



Drumbeat: May 15, 2013

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[Oil Shockwaves From U.S. Shale Boom Seen by IEA Ousting OPEC](#)

The U.S. shale boom will send “shockwaves” through the global oil trade over the next five years, benefiting the nation’s refiners and displacing OPEC as the driver of supply growth, the IEA said.

North America will provide 40 percent of new supplies to 2018 through the development of light, tight oil and oil sands, while the contribution from the Organization of Petroleum Exporting Countries will slip to 30 percent, according to the International Energy Agency. The IEA trimmed global fuel demand estimates for the next four years, and predicted that consumption in emerging economies may overtake developed nations this year.

“The supply shock created by a surge in North American oil production will be as transformative to the market over the next five years as was the rise of Chinese demand over the last 15,” the Paris-based adviser to 28 oil-consuming nations said in its medium-term market report today.

[The IEA Says Peak Oil Is Dead. That’s Bad News for Climate Policy](#)

No one—aside maybe from survivalists who’d stocked up on MREs and assault rifles—was really looking forward to a peak-oil world. Read this [2007 GQ piece](#) by Benjamin Kunkel—while we’re discussing topics from the mid-2000s—that imagines what a world without oil would really be like. Think uncomfortable and violent. Oil is in nearly every modern product we use, and it’s still what gets us from point A to point B—especially if you need to get from A to B in a plane. If we were really to see the global oil supply peak and decline sharply, even as demand continued to go up, well, apocalyptic might not be too large a word. And for several years in the middle of the last decade, as oil prices climbed past \$100 a barrel and analysts were betting it would break \$200, that scenario seemed entirely plausible.

But there was an upside to peak oil. Crude oil was responsible for a significant chunk of global carbon emissions, second only to coal. Only the shock of being severed from the main fuel of modernity would be enough to make us get serious about tackling climate change and shifting to an economy powered by renewable energy and efficiency. We’d have to because we’d have no other choice, save a future that might look something like *Mad Max*. We’d lose oil but save the world.

[The World is Not Running Out of Oil – but Europe Is](#)

Contrary to popular belief, peak oil alarmists and Greenpeace propaganda, the world is still and will continue to be for at least a century, largely powered by oil. And not just for transport. An endless number of consumer goods depend on a steady supply of petroleum products for their manufacture. As Marin Katusa, chief energy investment strategist for Casey Research points out, “A country without oil simply cannot continue to expand or even be competitive on the world stage.” Katusa explains, most of Europe’s oil comes from the North Sea region. A source where production has dropped to less than half of what it was in 2002. Much of the rest of it comes from countries such as Libya, Saudi Arabia and Nigeria, all countries threatened by political instability and social unrest. Europe could, of course, push development of its own potential oil resources. Or they could if the ludicrously inept EU Energy Road Map wasn’t studded with anti-fossil fuel pot holes and renewable energy cul-de sacs that are deterring investors.

[It Doesn't Matter If We Never Run Out of Oil: We Won't Want to Burn It Anymore](#)

Like whale oil in the 1860s, oil today has become uncompetitive -- even at low prices -- and that will only become truer with time.

[No, Really: We're Going to Keep Burning Oil—and Lots of It](#)

No matter how much we wish it were otherwise, the economics favor burning fossil fuels.

[Peak oil, climate change and pipeline geopolitics driving Syria conflict](#)

Syria's dash for gas has been spurred by its rapidly declining oil revenues, driven by the peak of its conventional oil production in 1996. Even before the war, the country's rate of oil production had plummeted by nearly half, from a peak of just under 610,000 barrels per day (bpd) to approximately 385,000 bpd in 2010.

Since the war, production has dropped further still, once again by about half, as the rebels have taken control of key oil producing areas.

Faced with dwindling profits from oil exports and a fiscal deficit, the government was forced to slash fuel subsidies in May 2008 - which at the time consumed 15% of GDP. The price of petrol tripled overnight, fueling pressure on food prices.

The crunch came in the context of an intensifying and increasingly regular drought cycle linked to climate change. Between 2002 and 2008, the country's total water resources dropped by half through both overuse and waste.

