



## Drumbeat: January 30, 2013

Posted by [Leanan](#) on January 30, 2013 - 9:52am

### [Record Profit Eludes Big Oil as Costs Outpace Brent Gain](#)

The world's biggest oil companies are failing to convert the highest Brent crude prices ever into record profits as production costs climb and U.S. natural gas prices languish.

The London-traded benchmark for two-thirds of the world averaged \$111.68 a barrel in 2012, up 0.7 percent from a then-record in 2011 and more than double the price in 2006. At the same time, oil and gas producers have lagged behind other industries in stock markets as profit growth failed to keep up. The MSCI World Oil & Gas Index lost 0.5 percent last year, compared with the broader World Index that has risen 13 percent.

"Even though Brent prices are up, so are the costs of producing that crude, and gas is a big drag," said Jason Gammel, an analyst at Macquarie Capital Europe Ltd. in London. "That has negative effects on profitability."

### [Oil Rises to Four-Month High Before Federal Reserve Statement](#)

Oil advanced to the highest level in more than four months before a Federal Reserve policy statement that may signal the U.S. central bank will take additional steps to stimulate the economy of the world's biggest crude user.

West Texas Intermediate rose as much as 0.7 percent to the highest since Sept. 17. Crude is poised for a third monthly gain, the longest run since April 2011. The Federal Open Market Committee will renew its commitment to purchasing assets during a two-day meeting that began yesterday, according to a Bloomberg News survey of 44 economists. Economic confidence in the euro area rose more than economists forecast in January, adding to signs that the 17-nation bloc may be emerging from a recession.

### [Energy prices on the rise again](#)

"We've withstood \$100 a barrel before, and we can do it again," said Beth Ann Bovino, deputy chief economist at Standard & Poor's. If prices went considerably higher -- Bovino mentioned \$150 a barrel -- that might not be the case.

Fortunately for drivers and the economy at large, no one is predicting record prices this year.

### [Higher Gas Prices, Lower Take-Home Pay Will Kill Rally](#)

Until gasoline and oil finally decouple from the risk on trade we are going to continually have this stop and start economy every time the market goes up on the correlated asset trade. At this pace I give the rally two more weeks at most, unless the aforementioned assets decouple. Gold and silver have decoupled, but oil is moving right up with the euro and yen funding currency crosses.

### [Demise of small Hess refinery threatens U.S. East Coast pump pain](#)

NEW YORK (Reuters) - Hess Corp's decision to close its U.S. East Coast refinery, the latest plant to fall victim to weak profits in the Atlantic Basin, could threaten painful gasoline price spikes for regional drivers as local fuel supplies dwindle further.

Hess will shut the 70,000-barrels-per-day Port Reading, New Jersey plant in late February, as part of a larger restructuring, the company said in a statement on Monday.

U.S. RBOB gasoline futures, already near a record high for this time of year, jumped more than 2 percent after the announcement, as the supply outlook for the Mid-Atlantic and New England markets suddenly looked tighter for the summer driving season.

### [Occidental Ripe for Icahn-Like Treatment as Stock Slides](#)

Activist investors from Carl Icahn to Daniel Loeb are amassing stakes in energy companies to replace directors and spin off assets dragging down valuations amid record oil prices.

Shareholder interventions have been staged for U.S. oil and natural gas producers with more than \$100 billion in collective market value since the beginning of 2012 as energy stocks failed to match the surge in crude prices, according to data compiled by Bloomberg. Targets that included Chesapeake Energy Corp., Hess Corp., Murphy Oil Corp. and SandRidge Energy Inc. have been censured by unsatisfied investors for everything from sloppy financial controls to self-dealing by executives.

### [Hess Should Spin Off Bakken, Billionaire Singer Says](#)

Hess Corp., the New York-based oil company, should conduct a full strategic review, including a potential spinoff of U.S. shale assets and sale of other businesses, Paul Singer's Elliott Management Corp. said.

The activist investor sent a letter to Hess shareholders today urging them to vote for five new board members after a "history of unrelenting underperformance." Elliott's funds control \$21.5 billion in assets and its 4 percent stake in Hess is the largest initial investment in its 35-year history, according to a statement today.

## [Exploring the theory of Peak Oil](#)

What I find most fascinating, is the general prospect that a game changing "rock bottom price of energy" could happen in our lifetime. It may not necessarily even be oil, but perhaps a substitute energy source, which could be developed, stored, distributed and incorporated into the various factors of production at a price drastically cheaper than today.

Just consider the mind boggling rate of change in technological capabilities over the last 20 years.

