



Drumbeat: May 1, 2013

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[The U.S. Has Much, Much More Gas and Oil Than We Thought](#)

The United States has double the amount of oil and three times the amount of natural gas than previously thought, stored deep under the states of North Dakota, South Dakota, and Montana, according to new data the Obama administration released Tuesday.

In announcing the new data in a conference call, Interior Secretary Sally Jewell also said the administration will release within weeks draft rules to regulate hydraulic fracturing, technology that has come under scrutiny for its environmental impact but that is essential to developing all of this energy.

“These world-class formations contain even more energy-resource potential than previously understood, which is important information as we continue to reduce our nation’s dependence on foreign sources of oil,” Jewell said in a statement.

['Peak Oil' Is Back, but This Time It's a Peak in Demand](#)

Remember peak oil? It’s the theory—current about a decade ago—that global oil production would soon top out, leading to an inexorable rise in prices. Reports and books painted a grim picture of the effects this would have on the global economy; as fracking and seabed discoveries have unlocked new sources of the fossil fuel, most have dismissed peak oil as a flawed concept.

Now a pair of reports from energy-sector analysts say we’re approaching peak oil from the opposite direction: demand.

[Natural Resource Scarcity Is a Real Thing](#)

Long story short, we're in nothing like the peak oil nightmare that a naive forward projection of the 2003-08 hockey stick would have led you to expect. But we've hardly conquered oil scarcity either. New discoveries are having trouble keeping pace with rising car ownership in Asia and declining production from many established oil sources. Meanwhile, unconventional oil is coming onto the market in part *because* oil is scarce and expensive, which makes it profitable to extract hard-to-extract oil. That's better for the economy than if we didn't find any, but it also means we haven't returned to the 1990s oil bounty and most likely never will.

[Brent Crude Drops a Second Day as Global Supplies Climb](#)

Brent crude fell for a second day after OPEC's production increased to a five-month high and an industry group said U.S. stockpiles climbed for the first time in three weeks.

Futures slid as much as 1.7 percent in London after dropping 1.4 percent yesterday. U.S. crude inventories rose by 5.2 million barrels last week, the American Petroleum Institute said. Government figures today are projected to show a gain of 1.1 million barrels, according to a Bloomberg News survey. Daily output by the Organization of Petroleum Exporting Countries increased in April by 194,000 barrels a day, a separate survey indicated. An index of manufacturing in China signaled weaker expansion in April.

[Saudi will raise crude output to 15m bpd - prince](#)

Saudi Arabia wants to raise its crude oil production capacity from its current 12.5m barrels per day to 15m barrels per day by 2020, a prince in the kingdom was quoted as saying.

Prince Turki Al Faisal, a former intelligence head, said that the increase would allow for the Gulf country to export up to 10m barrels per day. Prince Turki was speaking at an event at Harvard University on April 25, although a transcript of his comments were only published this week.

[Saudi Oil Minister: America Will Remain a Consumer of Saudi Oil](#)

Washington, Asharq Al-Awsat—Saudi oil minister Ali Al-Naimi stated that Saudi Arabia is committed to a stable global oil market in a speech at the Center for Strategic and International Studies (CSIS) in Washington yesterday morning.

Naimi stressed that Saudi Arabia does not want to see a rise in oil prices, except where this reflects actual market conditions: "In 2012, I came out and called for lower oil prices.... I stressed to the media and others that supply fears were unfounded and that the current prices were not a true reflection of supply–demand fundamentals."

Making reference to the the peak oil crisis of 2009, Naimi criticized experts who predicted that the world was running out of oil and predicted a shift to other energy sources.

[Iraq cements position as second-biggest Opec oil exporter](#)

Iraq's oil exports rose in April to 2.6 million barrels per day (bpd), the country's oil minister said on Tuesday, helping to keep global markets well supplied as shipments

from regional rival Iran are crimped by tightening Western sanctions.

[Kuwait could see KD 12bln budget surplus in FY13/14 - report](#)

KUWAIT (KUNA) -- Kuwait's budget of the FY 2013/2014 is expected to produce a large surplus as high as KD 12 billion, despite a drop in global oil prices against the backdrop of a weaker economic outlook and stronger non-OPEC oil supplies, the National Bank of Kuwait (NBK) forecasted in a report released Monday.

