



DrumBeat: May 29, 2008

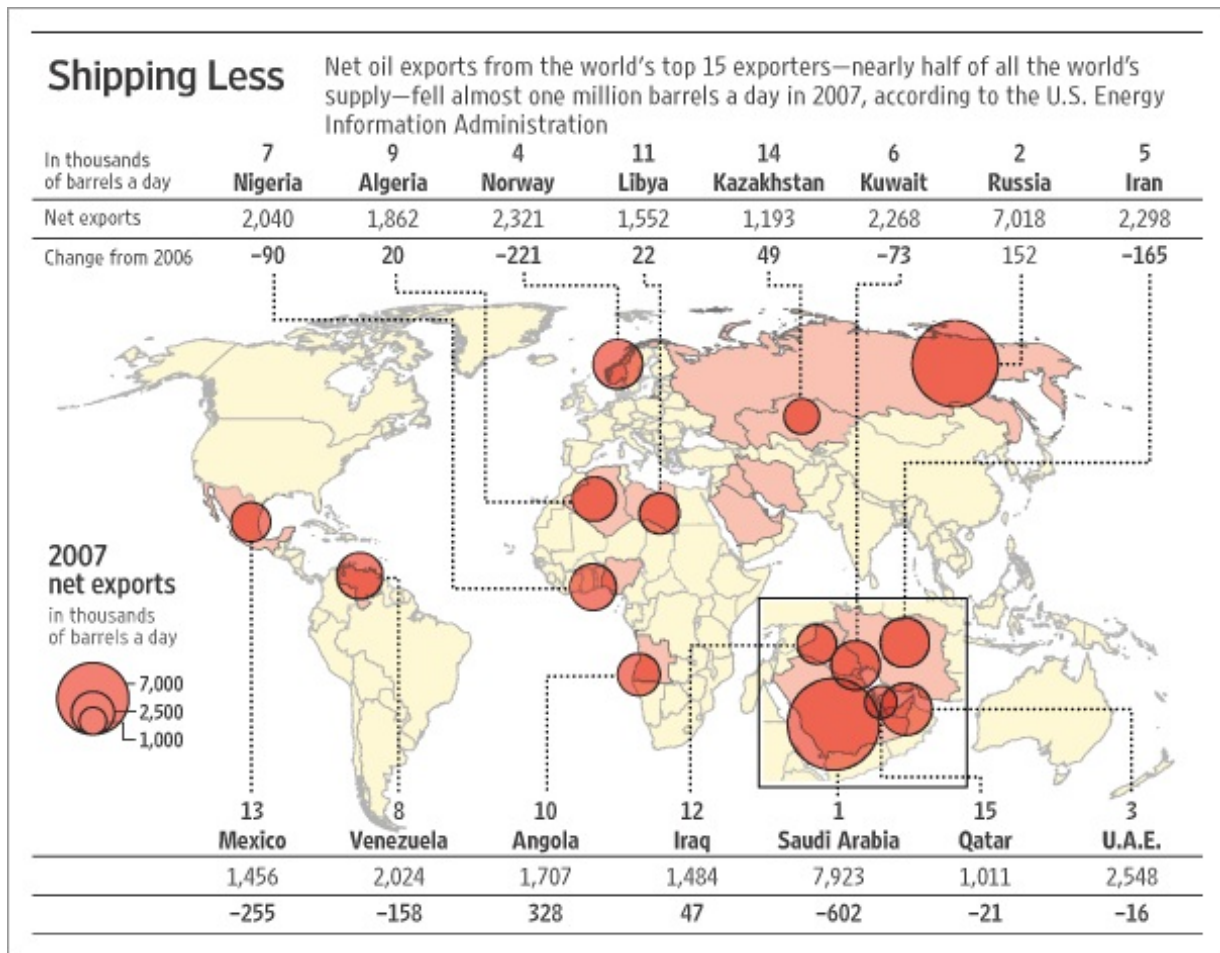
Posted by [Gail the Actuary](#) on May 29, 2008 - 9:19am

Topic: [Miscellaneous](#)

[WSJ: Oil Exporters Are Unable to Keep Up with Demand](#)

The world's top oil producers are proving unable to put more barrels on thirsty world markets despite sky-high prices, a shift that defies traditional market logic and looks set to continue.

Fresh data from the U.S. Department of Energy show the amount of petroleum products shipped by the world's top oil exporters fell 2.5% last year, despite a 57% increase in prices, a trend that appears to be holding true this year as well.



[Mexico's Plan to Open Oil Market May Not Solve Production Woes](#)

Mexico's planned opening to foreign oil companies may come too late to make up for a fall in the country's production.