[China Seen Boosting Emergency Oil-Storage Capacity, IEA Says](#)

China will probably commission additional storage sites for its strategic petroleum reserve this year, boosting crude demand even as construction work on the program takes longer than expected, according to the International Energy Agency.

The nation, the world's second-biggest crude consumer, will add 245 million barrels of capacity in the second phase of its emergency stockpile plan, the Paris-based IEA said in its Medium-Term Oil Market Report released today. That's up 45 percent from the IEA's original estimate of 169 million barrels. Completion may be delayed to 2015, according to the agency, which originally forecast the project would be finished by the end of this year.

[Shell Targeted With BP in EU Price Fixing Probe for Oil](#)

Three of Europe's biggest oil explorers are among companies being questioned by European antitrust regulators about potential manipulation of prices in the \$3.4 trillion-a-year global crude market.

[EU Oil Manipulation Probe Shines Light on Platts Pricing Window](#)

Two weeks after Royal Dutch Shell Plc and Platts changed the way more than half of the world's crude is valued, the companies along with BP Plc and Statoil ASA are being probed by European antitrust regulators about potential manipulation of oil prices.

The investigation by the European Commission shines a light on how price reporting companies including Platts, the energy news and data provider owned by McGraw Hill Financial Inc., help determine the cost of raw materials used in everything from plastic bags to jet fuel. The suspected violations are related to the Platts' Market-On-Close assessment process, or so-called window, and may have been ongoing since 2002, Statoil said.

[Britain urges oil firms to comply with probe](#)

LONDON (Reuters) - Britain expects oil firms to fully comply with a European Commission's probe into energy pricing and would be deeply concerned if prices have been driven up, a spokesman for Prime Minister David Cameron said on Wednesday.

[WTI Crude Near Two-Week Low; Europe Probes Oil Pricing](#)

West Texas Intermediate crude fell for a fifth day in its longest run of declines since December. Antitrust regulators are questioning European oil companies about possible manipulation of prices.

Futures traded near their lowest closing level in almost two weeks in New York. Crude inventories gained 1.1 million barrels last week, the industry-funded American

Petroleum Institute said yesterday. A government report today may show stockpiles climbed 450,000 barrels, according to a Bloomberg survey. Royal Dutch Shell Plc, BP Plc, Statoil ASA and Platts said they're being investigated after the European Commission conducted raids on their offices in three countries.

"The world will remain well-supplied," said Andrey Kryuchenkov, an analyst at VTB Capital in London. "Higher prices lately have triggered a boost to capacity that will continue to outpace slack post-crisis demand growth."

[Nebraska could see another spike in gas prices](#)

Drivers in the Plains states, including those in Nebraska, could be paying another 10 to 20 cents a gallon for gasoline in the next few days, and that's on top of the 15- to 20-cent increases of the past week, according to industry analysts at GasBuddy.com

"Most states have seen increases over the past week, and the national retail average reflects that with a 6-cent-per-gallon increase, but clearly, these states have gotten the brunt of it," said Patrick DeHaan, senior petroleum analyst, GasBuddy. He was referring to North Dakota (up \$0.19 per gallon over the past week), Kansas (\$0.17), Nebraska (\$0.16), Iowa (\$0.15), Oklahoma (\$0.14), South Dakota (\$0.13) and Minnesota (\$0.12).

[Ex-Goldman Trader Saiz's Fund Assets Drop 86% Following Loss](#)

Vector Commodity Management LLP's assets under management slumped 86 percent this year after losing money since 2011.

The energy hedge fund run by former Goldman Sachs Group Inc. trader Gilbert Saiz managed \$43 million by the end of April, according to a letter to investors obtained by Bloomberg News. Its December statement showed assets of \$318 million. Vector's trading of mainly crude and oil products resulted in a 4.9 percent loss from January through April, the letter showed. A Vector executive in London, who asked not to be named in line with company policy, declined to comment by phone today.

