The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

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Days of Promise Fade for Ethanol

> MACON, Mo. — Five years ago, rural America was giddy for ethanol.
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> Backed by government subsidies and mandates, hundreds of ethanol plants rose among the golden fields of the Corn Belt, bringing jobs and business to small towns, providing farmers with a new market for their crops and generating billions of dollars in revenue for the producers of this corn-based fuel blend.
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> Those days of promise and prosperity are vanishing.
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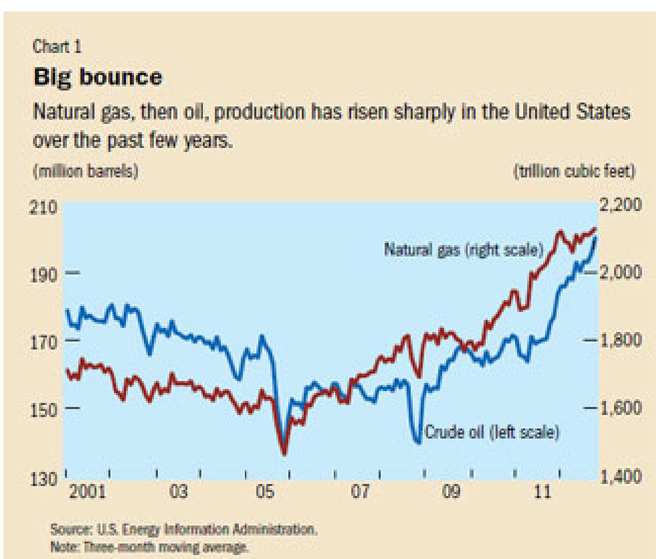
> Nearly 10 percent of the nation's ethanol plants have stopped production over the past year, in part because the drought that has ravaged much of the nation's crops pushed commodity prices so high that ethanol has become too expensive to produce.

On the Rise

> A strong rebound in gas and then oil production in the United States over the past few years has taken markets and policymakers by surprise. As a result, natural gas prices in the United States are at a 20-year low after adjusting for inflation, while light sweet crude oil from the landlocked production areas in the U.S. Midwest is selling at an unusually large discount from international benchmark prices.



> The surge in production is largely the result of the new ability of producers to extract oil and gas from unconventional geological formations—so-called shale rock and tight rock or sand formations. The revolution in production occurred first in natural gas and more recently in oil.
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> It is already widely accepted that the availability of shale gas resources has fundamentally changed the outlook for natural gas as a source of energy. Prospects for unconventional shale and tight oil production are more uncertain though. Could its development foreshadow a long-term decline in oil prices, as happened during the mid- to late 1970s after the 1973 Middle East war triggered a surge in oil production? Conversely, are there risks that the revolution will not last? Moreover, how will it alter the macroeconomic effects of sharp changes in oil prices (so-called oil shocks) on the U.S. and other economies?

Naimi says oil price at $100/barrel 'seems reasonable'

> Dubai (Platts) - Saudi Arabian oil minister Ali Naimi said Monday that the price of oil at $100/barrel seemed "reasonable" and would not deter economic growth in Asia while reiterating the kingdom's commitment to maintaining spare oil production capacity for the sake of market stability.
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> "Over the past 15 years, it is clear that oil prices have fluctuated more than at any time in history," Naimi told the Credit Suisse Asia Pacific conference in Hong Kong.

WTI Drops From 3-Week High on Cyprus; Libya Pipeline Shut

> West Texas Intermediate crude fell from the highest price in three weeks as an unprecedented levy on bank savings in Cyprus threatened to worsen Europe’s debt crisis. Libya shut an oil pipeline after protests.
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> Futures slipped as much as 1.4 percent in New York, dropping for the first time in three days. Cyprus bowed to demands by euro-area finance ministers to raise 5.8 billion euros ($7.6 billion) by taking a piece of every bank account, sending the euro tumbling and sparking public outrage. The closing of the Waha Oil Co. pipe after a strike by truck drivers cut Libyan crude output by 120,000 barrels a day, according to Oil Minister Abdulbari al-Arusi.

