summer may have been forced by smoke from Arctic wildfires, new research suggests.

Satellite observations, due to be presented at the annual meeting of the American Geophysical Union on Friday, for the first time tracks smoke and soot particles from tundra wildfires over to Greenland.

[2012: The End of the Arctic Era](#)

This year's record ice melts in Greenland and the Arctic ocean aren't flukes, but confirmation that the Arctic is racing ahead into a new and unknown climate state, said top US climate scientists today.

[NOAA sees sea level rise of up to 6.6 feet by 2100](#)

As recovery continues from Superstorm Sandy, the U.S. government reports Thursday that flooding from future storms will likely worsen as global sea levels rise between 8 inches and 6.6 feet by the end of this century.

The National Oceanic and Atmospheric Administration's latest assessment, similar to others in recent years, also says higher sea levels -- regardless of the extent of global warming -- won't stop in 2100. It says 8 million people live in U.S. coastal areas at risk of flooding and many of the nation's military, energy and commercial assets are located at or near the ocean.



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