Looking forward 20 years, it is hard to know what the world will be like. Plug a price close to zero for energy into one of those models I mentioned earlier and the stage would be set for a global boom.

## [Oil-Service Companies Plunge as Saipem Lowers Forecast](#)

Saipem SpA plunged a record 39 percent after Europe's largest oil-service provider cut profit forecasts and an Italian regulator investigated a share sale made before yesterday's statement.

## [Kazakhstan Seeks Russia Oil Product Import Cut](#)

MOSCOW (RIA Novosti) – Kazakhstan may slash its imports of oil products from Russia, following a row between the two Customs Union members over the details of a crude-for-fuel deal agreed last year, Kommersant business paper reported on Wednesday.

Kazakhstan has been short of oil products after closing its three major refineries for modernization until 2016. Last year, Russia exported 1.3 million tons of gasoline and diesel products worth 40 billion rubles (\$1.33 billion) export-tariff free to Kazakhstan, which is required to compensate for these deliveries with crude oil supplies, under a bilateral intergovernmental agreement.

## [China Faces Fuel Glut After Adding Refining Capacity, CNPC Says](#)

China faces a fuel glut this year as new oil-refining capacity outpaces demand growth even amid a government drive to use more natural gas, according to the nation's biggest oil and gas producer.

## [Valero Energy 4Q profit surges on refining margins](#)

Valero said income grew mainly on higher refining margins in all of its regions because of discounts for several types of crude oils. The company said it replaced imported light crude oils with cheaper domestic crudes at its Gulf Coast and Memphis, Tenn., refineries in the fourth quarter and was looking for ways to handle even more of the cheaper domestic crudes.

### [Kinder Morgan Buys Copano for \\$3.2 Billion](#)

Kinder Morgan Energy Partners LP, the biggest U.S. pipeline company, agreed to acquire Copano Energy LLC for about \$3.2 billion in stock, to capitalize on rising natural gas output from shale basins in Texas, Oklahoma and Wyoming.

### [EON Posts Higher Earnings as Asset Sales Target Exceeded](#)

EON SE, Germany's biggest utility, reported higher earnings after renegotiating gas contracts with OAO Gazprom and said asset sales will exceed an earlier target.

### [Thousands Evacuated as Flooding Hits Eastern Australia](#)

The Insurance Council of Australia declared a catastrophe for parts of Queensland and New South Wales, which together account for about half the nation's economy. The severe weather left six people dead, disrupted mining operations in Queensland and caused an estimated A\$187 million (\$196 million) in insurance losses. While the damage is less than floods and storms two years ago, Treasurer Wayne Swan has acknowledged that costs would have an impact on the federal budget.

### [Egypt army chief warns of 'state collapse' amid crisis](#)

Egypt's armed forces chief has warned the current political crisis "could lead to a collapse of the state".

General Abdul Fattah al-Sisi, in comments posted on the military's Facebook page, said such a collapse could "threaten future generations".

### [Energy literacy: visualizing the impacts of unlimited growth](#)

It is hard to imagine a more unlikely vehicle for advancing energy literacy than a finely crafted large format picture book. Energy, after all, is invisible. We see its effects, but never the thing itself. And yet, *Energy: Overdevelopment and the Delusion of Endless Growth* succeeds and succeeds profoundly for it puts on display those effects so compellingly that the reader cannot help but turn the pages to see more.

## [Candice Beaumont Selected as Speaker for the National Family Office Forum in Los Angeles](#)

Candice Beaumont was one of the early advocates of the peak oil theory, having made a very bullish prediction on oil at \$28 per barrel a few years ago. Together with other experts such as T. Boone Pickens and Matthew Simmons she forecast oil would go over \$100 several years ago, and is sought after for her advice on investing in a peak oil environment, heavy oil and energy alternatives. She recently projected that based on the current supply and demand economics that people should adapt to a high oil price environment and that we need to increase heavy oil production in order to meet increasing global demand for oil, due to the economic growth in emerging markets such as India and China.

## [Chesapeake CEO Resigns After Scrutiny on Personal Loans](#)

Chesapeake Energy Corp.'s departing chief executive officer will leave to his successor a shrunken, cash-starved version of what was once the preeminent natural gas producer in the world's biggest market for the fuel.

Aubrey McClendon's agreement to resign effective April 1 culminated a shareholder revolt by Carl Icahn and Southeastern Asset Management Inc.'s O. Mason Hawkins that earlier had cost the CEO the chairmanship he'd held for more than two decades. McClendon also relinquished his annual bonus and saw executive perks curtailed amid federal investigations of a portfolio of personal loans that topped \$840 million.