Saudi Arabia, Iraq Raise January Oil Shimpents Slightly

> Saudi Arabia and Iraq raised crude oil exports in January for the first time in three months, as demand from Asian countries climbed, according to the Joint Organisations Data Initiative.
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> The Saudi kingdom shipped 7.09 million barrels a day, up 30,000 barrels a day from December, data posted today on the initiative’s website showed. Exports in January were 5.5 percent lower than the same month last year, according to JODI.

U.S. Natural Gas Rises to 17-Month High Amid Cold Weather Demand

> U.S. natural gas futures rose to their highest in almost 17 months as colder-than-normal weather boosted demand.
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> The low temperature in New York City will remain below the 30-year average for at least 8 days, according to CustomWeather Inc. Below-normal temperatures in northern states over the next five days will spread across the East from March 20 through March 29, Commodity Weather Group LLC said March 15.

Pemex's Proven Reserves Gain for Second Year After Discoveries

> Petroleos Mexicanos, the state- owned company, posted a gain in its proven reserves for a second year, supported by discoveries in the Gulf of Mexico and onshore.
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> Mexico's reserves rose 0.4 percent to 13.868 billion barrels as of Jan. 1 from 13.81 billion a year earlier, Mexican President Enrique Pena Nieto said today on the 75th anniversary of the state-owned company. Last year, reserves rose 0.1 percent, the first gain in more than a decade.

Statoil Starts Production From Skuld Field in Norwegian Sea

> Norwegian oil and gas major Statoil ASA (STO) said Monday that with its partners Eni S.p.A. (E) and Petoro, it has started production from the Skuld field at Norne in the Norwegian Sea.

Libya's Waha Oil Output Cut by 120,000 Barrels a Day, Arusi Says

> Waha Oil Co.'s pipeline in Libya was shut because of a strike at its Gialo field resulting in a cut in the country's crude output by 120,000 barrels a day, Oil Minister Abdulbari al-Arusi said.
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> The protest is continuing today at the Gialo field, which feeds crude into a pipeline that runs to the Es Sider export terminal, Abduljalil Mayuf, spokesman of Arabian Gulf Oil Co., a unit of National Oil Corp., said by phone from the eastern city of Benghazi.

Statoil reports new gas discovery in Tanzania

> Gas exploration off Tanzania has yielded good results for Statoil. On Monday morning, the company reports that it has made a major new discovery. This is the third in one year.

"The success in Block 2 is the result of an ambitious and successful drilling campaign. We have so far completed five wells within 15 months and will continue with further wells later this year," says Tim Dodson, executive vice president for Exploration in Statoil.

Russia Adopts Texas Drilling to Revive Soviet Oil Fields

Fracking isn't just for shale. In Russia, producers are importing techniques from the U.S. to squeeze billions of dollars of extra oil from Soviet-era fields.

TNK-BP, Russia's third-largest producer, will use hydraulic fracturing combined with horizontal drilling in almost half the wells it sinks this year, a sixfold increase in just two years, the company said. OAO Rosneft, OAO Lukoil and OAO Gazprom Neft have similar plans.

Russia tax breaks for shale, offshore oil seen on Jan.1

(Reuters) - Russian tax breaks for shale and offshore oil, to unlock millions of barrels, will come in to force on Jan. 1 2014, a Finance Ministry official said on Monday.

The tight oil tax package will make Russia one of the few countries to incentivise the production of energy resources from shale and other 'tight' rock.

UK should use shale gas to cut emissions, report says

The UK should use natural gas, including from "fracking", to help cut carbon by replacing coal for power supplies over the next few years, a report has suggested.

But it would be risky to assume gas prices will be low in the coming years or that the UK has extensive supplies of shale gas which is extracted through the controversial process of fracking, the study said.

Saudi Arabia to Drill Seven Shale Gas Test Wells, Al-Naimi Says

Saudi Arabia, the world's biggest oil exporter, will drill about seven test wells for shale gas this year, according to Oil Minister Ali Al-Naimi.