The report argued that an oil price of between USD101 and USD105 pb in FY13/14 could generate a budget surplus for Kuwait of between KD 8 and 12 bn this fiscal year, following a surplus of KD 15 bn in FY12/13.

[Texas oil sails to Canada, refiners fume over tanker law](#)

New York/London: Oil traders including commodities giant Trafigura and Australian bank Macquarie have quietly begun shipping US crude oil from Texas to Canada, raising the ire of US East Coast refiners who may pay four times as much for a similar voyage.

In the latest oil trading trend to emerge from the unexpected boom in US shale production, the firms have hired at least seven foreign-flagged tankers to run the route to Canada this year, most of them for the first time, according to market sources and data analysed by Reuters.

US refiners, however, are required by a shipping law from 1920 known as the Jones Act to use more costly US-owned and operated ships if they want to tap into the oil bounty emerging from the Eagle Ford fields of Texas, highlighting the uneven playing field that is taking shape in the Atlantic basin.

[Kazakh oil heads to Asia away from saturated Europe](#)

LONDON (Reuters) - Kazakhstan's oil exports to Asia are on the rise as it seeks to cultivate new buyers for its light crudes outside the saturated European market before steep output increases in the next few years.

Since U.S. shale production has boomed, North American demand for light sweet oil grades from countries such as Libya, Algeria, Nigeria and Azerbaijan has plummeted, creating a global glut of light oil.

[Leviathan group raises estimate at Israel gas field to 18.9 tcf](#)

(Reuters) - The U.S-Israeli consortium developing the Leviathan natural gas field off Israel's Mediterranean coast raised on Wednesday the field's estimated reserves to 18.9 trillion cubic feet (tcf).

Leviathan was the world's largest offshore gas discovery of the decade when Texas-based Noble Energy and its Israeli partners found the deposit about 80 miles (130 km) west of the Israeli port of Haifa in 2010.

[Shell Starts World's Largest Gas-Capturing Plant in Iraq](#)

Royal Dutch Shell Plc. and Mitsubishi Corp. started operations at a \$17-billion joint venture to capture gas from some of Iraq's largest oil fields.

The Basrah Gas Co. project, the biggest of its kind, captures so-called associated gas flared from the southern oil fields of Rumaila, West Qurna-1 and Zubair, according to a statement on Shell's website. Iraq's state-owned South Gas Co. holds a 51 percent stake in the 25-year venture, while Shell owns 44 percent and Mitsubishi the remainder.

[Billionaire Plots to Beat Chevron to Largest Latin Shale](#)

Argentina's Eurnekian family, after becoming billionaires from media and airports, is planning to become the government's first shale oil and gas partner.

Eduardo Eurnekian, tapping a fortune of at least \$1.3 billion, has pledged \$700 million in two deals to hasten a definitive partnership with Argentine government-owned YPF SA to develop its Vaca Muerta fields. After his \$500 million preliminary accord with YPF in October, the 70-year-old last week paid about \$200 million for 81 percent of Cia. General de Combustibles SA, an oil producer and shareholder in pipelines to YPF's first operating shale-gas well.

[Shell bid for sour gasfield wins out](#)

Royal Dutch Shell confirmed yesterday it had won the tender for Abu Dhabi's Bab sour gasfield, a technically challenging project that underpins the emirate's industrial diversification.

[Cnooc Considers Dollar Bond Issue](#)

Cnooc Ltd., China's biggest offshore energy explorer, is considering a sale of dollar-denominated bonds, five people familiar with the matter said.

The company may raise about \$5 billion in the offering, two of the people said, asking not to be identified because the terms aren't set. A borrowing that large would match the biggest note sale in the U.S. currency in Asia outside Japan, according to data compiled by Bloomberg. Beijing-based Cnooc may begin marketing the securities to investors as early as this quarter, one of the people said.

[Canadian Oil Sands profit drops on weak production](#)

Canadian Oil Sands Ltd, which owns the largest stake in Syncrude Canada Ltd, said on Tuesday that first-quarter profit fell by nearly half as operating problems and the oil sands facility lowered production.