[Pertamina embarks on shale gas exploration](#)

Indonesia's biggest energy firm, PT Pertamina, will tap into shale gas exploration this year in the state-controlled company's bid to discover unconventional natural gas amid dwindling crude oil production.

Pertamina CEO Galaila Karen Agustawan signed the production-sharing contract of the Sumbagut block in North Sumatra during the inauguration of the of the 37th Indonesian Petroleum Association (IPA) convention in Jakarta on Wednesday.

[Brazil Oil Auction Gathers Drillers With Taste of Africa](#)

More than 60 oil companies are set to bid on exploration permits offshore Brazil, taking on risks of drilling in virgin waters after similar geology across the Atlantic in Ghana and Ivory Coast yielded major discoveries.

Contestants in Brazil's first oil auction in five years range from Exxon Mobil Corp. and Chevron Corp., the largest U.S. producers by market value, to Brazilian startup Ouro Preto Oleo & Gas, a government registry shows. They're betting that deep-water deposits off the northern coast hold reserves like those found thousands of miles across the ocean in Africa's Gulf of Guinea. The two-day sale, estimated to generate as much as \$5 billion for the government, started today in Rio de Janeiro.

[Russia Seeks \\$2 Billion Gain With Oil Extraction Tax Increase](#)

Russia's Finance Ministry is seeking to raise \$2 billion by raising taxes on crude output as the world's largest oil-producing nation seeks to boost budget revenue, according to a plan presented to government officials.

A higher mineral extraction tax rate will be partly offset by a decrease in export duties, according to the document. The budget's gain is based on an average oil price of \$100 a barrel.

[Anadarko's Walker Named Chairman as Hackett's Reign Ends](#)

Hackett remade Anadarko through deep-water exploration projects in Africa and the Gulf of Mexico and more than \$21 billion in acquisitions. Analysts are looking for Walker, 56, to extract more value from the oil and natural gas assets Hackett assembled, while helping the company move beyond an environmental lawsuit and its association with BP Plc's 2010 Macondo oil spill in the Gulf of Mexico.

[Greece to break up state-owned power company by 2016](#)

ATHENS -- Greece's conservative-led government has announced plans to break up the state-run Public Power Corporation by 2016, as part of a privatization program demanded by the crisis-hit country's creditors.

[Taiwan to sanction Philippines, send naval ships in fishing spat](#)

TAIPEI (Reuters) - Taiwan on Wednesday recalled its envoy to the Philippines, froze applications for work permits and ordered military exercises in waters between the two sides to press its demand for an apology for the shooting death of a Taiwanese fisherman.

[Andrew Weaver makes history in BC, becomes first Green in provincial legislature](#)

Andrew Weaver — a University of Victoria climate scientist — has won his seat in the Vancouver Island riding of Oak Bay-Gordon Head becoming the first Green Party candidate elected to a provincial legislature in all of Canada.

[B.C. vote shifted on one word: Pipelines](#)

The NDP looked way ahead before voters went to the polls in British Columbia. Then it all changed. Why? One word: “Pipelines.” Or more precisely, two: “Kinder Morgan.”

Until two weeks ago it was the election of the NDP’s Adrian Dix to lose. Then he got greedy. Worried about an emerging Green threat, Mr. Dix sought to pre-empt the party by going greener-than-thou, specifically by promising to ban significantly greater tanker traffic out of the port of Vancouver, which would doom the export of Alberta oil to the Pacific. This was a stunning turnabout on a clear promise to withhold judgement until the pipeline application had been filed with details made available.

His gamble failed and, more importantly for the future of the NDP, the Greens elected their first MLA. This will split the vote on the left for years to come.

[Ex-BP Engineer Says U.S. Withheld Evidence in Spill Case](#)

A former BP Plc (BP/) engineer charged in the first criminal case arising from the 2010 Gulf of Mexico oil spill said U.S. prosecutors withheld evidence that might clear him and urged a judge to sanction them.

[Why natural gas exports would benefit clean energy](#)

The renewable energy industry would benefit from higher natural gas prices--and higher coal prices, for that matter--since, as these fuels for electric power plants become dearer, renewable energy sources become more competitive. The costs for renewables are in the production and installation of the solar panels, wind towers and dams; the fuels--sunlight, wind, and water--are essentially free.