"We know where the areas are," Al-Naimi said at a conference in Hong Kong today, referring to the country's shale gas deposits. "We have rough estimates of over 600 trillion cubic feet of unconventional and shale gas so the potential is very huge and we plan to exploit it."

[Chesapeake Energy to Sell $2.3 Billion of Senior Notes]

> Chesapeake Energy Corp. intends to offer $2.3 billion of senior notes to help fund a tender offer for roughly $938 million in outstanding senior notes.

[TNK-BP Billionaires Plan Global Oil, Telecom Deals After Sale]

> With $14 billion from selling out of TNK-BP, Mikhail Fridman and German Khan's Alfa Group is planning to return to the oil industry and expand worldwide, according to Stan Polovets, chief executive officer of the Alfa- Access-Renova Consortium, which owned the Russian oil venture 50:50 with BP Plc.

[Iran launches destroyer, a made-in-Iran guided-missile ship]

> Tehran - Iran launched a domestically built destroyer in the Caspian Sea on Sunday, its first deployment of a major warship in the oil-rich region, state TV reported.

[Oil import from Iran slashed by 27%]

> India may slash import of crude oil from Iran by as much as 27 per cent this fiscal because US and European sanctions have made it difficult to ship oil from the Persian Gulf nation.

[No favours for Scotland on energy, warns UK energy minister]

> UK Energy and climate secretary Ed Davey has thrown down the gauntlet to advocates of Scottish independence, warning that it would place Scotland in direct competition with Norway and Ireland to provide the cheapest electricity supply to the UK.

[Dow Chemical to build specialty plants on U.S. Gulf Coast]

> (Reuters) - Dow Chemical Co said it plans to build several specialty material production plants on the U.S. Gulf Coast to take advantage of cheap shale-derived natural gas.
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> Margins in Dow's performance plastics business have been squeezed in Europe and Asia as the company uses more-expensive crude oil-derived naphtha to make some plastics in these regions.

[Saudi Aramco, Dow Venture Begins Bond Sale for Chemicals Complex]

> Sadara Chemical Co., a joint venture of Saudi Arabian Oil Co. and Dow Chemical Co.

(DOW), started selling an Islamic bond that may raise at least $1.4 billion to fund construction of a chemicals complex.

The sale of floating-rate securities in Saudi riyals is open only to Saudi nationals and institutions and will have a tenor of about 16 years, the Dhahran-based company said in an e- mailed statement today. Investors will receive a payment every six months equivalent to the six-month Saudi Interbank Offered Rate plus a margin to be decided later.

California Fracking Fight Has $25 Billion Taxes at Stake

California's reputation for environmental protection may be jeopardized by the lure of a $25 billion tax windfall that depends on how the state permits oil companies to take advantage of vast deposits lying two miles beneath its golden hills.

The Monterey Shale formation running through the center of the state may hold 15.4 billion barrels of oil -- equivalent to five years of U.S. petroleum imports, according to a state report. Releasing it requires drillers to smash the rock by forcing millions of gallons of water and chemicals underground, a technique known as fracking.

Eastern Cape to be South Africa's energy hub, says Peters

THE Eastern Cape is on track to become South Africa's energy hub, as national power utility Eskom plans its first nuclear plant in the region at Thyspunt, near Cape St Francis, Energy Minister Dipuo Peters said on Monday.

Speaking at the Nuclear Africa conference in Johannesburg, Ms Peters said the government was willing to implement a nuclear energy programme with the urgency it deserved.

European Car-Efficiency Rule Would Cut Fuel Bill by 25%

A European Union plan to tighten emissions standards on cars would cut auto-fuel costs by almost a quarter in 2030, according to a report e-mailed by a group promoting policies to reduce carbon emissions in the region.

Fuel bills would fall 57 billion euros ($75 billion) from a projected cost of 245 billion euros in 2030, said the European Climate Foundation, which contributed to the report prepared by Cambridge Econometrics and Ricardo-AEA. Producing fuel-efficient vehicles would add 22 billion euros of capital costs, it said.