Canadian Oil Sands, which has a 37% stake in the massive Syncrude tar sands mining and synthetic crude operation in northern Alberta, said profit fell 44% to \$177-million, or 37 cents a share, from a year-earlier \$318-million, or 66 cents.

[Chesapeake Swings to Profit as Demand Spike Boost Prices](#)

Chesapeake Energy Corp., the U.S. natural gas producer that replaced its chief executive officer in March amid conflict-of-interest questions, swung to a higher profit than expected as gas prices rallied on strengthening demand.

Net income was \$58 million, or 2 cents a share, compared with a loss of \$28 million, or 11 cents, a year earlier, the Oklahoma City-based company said in a statement today. Excluding non-cash hedging losses and severance expenses, per-share profit was 5 cents higher than the average of 28 analysts' estimates compiled by Bloomberg.

[Talisman Energy posts loss as production falls](#)

(Reuters) - Talisman Energy Inc posted a quarterly loss as the sale of some North Sea assets hurt production but the oil and gas company said it expected significant growth in higher-margin liquids output in the second half of this year and into 2014.

The Canadian company, which has been refocusing operations to deal with low natural gas prices, completed the sale of a 49 percent stake in its North Sea operations to Sinopec Corp for \$1.5 billion in December.

[High oil prices can cushion impact of Iran sanctions](#)

Even at reduced export levels, Iran is benefiting from near-record oil prices. As recently as the 1999 oil price slump, it was receiving just \$250 per person in oil export revenues; in 2012, that grew to \$875. And 2011's inflation-adjusted oil revenues of around \$95 billion were the second-highest the country has ever received, after 1974.

The sanctions have laid bare the Iranian administration's remarkable incompetence and waste. This historic oil boom was squandered on handouts, corruption and a surge of imports encouraged by a wildly overvalued exchange rate.

If anything, the collapse of the rial has returned it to a realistic rate, given Iran's continuing high inflation, making domestic industry more competitive. Ironically, sanctions pressure has spurred Tehran's fractious polity to take long-needed steps,

upgrading domestic oil refining and removing costly energy subsidies. The economy shrank 1.9 per cent last year - serious, but hardly comparable to Greece's 6.8 per cent fall.

[Has Nigeria's Niger Delta managed to buy peace?](#)

So far around 30,000 people have been granted amnesty by the Nigerian government.

In what is a very expensive commitment, each is supposed to receive 65,000 naira (\$410, £265) per month.

Thousands have also been given training for jobs as diverse as pipe welding and learning to become a pilot.

The amnesty programme costs close to \$500m a year, but that is small change compared to the extra oil money accrued since the peace deal was struck.

[Massacre in Nigeria Spurs Outcry Over Military Tactics](#)

MAIDUGURI, Nigeria — Days later, the survivors' faces tensed at the memory of the grim evening: soldiers dousing thatched-roof homes with gasoline, setting them on fire and shooting residents when they tried to flee. As the village went up in smoke, one said, a soldier threw a child back into the flames.

Even by the scorched-earth standards of the Nigerian military's campaign against Islamist insurgents stalking the nation's north, what happened on the muddy shores of Lake Chad this month appears exceptional.

[Search for oil expands in Somaliland](#)

Somaliland hopes that exploration by international oil companies will unearth reserves similar to those in nearby Yemen, and is in talks to increase the number of companies taking on acreage in the quasi-autonomous region.

The region, which considers itself independent from Somalia but is not recognised by the international community, last week signed its second deal with an established international player - Norway's DNO International, a company that merged with the UAE's RAK Petroleum.

[A Hidden Victim of Somali Pirates: Science](#)

Scientists from around the globe, specializing in subjects as diverse as plate tectonics, plankton evolution, oceanography, and climate change, are decrying a growing void of

research that has spread across hundreds of thousands of square miles of the Indian Ocean near the Horn of Africa—an immense, watery "data hole" swept clean of scientific research by the threat of Somali buccaneering.