At current rates of decline, Mexico will become a net oil importer by 2016, and maybe sooner, according to the Energy Ministry.

[Are Energy Markets In For Storm-Tossed Season?](#)

As if the energy markets weren't jittery enough: Sunday marks the start of the first hurricane season in the era of \$100-plus oil.

Although severe storms rarely hit until July, market experts say the approaching prospect of major summer storms already is contributing to the skyward push of oil and natural-gas prices. Once a hurricane actually begins traveling through the tropics, prices could spike higher as investors begin buying on fears of supply disruptions to oil facilities in the Gulf of Mexico.

[U.K. Cuts Taxes on Oil Fields, Opens Areas to Development](#)

The British government, pressed for solutions to soaring fuel prices, said it will exempt about 30 existing North Sea crude-oil and natural-gas fields from some taxes and approved the development of two new North Sea oil fields, which could begin production in early 2009.

But the measures, announced as U.K. Prime Minister Gordon Brown and Chancellor of the Exchequer Alistair Darling met with U.K. oil-industry executives to explore ways to increase oil and gas production, seemed unlikely to significantly alter Britain's fuel-price problems.

[Rebuffing The Rockefellers](#)

Exxon Mobil yesterday fended off a revolt by descendants of company founder John D. Rockefeller Sr. at the firm's annual meeting in Dallas and defeated a shareholder resolution that would have divided the jobs of chairman and chief executive, now both held by Rex W. Tillerson.

[There's No More Free Munch](#)

If you thought being charged \$15 to check your first bag on an airline trip was the final

insult: Yesterday, US Airways said it will stop serving free snacks. What's next? Reusable air-sickness bags? Coin-operated toilets?

[Crude Analysis](#)

Earlier this month, Murti, 39, and Currie, 41, raised their forecast for crude oil to \$141 a barrel for the second half of this year and reiterated their prediction that oil would have a "super-spike" to \$150 to \$200 a barrel.

Prices jumped immediately. It was the third increase in Goldman price predictions in five months and the fifth time in four years that the firm's analysts had pushed past what people previously thought possible. Every other time the Goldman team had turned out to be right.

[Natural Gas in Pause Mode](#)

The cost of a gallon of gas gets all the headlines, but the natural gas that will heat many American homes next winter is going up in price as fast or faster. That fact makes the scene in the languid, alligator-infested marshland here in coastal Louisiana all the more remarkable.

Only a month after Cheniere Energy inaugurated its \$1.4 billion liquefied natural gas terminal here, an empty supertanker sat in its berth with no place to go while workers painted empty storage tanks.

[\\$3.99 Pump Ceiling, and Gas Sells by Half-Gallon](#)

For a brief moment on Wednesday morning, the gas pump at Gary Staiano's Texstar service station in Bellerose, Queens, turned into a time machine. After 11.3 gallons was pumped into a Pontiac Grand Am, the meter read \$23, or \$2.03 a gallon, a price not seen in more than three years.

Then Mr. Staiano transported his customer back to reality when he doubled the total at the cash register.

[Increase in Oil Prices Lifts Energy Sector](#)

Stocks rose for a second day as a rebound in oil prices set off a late-day rally in energy shares, and a better-than-forecast report on durable goods orders lifted industrial companies.

Exxon Mobil, the nation's largest oil company, led gains in 34 of 36 energy companies in the Standard & Poor's 500-stock index after oil erased a decline of more than \$2 a barrel. Caterpillar and Alcoa helped send the Dow Jones industrial average higher after the government said durable goods orders, excluding transportation, unexpectedly increased in April.

[Sapphire Energy turns algae into 'green crude' for fuel](#)

A San Diego company said Wednesday that it could turn algae into oil, producing a

green-colored crude yielding ultra-clean versions of gasoline and diesel without the downsides of biofuel production.

The year-old company, called Sapphire Energy, uses algae, sunlight, carbon dioxide and non-potable water to make "green crude" that it contends is chemically equivalent to the light, sweet crude oil that has been fetching more than \$130 a barrel in New York futures trading.

[Work-at-home programs may be shortest route to fuel relief](#)

Studies show that you only need to take 5% of cars off the road to make a difference," said Sarah Catz, director of UC Irvine's Center for Urban Infrastructure. "I remember the 1984 Olympics. I could just sail down the 405."

These days, it's an Olympic event simply getting to work.

American drivers spent 4.2 billion hours stuck in traffic in 2005, according to a recent report from the Texas Transportation Institute. That's about 38 hours per driver, or nearly an entire workweek.