[Fuel-Cell cars set to gain momentum in US, but will consumers want to pay for the vehicles?](#)

Considered by many to be more efficient than even electric vehicles, fuel cells aren’t limited by the dynamics of thermodynamics, notes NextGreenCar, which enables them to achieve higher conversion efficiencies than conventional engines that only make use of 20 percent-25 percent of the fuel’s energy (as in gas-powered cars) – fuel cells can achieve up to 60 percent.

M-B-Hydrogen-FCVHowever, unlike a battery the reactants – fuel and oxygen – have to be continually supplied for an electric current to be produced.

Fuel cell vehicles have been known to have a driving range of up to 240 miles or more.

[North Carolina May Ban Tesla Sales To Prevent “Unfair Competition”](#)

From the state that brought you the nation’s first ban on climate science comes another legislative gem: a bill that would prohibit automakers from selling their cars in the state.

The proposal, which the *Raleigh News & Observer* reports was unanimously approved by the state’s Senate Commerce Committee on Thursday, would apply to all car manufacturers, but the intended target is clear. It’s aimed at Tesla, the only U.S. automaker whose business model relies on selling cars directly to consumers, rather than through a network of third-party dealerships.

[Petrobras Besting Sugar Mills in Ethanol Boom](#)

Petroleo Brasileiro SA, the state-run oil producer, stands to profit the most from Brazilian measures to boost ethanol output as rising biofuel supplies reduce the need to sell imported gasoline at a loss.

[£11billion energy smart meter roll out delayed by a year because 'more time is needed for testing'](#)

The roll out of energy smart meters in to 30 million UK homes is being delayed by a year because more time is needed to design and test products, the government has announced.

The £11billion project will start in the autumn of 2015, rather than next summer, the Department of Energy and Climate Change (DECC) said.

[Homeowners Warm to Solar Power](#)

When Linda and Jay Mathews moved back to their native California nearly two years ago — after 20 years in New York and Washington — they found their dream home in Pasadena. It had everything they wanted, plus a few items not on their shopping list. Among the latter: solar panels on the roof that keep their electric bill to about \$100 a year, less than what they paid *each month* when they were living in the East.

Moreover, because the power generated by their panels contributes to the region's overall electric grid, they also receive credit for energy they produce but don't use — a policy known as "net metering," which adds additional savings to their overall electric costs.

[US holds wind farm radar tests](#)

The US Federal Aviation Administration (FAA) has conducted trials on technologies designed to solve the problem of wind farms' impact on radar.

The tests were organised by the Federal Aviation Administration, Department of Defense, Department of Homeland Security and Department of Energy, and assessed by the Massachusetts Institute of Technology Lincoln Laboratory.

[Fewer Rain Forests Mean Less Energy for Developing Nations, Study Finds](#)

The loss of tropical rain forests is likely to reduce the energy output of hydroelectric projects in countries like Brazil that are investing billions of dollars to create power to support economic growth.

[UN: Eat more insects; good for you, good for world](#)

ROME (AP) — The latest weapon in the U.N.'s fight against hunger, global warming and pollution might be flying by you right now.

Edible insects are being promoted as a low-fat, high-protein food for people, pets and livestock. According to the U.N., they come with appetizing side benefits: Reducing greenhouse gas emissions and livestock pollution, creating jobs in developing countries and feeding the millions of hungry people in the world.

[Potato may help feed Ethiopia in era of climate change](#)

With unpredictable annual rainfall and drought once every five years, climate change presents challenges to feeding Ethiopia. Adapting to a warming world, the potato is becoming a more important crop there – with the potential to feed much of Africa.

[Canada Sells Out Science](#)

Over the past few years, the Canadian government has been lurching into antiscience territory. For example, they've been muzzling scientists, essentially censoring them from talking about their research. Scientists have fought back against this, though from what I hear with limited success.

But a new development makes the situation appear to be far worse. In a stunning announcement, the National Research Council—the Canadian scientific research and development agency—has now said that they will only perform research that has “social or economic gain”.