Major efforts to study the dynamics of monsoons, predict global warming, or dig into seafloors to reveal humankind's prehistory have been scuttled by the same gangs of freebooters who, over the course of the past decade, have killed dozens of mariners, held thousands more hostage, and, by one World Bank estimate, fleeced the world of \$18 billion a year in economic losses.

The cost to science may be less visible to the public. But it won't be borne solely by scholars.

[Shell Moves Australia Head to U.S. Arctic Program](#)

Royal Dutch Shell PLC is moving its Australian head to run operations in the U.S. Arctic Ocean, a person familiar with the matter said Tuesday, as the oil major attempts to recover from a series of drilling setbacks in the icy north.

Ann Pickard, who has been overseeing billions of dollars of investments in Australian gas-export projects, will take up a new role in the U.S. on June 1, the person said.

[BP Will Finance \\$340 Million in Gulf Restoration Projects](#)

LAFITTE, La. (AP) — Gov. Bobby Jindal says BP has agreed to finance \$340 million in restoration projects in the Gulf of Mexico.

Mr. Jindal said Tuesday that the money was part of the \$1 billion that BP agreed to pay for early restoration work after the 2010 Deepwater Horizon oil spill.

[Fracking Ruled Out by Pennsylvania in Town's Water Case](#)

Methane in the water wells of a Pennsylvania town visited by Yoko Ono in her campaign against hydraulic fracturing wasn't caused by nearby drilling for natural gas, the state environmental regulator said.

In the northeastern town of Franklin Forks, samples from three private water wells are comparable in their chemical makeup to the natural spring at a nearby park where methane had been detected long before fracking began in the area, according to the Pennsylvania Department of Environmental Protection.

[Japan Utilities Raising Prices Offer Abe Wrong Inflation](#)

Japan's power utilities reported combined losses of about 1.6 trillion yen a year ago, the equivalent of \$20 billion at the time. Yesterday, they repeated the performance.

On the face of it, the bad news for the companies looks like a boost for Prime Minister Shinzo Abe and his 2 percent inflation target in Japan as the utilities will probably raise electricity tariffs. Except it's the wrong kind of inflation.

[Japan eyes opportunities in UAE's new nuclear age](#)

ABU DHABI // Shinzo Abe has not been shy about putting Abu Dhabi at the top of his agenda, whether in 2007 when he became the second Japanese prime minister to visit the emirate, or today as he arrives for an official visit just months into his second run as head of state.

But a different set of opportunities today hang in the balance, from an onshore oil concession where Japan's Inpex has emerged as one of an elite set of nine bidders, to potential nuclear service contracts, a lifeline for Japanese companies with little business at home after the Fukushima disaster.

[New Brighton man charged with stealing copper from nuclear plant property](#)

SHIPPINGPORT — A hole in a fence allowed a New Brighton man to steal more than 1,400 pounds of copper since January from a building within the shadow of a nuclear reactor, authorities said Friday.

[U.S. electric car maker Coda files for bankruptcy](#)

U.S. green car startup Coda Holdings Inc filed for Chapter 11 bankruptcy protection on Wednesday after selling just 100 of its all-electric sedans, another example of battery-powered vehicles' failure to break into the mass market.

[Biofuel Pioneer Forsakes Renewables to Make Gas-Fed Fuels](#)

Alan Shaw, the chemist and executive who led a six-year effort to turn inedible crops into fuels to displace gasoline, has renounced the industry he helped pioneer and decided the future instead lies with natural gas.

Formerly chief executive officer of Codexis Inc., the first advanced biofuel technology company to trade on a U.S. exchange, Shaw now says it's impossible to economically turn crop waste, wood and plants like switchgrass into fuel. He's trying to do it instead with gas, in his new post as CEO of Calysta Energy LLC.

[Verizon to invest \\$100 million in solar, fuel cell technology](#)

WASHINGTON (Reuters) - Verizon said on Tuesday it plans to invest \$100 million in solar power and fuel cells at 19 facilities in seven U.S. states to cut its carbon footprint and make its operations more resilient to storms and other disasters.

The energy project should be complete by next year, with installations at corporate offices, call centers, data centers and central offices of the telecommunications giant in Arizona, California, Maryland, Massachusetts, New Jersey, New York and North Carolina.