[Incentives provide buzz to energy-efficiency effort](#)

You don't have to be the brightest bulb in the building to know a good deal when it comes along. Commonwealth Edison and Ameren are about program for commercial and industrial consumers of electricity.

[A close-to-home vacation may help keep your job](#)

A leisurely vacation in the south of France? Forget about it. It's time to bid adieu to any hope of a two-week trip to the Riviera and say, "Hello, Six Flags." Such is the wisdom that may be gleaned from a report out today from Challenger, Gray & Christmas Inc., a global outplacement consulting firm.

With gas prices getting close to \$4 a gallon and with job insecurity rampant, Americans may want to consider shorter vacations close to home, Challenger, Gray & Christmas said.

[State can't wait for producers to build gas line, Palin team says](#)

The state can't afford not to support TransCanada Corp.'s proposal for a natural gas pipeline, Gov. Sarah Palin and her aides said Wednesday.

[British Energy hit by second plant closure](#)

The troubled auction of British Energy suffered a fresh blow yesterday after the group admitted that it had been forced to shut down its second nuclear reactor in a little over 24 hours, further eroding confidence in its assets.

The company said last night that one of its two reactors, at Hunterston, Scotland, had been forced to close shortly before 2pm yesterday because of a technical issue.

[Take a lead: keep petrol expensive](#)

Yet lurking beneath the tangled bureaucratic language and the nervous justifications for paying another political ransom, it is just possible to discern the outline of a sensible approach.

[British Energy 'able to go it alone'](#)

BRITISH Energy has a strong future and can develop new nuclear plants even without a partner, its chief executive said yesterday, as the company fended off questions about bidders.

[You think fuel prices are bad? Historically, they're not - and we've graphed it](#)

Yes, fuel prices at the pump are high in absolute terms. Yet when you compare them over time and adjust for inflation, some surprising results emerge.

Using data from the AA, with prices (for four-star fuel) going back to 1903, and mixing in the inflation data (which goes back to 1750, though cars don't), you get the graph below, showing the real price of fuel over the past century.

[Tax U-turn to boost North Sea oil](#)

Oil industry leaders are anticipating more North Sea tax relief after the first signs of a Government U-turn. Modest tax changes were announced yesterday as the Prime Minister and Chancellor intervened to try to boost flagging production.

[Asian countries begin to burst the oil bubble](#)

One by one, countries across Asia and the Middle East are being forced to abandon price controls on fuel and energy, bringing hundreds of millions of consumers face to face with the true market cost of oil. The effect has already begun to chip away at world demand and may ultimately trigger a slide in crude prices.

[The lights may be going out but power cuts provide an ugly vision of Britain's future](#)

Half a million people hit by power cuts on Tuesday may just have had a sneak preview of what the future holds.

Environmentalists yesterday seized on the blackouts as evidence of Britain's over-dependence on a handful of ageing power plants, while electricity producers claimed a series of unfortunate coincidences were to blame.

[Public ownership to hydro power secured](#)

The Ministry of Petroleum and Energy has presented a white paper to Parliament

(Stortinget) on law amendments, stating that Norway's hydro power resources will remain in public possession.

[Increased popularity of diesel cars pushes up fuel price](#)

The past spring has been an exceptional one on the motor fuel market in Finland. May 2008 was the first time that diesel oil has cost more on the world market than the more refined petrol, or gasoline.

"This is truly remarkable. I don't remember anything like it", says Jarmo Nupponen, managing director of the Finnish Oil and Gas Federation.

Usually, with the onset of spring, when the need for heating oil decreases and driving increases, less-refined distillates, including diesel fuel, fall in price and petrol becomes more expensive.

[Emergency cars to be switched to helicopters in Moscow](#)

Moscow authorities are considering the plan of small aircrafts penetration in Moscow. Particularly, there was considered a plan of switching emergency cars to small helicopters.

One of the authors of this plan, ecologist Sergey Shvedov, says: 'There are a lot of traffic jams in Moscow. That's why emergency cars often don't have time to take patients to the hospital. The use of small helicopters will solve this problem'.

[European Parliament Urged Gazprom to Find Another Route for Nord Stream](#)

European Parliament's PETI concluded that Nord Stream gas pipeline that Gazprom intends to lay offshore via the Baltic Sea from Russia to Germany would threaten the environment and proposed to consider some other routes for this purpose.

[Pioneers show Americans how to live 'off-grid'](#)

With energy prices going through the roof, an alternative lifestyle powered by solar panels and wind turbines has suddenly become more appealing to some. For architect Todd Bogatay, it has been reality for years.