Everyday Externalities

Via Mark Thoma, a new paper in Vox on the effects of increased rail service, making clever use of natural experiments created by changes in German ownership and regulation. The results aren't that surprising — more frequent rail service sharply reduces pollution and other costs associated with driving — but it's good to have this kind of solid work to back our intuition.

Congestion Pricing Is a Force Multiplier for Transit

Writing up a cool paper on the positive externalities of mass transit, Paul Krugman describes transit investment as a kind of useful second-best policy: "the right answer is to get the incentives right, and charge large fees for driving in congestion."

That's correct, but I also think it's important for transit fans to see that congestion fees are a kind of force multiplier for transit.

My Train Fantasy

Some conservatives had a different description for Twu and his map. “High-speed rail supporter Alfred Twu has gotten a lot of attention for having boldly drawn a map of where he thinks high-speed trains should go,” wrote Randal O’Toole of the libertarian Cato Institute. “Twu’s map is even more absurd than Obama’s plan,” he wrote, describing the map, and high-speed rail in general, as a “ridiculous fantasy.”

O’Toole’s reaction demonstrated one of the principal reasons why American high-speed rail has been mostly stymied: One person’s beautiful vision of the future is another’s terrifying government boondoggle. The Obama plan to use $8 billion in stimulus money as a carrot to get states to invest in high-speed rail went down in flames two years ago. It failed largely because Republican governors in states such as Florida rejected federal funds. But if there were some way to get beyond partisan politics and legal battles over right-of-way issues, what would an ideally efficient map of an American high-speed rail system actually look like?

Abu Dhabi Boosts Solar Power 10-Fold With Shams Plant in Desert

Abu Dhabi, the largest sheikhdom in the United Arab Emirates, is making a 10-fold boost in its capacity to generate electricity from the sun by starting the Shams 1 solar plant with partners Total SA and Abengoa SA.

Masdar, the state-owned renewable energy company, will supply 100 megawatts of electricity from the Middle East’s largest facility using concentrated solar technology, Chief Executive Officer Sultan al Jaber said today at the plant’s inauguration in the inland desert west of the U.A.E.’s capital, also called Abu Dhabi.

Suntech Said to Get Default Notice on $541 Million Unpaid Bonds

> The trustee administering $541 million in bonds from Suntech Power Holdings Co. Ltd. sent the solar company a notice of default yesterday as the deadline to redeem the notes passed, a person familiar with the matter said.
>
> The move allows bondholders to sue the Chinese company in U.S. courts, according to the person, who asked not to be named because the information hasn't become public. A default would be the first by a mainland Chinese company. Suntech said holders of 63 percent of the bonds agreed to delay exercising their rights for two months until May 15.

[Gas Thieves and Gas Defenders in the 1973-4 Oil Crisis]

> Like all of the Documerica photographs of the shortage—images of shuttered stations, lines of cars, and reluctant pedestrians and cyclists—this one provokes questions about citizens' behavior toward each other in a crisis. Was it as "Mad Max" out there as this photo would imply?
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> Citizen-on-citizen gasoline thefts like the ones this man feared seem to have been more common in some areas of the country than others. The *Los Angeles Times* — the newspaper of record of car-dependent Southern California — reported in February 1974 that gas siphoning, in which criminals used a tube to get gas out of a parked car, was rampant. A policeman thought that most of the perpetrators were juveniles: "These young people are going to drive and they are determined to get the gas somehow."

[Micro-Apartments in the Big City: A Trend Builds]

> Imagine waking in a 15-by-15-foot apartment that still manages to have everything you need. The bed collapses into the wall, and a breakfast table extends down from the back of the bed once it's tucked away. Instead of closets, look overhead to nooks suspended from the ceiling. Company coming? Get out the stools that stack like nesting dolls in an ottoman.
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> Micro-apartments, in some cases smaller than college dorm rooms, are cropping up in North American cities as urban planners experiment with new types of housing to accommodate growing numbers of single professionals, students, and the elderly. Single-person households made up 26.7 percent of the U.S. total in 2010, vs. 17.6 percent in 1970, according to Census Bureau data. In cities, the proportion is often higher: In New York, it's about 33 percent. And these *boîtes* aren't just for singles. The idea is to be more efficient and eventually to offer cheaper rents.