[California Joins Chinese Province to Go Green](#)

Wouldn't it be nice if China and the United States fixed the problem of climate change? Wouldn't it be nice if the globe's two largest emitters of greenhouse gases, the two largest energy users and the two largest industrial producers found a way to help each other succeed on an issue that neither they, nor anyone else, can afford to lose?

[The Modern American Farmer](#)

Many came to agriculture through an interest in food systems and social justice. They included young men and women who believe organically grown local food should be available to people of all races and income levels. Such activists believe the U.S. food system needs to get out from under the control of multinational corporations, and that a warming planet demands sustainable, regional food systems. To make these things happen, they seek careers in farming.

The students in New York City's first Farm Beginnings class represent a new chapter of an enduring American story. Immigrants and ethnic minorities have always gone into farming — some against their will, some willingly. But in an important way, this is a different version of that story. When software engineers from India and social justice activists from the South Bronx want to enter agriculture, something has changed in American culture. Farming's new cachet is impossible to deny — and its appeal is more widespread than many cynics believe.

[Endless growth will not deliver a healthy economy](#)

To judge the health of the economy by whether growth rises or falls by a fraction of 1% is like measuring the height of the tide to see whether the ocean is thriving, or sick and polluted. Regardless, in the eyes of commentators, a mere 0.3% increase in growth granted a reprieve from the harshest judgment on the economic strategy of the chancellor, George Osborne, and by extension the whole austerity programme of the coalition.

It's ironic that lust for unsustainable growth of returns in the financial sector destroyed conditions for significant wider growth in the economy. Now all mainstream politicians yearn for nothing more than its return.

What passes for meaningful public debate about economics today concerns almost entirely who has the most convincing plan to restore growth. Who, in other words, can exert the strongest lunar pull to deliver a high tide, in the unscientific hope that this will be the same thing as ensuring a healthy, thriving ocean.

[A possible new way to manage water and snow in thirsty California](#)

Like a pitcher taking the mound on opening day, Frank Gehrke gets the spotlight in California every early April. That's when the otherwise obscure state water official trudges into the Sierra Nevada mountains, media in tow, and plunges aluminum tubes into the snow.

With those snow samples — and historical data and mathematical formulas — Gehrke and his colleagues can tell anxious farmers and hydroelectric power generators how much water they can expect for the coming summer.

[Ofgem to investigate energy firms for missing home efficiency targets](#)

British Gas, SSE and Scottish Power are among six energy firms to be investigated by the energy regulator Ofgem after failing to deliver enough energy efficiency measures to UK households.

Under the Carbon Emissions Reduction Target (Cert), legislation which was in place until the end of 2012, the big six energy companies had to introduce measures such as installing insulation or switching a household's heating fuel from oil to gas to help reduce UK carbon emissions.

[U.S. pragmatic approach leads climate talks: Wynn](#)

(Reuters) - A U.S. submission to U.N.-backed negotiations shows how a scaled-down global climate deal which falls short of a full treaty can be agreed in 2015.

Much will depend on the United States, as the world's second biggest carbon emitter whose present administration will be in place beyond the deadline for agreement on a new deal.

[Report Cites Large Release of Sewage From Hurricane Sandy](#)

Over 10 billion gallons of raw and partly treated sewage gushed into waterways and bubbled up onto streets and into homes as a result of Hurricane Sandy — enough to cover Central Park in a 41-foot-high pile of sludge, a nonprofit research group said in a report released on Tuesday.

[Climate change: When rain, rain won't go away](#)

This wasn't just another 1-in-500-years event happening, a freak occurrence, a one-off event. Rather, experts see it as the new normal across the Northeast, the latest in a series of calamitous weather events occurring because of, or amplified by, climate change.

From valleys staggered by Irene, to coasts battered by Superstorm Sandy, the 24-hour outbursts of rain and snow, or "extreme precipitation," has increased by 74% in the past six decades there, according to January's draft of the federal National Climate Assessment report.

Such storms have become the signature of climate change across the Northeast, afflicting older cities and towns built at a time of more modest rainfall. This heavy flooding is undermining aging bridges, eroding roads and overwhelming drainage systems.



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