When he bought this breezy patch of scrub-covered mountaintop with views to Mexico more than two decades ago, he was one of only a few Americans with an interest in wind- and solar-powered homes.

Now, Bogatay is surrounded by 15 neighbors who, like him, live off the electricity grid, with power from solar panels and wind turbines that he either built or helped to install. "People used to be attracted to living off-grid for largely environmental reasons, although that is now changing as energy prices rise," he said, standing in blazing sunshine with a wind turbine thrashing the air like a weed whacker overhead.

[PPP senator to push for cut in OMCs' margins, taxes on oil](#)

KARACHI: A senior leader of Pakistan People's Party (PPP) on Wednesday said she is going to push for a cut in margin of oil marketing companies (OMCs) and state taxes when she meets senior government officials in the next few days.

Senator Rukhsana Zuberi told The News that talks would focus on ways to ease petroleum product prices at pumps by slashing avoidable taxes and capping profits of marketing companies.

[OCAC wants fuel price burden reduced for poor](#)

ISLAMABAD: The Oil Companies Advisory Committee (OCAC), in a meeting with the Economic Advisory Council (EAC), asked it to reduce high fuel price burden on poor through a holistic approach involving the entire petroleum sector.

[Dhaka to seek \\$2b IDB loan for oil import](#)

DHAKA: Bangladesh will ask the Islamic Development Bank (IDB) to double its annual loan to \$2 billion for the next year because of ballooning costs of oil imports, a senior government official said on Wednesday. "We will request the IDB to increase are unable to cope with the rocketing oil prices in the international markets," said M. Tamim, responsible for the ministry of power, energy and mineral resources in the interim army-backed government.

[IOC posts mega loss, warns of shortages](#)

No more petrol or diesel? We haven't got there yet, but the nightmare may well come true, if Indian Oil chairman Sarthak Behuria is to be believed.

State-run oil retailers will run out of money to pay for crude imports in the next few months unless the government raises prices of petrol and diesel. On Wednesday, Indian Oil Corporation, the biggest of the firms, warned of fuel shortages countrywide.

[Fuel prices may rise next week](#)

New Delhi: The government is expected to take a decision on petrol and diesel prices next week, officials said on Tuesday as state-owned oil marketing companies mounted pressure for a steep hike in retail prices of the auto fuels.

A hike in government-controlled prices of petrol and diesel is "inevitable," Petroleum Secretary MS Srinivasan said after a meeting with chief executives of oil companies. "The situation is alarming and we want to stem the rot at the beginning."

[Tax Cuts Likely to Benefit Russian Oil Service Companies](#)

Russian oil-field service companies could be among the biggest winners as the government slashes oil-sector taxes in a bid to revive stagnating production, industry participants say.

After annual growth of up to 10% at the start of the decade, Russia - the world's second-largest crude producer - saw output edge up by just 2.2% last year, with oil production down 0.1% year to date as what many deem an excessive tax burden hampers investment in new fields.

[Qantas wields hatchet as jet fuel bill jumps by \\$2b](#)

QANTAS had its credit rating cut by Standard & Poor's yesterday as the airline announced a savage round of cuts in services and jobs to cope with record high oil prices.

The credit and debt ratings on Qantas were cut to negative from stable because surging fuel prices will probably "undermine" the company's earnings and hurt cash flow, Standard & Poor's said.

[XTO Energy Deal Highlights Interest in U.S.-Canada Field](#)

XTO Energy Inc. agreed to pay \$1.85 billion for drilling rights in an oil-producing area near the U.S.-Canadian border, highlighting the once-obscure field's growing importance. The move also reflects rising confidence by energy companies that oil will stay above \$100 a barrel.

The Fort Worth, Texas, oil and natural-gas producer said it will buy rights to 352,000 acres in the Bakken Shale, which stretches across Montana, North Dakota and Saskatchewan, from closely held Headington Oil Co. XTO will pay \$1.06 billion in cash and \$790 million in stock. The deal is expected to close July 15.

[Ranchers Get OK to Graze Animals on Protected Land](#)

The U.S. Agriculture Department Tuesday announced it would help livestock producers struggling with record feed prices by letting growers, nationwide, harvest hay and graze animals on millions of fragile acres set aside in a landmark conservation program.

USDA Secretary Ed Schafer said the initiative could bring up to 24 million acres of land into use. That could provide 18 million tons of feed and forage, worth \$1.2 billion. Farmers who participate will still have to protect the most sensitive areas, like wetlands and buffer strips along streambeds. . . .

"(This) will significantly increase the amount of feed available to the livestock industry," Schafer said.