[Man-made desert lake: Ecological paradise or disaster?]

> The lake is an industrial byproduct of the desalination system used to meet the UAE's water needs. With few sources of fresh water in the region, the country has relied on desalinating seawater for domestic use -- a technology that has been essential to the

country's growth, according to advocates.

"Desalination started here 50 years ago," said Corrado Sommariva, president of the International Desalination Association. "There wouldn't be any development of the industry or society if there was no desalination."

The waste water is treated and just over half reused for industrial purposes, according Mohamed Al Madfaei, executive director at the Abu Dhabi Environmental Agency.

But the other 45% of recycled waste water was simply discharged at sea or released on to the land, where it had been pushing up groundwater levels, and eventually resulted in the creation of Lake Zakher.

[Pentagon weapons-maker finds method for cheap, clean water]

(Reuters) - A defense contractor better known for building jet fighters and lethal missiles says it has found a way to slash the amount of energy needed to remove salt from seawater, potentially making it vastly cheaper to produce clean water at a time when scarcity has become a global security issue.

[Tornado debris study could lead to better warnings]

Knowing where the debris is likely to fall could help protect the public if a tornado were to strike a hazardous site and suck up toxic biological or radioactive debris, Knox said.

"We need to get enough understanding so we can get fairly reasonable predictions of where the stuff goes," said John Snow, a professor of meteorology and dean emeritus at the University of Oklahoma who studied tornado debris in the 1990s. Knox's study builds on research done by Snow and others.

Though nuclear reactors are designed to withstand the force of tornadoes, radioactive materials such as fuel rods are often stored nearby, Snow said. A direct hit on such material is one of many catastrophic scenarios involving tornado-blown debris.

[A Green Pope? Many Wonder If Environmental Activism Will Continue]

The Catholic Church got a new pope on Wednesday — Pope Francis, who has taken his new name from the patron saint of animals and the environment. But will the man formerly known as Cardinal Jorge Mario Bergoglio of Argentina live up to the ideals of his 13th-century Italian namesake?

[Earth Hour Is a Colossal Waste of Time—And Energy]

The organizers say that they are providing a way to demonstrate one's desire to "do something" about global warming. But the reality is that Earth Hour teaches all the

> wrong lessens, and it actually *increases* CO_2 emissions. Its vain symbolism reveals exactly what is wrong with today's feel-good environmentalism.
>
> Earth Hour teaches us that tackling global warming is easy. Yet, by switching off the lights, all we are doing is making it harder to see.

[Resilient agriculture, water reservoirs crucial for Pakistan - scientists]

> LAHORE, Pakistan (AlertNet) – Leading climate scientists in Pakistan have called for the development of high-temperature-tolerant, climate-resilient, genetically modified crops and the construction of huge water reservoirs to mitigate the effects of climate change.
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> Speaking after the launch of Pakistan's National Climate Change Policy (NCCP) last month, Ashfaq Ahmad Chattha warned that rising temperatures due to climate change were leading to reduced water supplies and affecting crop production.

[Inuits worried as they confront new realities]

> The rapid melting of the Arctic sea ice has rejuvenated interests in the region, ranging from oil and gas and mineral exploration to the possibility of shorter sea routes and increased tourism. But all this poses fresh challenges to the survival of the Inuit and other indigenous people who live there.
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> While some speakers at The Arctic Summit held by *The Economist* on March 12 seemed to favour the line that the local people needed money just as anyone else and would welcome the chance to blow it up on fast cars and gizmos, a more studied view was put forth by Aqqaluk Lynge, chair of the Inuit Circumpolar Council, who was quite firm that "We don't want the fate of the North American indigenous people."