## [Judge Accepts BP's \\$4 Billion Criminal Settlement Over Gulf Oil Spill](#)

HOUSTON — A federal judge in New Orleans on Tuesday approved an agreement between BP and the Justice Department for the company to plead guilty to 14 criminal charges and pay \$4 billion in penalties for the 2010 oil well blowout and spill in the Gulf of Mexico that left 11 workers dead and fouled hundreds of miles of shoreline.

## [Gulf Oil Spill Civil Trial Could Cost BP Billions](#)

NEW ORLEANS (AP) — Now that a \$4 billion plea deal has resolved BP's criminal liability for the massive Gulf of Mexico oil spill nearly three years ago, the company will turn its focus to a trial that could potentially cost it billions of dollars more in civil penalties.

## [Dutch court says Shell responsible for Nigeria spills](#)

THE HAGUE (Reuters) - A Dutch court ruled on Wednesday that Royal Dutch Shell's Nigerian subsidiary was responsible for a case of oil pollution in the Niger Delta and ordered it to pay damages in a decision that could open the door to further litigation.

The district court in The Hague said Shell Petroleum Development Company of Nigeria

Ltd., a wholly-owned subsidiary, must compensate one farmer, but dismissed four other claims filed against the Dutch parent company.

### [Timeline - Shell in Nigeria](#)

(Reuters) - Royal Dutch Shell's operations in Nigeria came under the spotlight on Wednesday after a Dutch court ruled that the company could be held partially responsible for pollution in southern Nigeria.

Following are some of the highlights of Shell's history in Nigeria.

### [Smokers light up at Texas oil storage facility, tanks explode, official say](#)

Two people were critically injured in an explosion and fire Tuesday morning after smoking on a catwalk over oil storage tanks, officials say.

According to Van Zandt County Fire Marshal Chuck Allen, at about 3 a.m. firefighters were called to a fire at an oil storage facility north of Van, Texas, along state Highway 110.

### [United Nations watchdog hails UAE's Dh73 billion nuclear vision](#)

The head of the International Atomic Energy Agency (IAEA) said he was "impressed" with the progress of Abu Dhabi's nuclear plans and urged the UAE to share its experience with other nations, during a visit to the emirate to discuss matters including Iran's programme.

### [PNAS Study: Population Growth Will be Constrained by the Limits of Trading Virtual Water \(Food\)](#)

A new study has been released by the Proceedings of the National Academy of Sciences (PNAS), which calls into question the unsustainable global food export system based upon unsustainable export volumes of virtual water.

### [College students on a mission to donate leftover food](#)

Not to make you feel guilty, but think for a minute about what you threw out of your refrigerator this week: that wilted lettuce, the yogurt that had passed its expiration date, the Tupperware full of mac and cheese that the kids had to have but never finished. It adds up.

Now imagine the amount of wasted food in a huge cafeteria that serves thousands of



meals each day, a place like the South Campus Dining Room at the University of Maryland. That's what three students did one day back in 2010. The quantities of soup, roast turkey, pasta and salads were so jaw-dropping, they decided to do something about it. They created the Food Recovery Network.

### [Resolving the food crisis: The need for decisive action](#)

What progress has been made in the last year in addressing the underlying causes of the global food crisis? Far too little. Now, following the third food price spike in five years, we need clear and decisive action to address the real drivers of high and volatile food prices: biofuels expansion, financial speculation, low levels of public food reserves, weak investment in developing country agriculture, and a changing climate.

### [Ski Resort Needs Bigger Wastewater Signs, Agency Says](#)

That the snow guns initially produced yellow snow prompted several citizens to file complaints with the state's environmental quality department, arguing that signs warning people not to ingest the snow were too small and that children were observed rolling around in it, among other things.

### [Efficiency Vermont launches home energy challenge for 2013](#)

Under the Challenge, which is being promoted in partnership with the Vermont Energy and Climate Action Network and other organizations throughout the state, towns are setting a target of weatherizing 3 percent of the homes and apartments in their community over the course of a year and fostering more public awareness and engagement in energy efficiency efforts. They will be able to measure their progress toward this goal along with that of other communities in their region and across the state. At the end of 2013, towns, regions, and local partners will be recognized for the effectiveness of their efforts to encourage participation in their communities. Windham County towns participating in the Challenge are aiming to weatherize at least 332 homes and apartments in 2013.

### [Pollution thick enough to cancel flights hits Beijing; 'beyond index' for 2nd time in 2 weeks](#)

BEIJING — Thick, off-the-scale smog shrouded eastern China for the second time in about two weeks Tuesday, forcing airlines to cancel flights because of poor visibility and prompting Beijing to temporarily shut factories and curtail fleets of government cars.