[Gas prices may knock a big hole in Georgians' boating](#)

Leisure activities always take a hit during a downturn, and rising gas prices aren't helping.

A sampling taken Saturday of about a dozen marinas on Lake Lanier found regular gas

going for \$4.39 to \$5 per gallon.

Marina managers say their prices are higher than at gas stations on land because their sales are seasonal, and they have to employ dock hands and pay for extra equipment and environmental insurance to protect against spills.

Prices like these guarantee boaters a tab for each fill-up well into triple digits, sometimes topping \$1,000.

[Russia May Increase Oil Production in 2008 - Natural Resources Official](#)

"We will either post a production gain or stay at the same level as 2007," he said.

Fyodorov rejected the notion that Russian oil production has peaked. "We will have growth until 2020," he said.

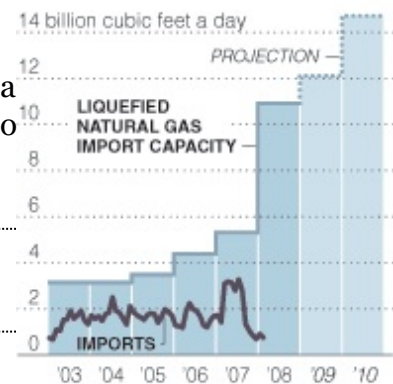
[Global Demand Squeezing Natural Gas Supply](#)

The nearly idle terminal is a monument to a stalled experiment, one that was supposed to import so much L.N.G. from around the world that homes would be heated and factories humming at bargain prices.

But now L.N.G. shipments to the United States are slowing to a trickle, and Cheniere and other companies have dropped plans to build more terminals.

More Capacity, Less Gas

Companies have been building capacity to import liquefied natural gas. But as imports have fallen in the last few months, much of it is idle.



Source: Energy Information Administration THE NEW YORK TIMES

[B.C. has 'huge' energy potential, says Encana](#)

VANCOUVER - British Columbia is emerging as a North American energy "powerhouse" thanks to vast untapped natural gas reserves that have exploration companies scrambling for a share of the resource, a senior executive with EnCana said on Wednesday. . .

The most persistent challenge is cost.

Cutbank and Greater Sierra, which encompass the Horn River and Montney areas that have been the focus of fevered bidding in recent months, are expensive to drill and develop compared to conventional gas plays in Alberta and the U.S. lower 48 states.

That means they aren't economic to drill unless gas is priced on North American markets at \$9 a gigajoule.

[Oilsands: Total Joslyn Mine Delayed on Environmental Hearing, Globe Says](#)

Total SA's Joslyn mine in Canada will be delayed until 2014 because regulatory hearings on its environmental impact will begin later than expected, the Globe & Mail reported, citing the head of the company's local unit.

The project had been planned to come on-stream in 2013, Total's Michael Borrell was quoted as saying. The company will lose a winter of construction, including work such as ditching and drainage, because of the delay to the inquiry, he said, according to the newspaper.

[Lukoil, Gazprom Find Oil at Tsentralnaya in Caspian \(Update2\)](#)

OA O Lukoil, Russia's largest independent crude producer, and state-run OA O Gazprom found a "major" oil field after drilling the first exploration well at the Tsentralnaya site in the Caspian Sea.

"The well gushed a fountain of low-sulfur oil during field tests," Moscow-based Gazprom and Lukoil said today in joint e-mailed statements.

The site, in the Russian part of the Caspian near the border with Kazakhstan, may hold 3.8 billion barrels of oil and 91.7 billion cubic meters of gas, the companies said after setting up a joint venture in 2003. Lukoil at the time said it may cost as much as \$12 billion to develop.

[Tax Cuts Likely to Benefit Russian Oil Service Companies](#)

Russian oil-field service companies could be among the biggest winners as the government slashes oil-sector taxes in a bid to revive stagnating production, industry participants say.

[CIBC World Markets: Will Soaring Transport Costs Reverse Globalization? \(PDF\)](#)

Globalization is reversible. Higher energy prices are impacting transport costs at an unprecedented rate. So much so, that the cost of moving goods, not the cost of tariffs, is the largest barrier to global trade today. In fact, in tariff-equivalent terms, the explosion in global transport costs has effectively offset all the trade liberalization efforts of the last three decades. Not only does this suggest a major slowdown in the growth of world trade, but also a fundamental realignment in trade patterns. . .

With oil prices now accounting for almost half of total freight costs, it should come as no surprise that soaring oil prices have translated directly into soaring transport costs (Chart 1). Over the last three years, every one dollar rise in world oil prices has fed directly into a 1% rise in transport costs.



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