[Crucial Carbon Dioxide Reading Revised Downward](#)

One of the two programs that monitor greenhouse gases said on Monday that it had revised a reading from last week suggesting that carbon dioxide in the air had surpassed the symbolic level of 400 parts per million.

The new reading by the National Oceanic and Atmospheric Administration is 399.89 parts per million for the 24 hours that ended at 8 p.m. Eastern Daylight Time on Thursday. However, a second monitoring program run by the Scripps Institution of Oceanography continues to show a level of 400.08 parts per million for the same period – a historic level indicative of the rapid rise in human-produced emissions.

[Biggest Emitter China May Not Import Carbon Credits for Decades](#)

China, the world's biggest emitter of greenhouse gas, will probably avoid importing carbon credits for two decades, as diplomats worldwide craft a new emissions market that will increase supply, the nation's climate negotiator said.

Using offsets from outside China in that period is an "unlikely scenario," Su Wei said in a May 2 interview in Bonn. "Rather, internally we will have a lot of offsetting credits."

[Cutting Carbon Dioxide Isn't Enough](#)

This effort should not be confused with ongoing efforts to capture CO₂ and sequestering it at its source, for example, from outgoing flue gas from coal-fired power plants. That area is important, too, but it's already being explored, and the technological demands are quite different.

Extracting CO₂ from the atmosphere, even with its current level of 400 ppm, is very different—and in some ways more difficult—than extracting it from flue gas, where the CO₂ concentration is much greater. But on the brighter side, extracting ambient CO₂ from the atmosphere does not have to be anywhere near 100 percent efficient. Both of these factors imply different constraints on the extraction process that will affect its ultimate cost.

[6 big challenges confronting the Arctic Council](#)

During Wednesday's sessions, the conference agreed to let nations that are far from Earth's north to become observers to the council's operations.

The decision boosts rising superpowers China, India and Korea, which seek to mine the north of its untapped energy and other natural resources. The European Union also was tentatively granted observer status but must first address several questions about its bid, including concerns about its ban on Canadian seal exports.

[Arctic nations must urgently improve rescue services - Canadian experts](#)

OSLO (Reuters) - Arctic nations must urgently improve rescue services in the resource-rich region that is opening up fast to shipping, energy and mining companies, Canadian experts said on Monday.

As sea ice thaws rapidly, ships are increasingly using a shortcut between the Atlantic and the Pacific, and competition is intensifying for Arctic oil and gas - estimated at 15 percent and 30 percent respectively of undiscovered reserves.

[Ice melt, sea level rise, to be less severe than feared - study](#)

OSLO (Reuters) - A melt of ice on Greenland and Antarctica is likely to be less severe than expected this century, limiting sea level rise to a maximum of 69 cm (27 inches), an international study said on Tuesday.

Even so, such a rise could dramatically change coastal environments in the lifetimes of people born today with ever more severe storm surges and erosion, according to the ice2sea project by 24, mostly European, scientific institutions.

[For Insurers, No Doubts on Climate Change](#)

From Hurricane Sandy's devastating blow to the Northeast to the protracted drought that hit the Midwest Corn Belt, natural catastrophes across the United States pounded insurers last year, generating \$35 billion in privately insured property losses, \$11 billion more than the average over the last decade.

And the industry expects the situation will get worse. "Numerous studies assume a rise in summer drought periods in North America in the future and an increasing probability of severe cyclones relatively far north along the U.S. East Coast in the long term," said Peter Höppe, who heads Geo Risks Research at the reinsurance giant Munich Re. "The rise in sea level caused by climate change will further increase the risk of storm surge." Most insurers, including the reinsurance companies that bear much of the ultimate risk in the industry, have little time for the arguments heard in some right-wing circles that climate change isn't happening, and are quite comfortable with the scientific consensus that burning fossil fuels is the main culprit of global warming.

"Insurance is heavily dependent on scientific thought," Frank Nutter, president of the Reinsurance Association of America, told me last week. "It is not as amenable to politicized scientific thought."



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