The capital was a colorless scene. Street lamps and the outlines of buildings receded into a white haze as pedestrians donned face masks to guard against the caustic air. The flight cancellations stranded passengers during the first week of the country's peak, six-week period for travel surrounding the Chinese New Year on Feb. 10.

## [Future Disasters: 10 Lessons from Superstorm Sandy](#)

People can adapt to the increasing threat of storms in different ways, Jacob said. They can seek protection through measures like storm barriers; they can accommodate the risk by, for example, elevating buildings to reduce flood risk; or they can move when risks become too high, a strategy called managed retreat, he said.

"I think that needs to be much more aired in the public, because it is obviously the hardest to do," Jacob said.

## [Obama Talks Climate Change. California Is Acting on It](#)

If environmentalists look west from Washington — about 2,728 miles west — they'll see reason for hope. On Jan. 1, after years of preparation and legal battles, California launched a carbon cap-and-trade system, establishing a declining limit on the state's greenhouse-gas emissions. That means that the most populous state in the U.S. and the ninth biggest economy in the world has legally committed itself to reducing its carbon emissions to 1990 levels by 2020.

## [Climate change refugees lack legal protection](#)

Millions of people worldwide are fleeing their homes because of environmental disasters. But the conditions in which the refugees have to take up residence in neighboring countries isn't regulated by international law.

## [What would I advise climate science communicators?](#)

Information about climate change should be communicated to people in the setting that is most conducive to their open-minded and engaged assessment of it.

How readily and open-mindedly people will engage scientific information depends very decisively on context. A person who hears about the HPV vaccine when she sees Michelle Bachman or Ellen Goodman screaming about it on Fox or MSNBC will engage it as someone who has a political identity and is trying to figure out which position "matches" it; that same person, when she gets the information from her daughter's pediatrician, will engage it as a parent, whose child's welfare is the most important thing in the world to her, and who will earnestly try to figure out what those who are experts on health have to say. Most of the contexts in which people are thinking about climate change today are like the first of these two. Find ones that are more like the second. They exist!

## [In Energy Taxes, Tools to Help Tackle Climate Change](#)

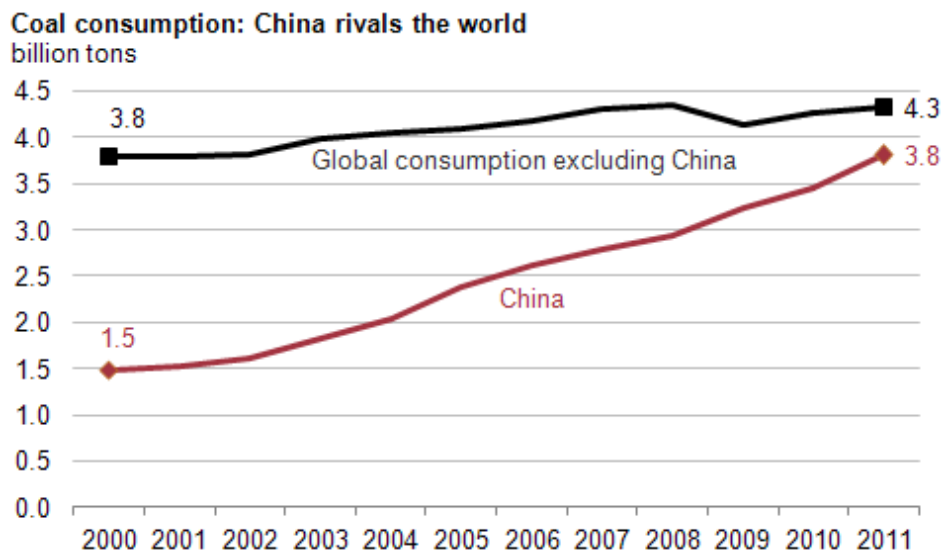


The erratic weather across the country in the last couple of years seems to be softening Americans' skepticism about global warming. Most New Yorkers say they believe big storms like Sandy and Irene were the result of a warming climate. Whether climate change is directly responsible or not, the odd weather patterns have underscored the risk that it poses to all of us.

What's yet to be seen is whether this growing awareness of the risks will translate into sufficient political support to address climate change, especially after we figure out the costs we will have to bear to do so.

### [China now burning as much coal as the rest of the world combined](#)

Want a better sense for why climate change is such a daunting problem? Check out this striking new chart from the U.S. Energy Information Administration:



China's coal use grew 9 percent in 2011, rising to 3.8 billion tons. At this point, the country is burning nearly as much coal as the rest of the world combined.



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