



DrumBeat: May 30, 2008

Posted by [Gail the Actuary](#) on May 30, 2008 - 9:46am

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[Amid a sell-off, oil market may have to stop believing its PR](#)

Did record oil prices just get talked to death -- or at least into a short-term coma?

Crude oil futures slumped 3.4% today, the biggest decline in two months, after weeks of headlines suggesting that energy prices were in an unstoppable upward spiral.

"We do know that oil has been the most talked about thing recently, and that things often top or bottom when their moves have attracted a lot of attention," said Brent Luce, a portfolio manager at investment firm CapitalWorks in Cleveland.

[Pulse racing ahead with Chinese energy projects](#)

PULSE Energy has fewer than 10 full-time staff but that hasn't stopped it securing a contract for one of the biggest renewable energy projects in the world. . . .

About 90 per cent of Pulse's activity is in China where, among about \$3 billion of contracts, it is working on a 1000 megawatt wind farm in inner Mongolia.

[Santos turns up the gas](#)

SANTOS has confirmed that coal seam gas processing in Queensland will soon be a multibillion-dollar industry by selling oil and gas giant Petronas a 40 per cent stake in its CSG operations and planned Gladstone plant.

The \$US2.5 billion (\$A2.6 billion) deal, with Malaysian government-owned Petronas – the world's third-largest LNG producer – includes an upfront payment of \$US2 billion.

[New Zealand services under scrutiny in Qantas operations review](#)

Transtasman and New Zealand domestic services are part of a Qantas review of operations which has already seen sweeping cuts to help offset the extra \$2 billion in fuel costs it faces this year.

[Indonesia fuel price hike necessary to curb poverty: minister](#)

JAKARTA (AFP) -- The Indonesian government's decision to hike the price of fuel by around 30 percent last week was necessary to tackle poverty and inflation, a minister said Thursday.

Information minister Mohammad Nuh defended the price rise amid nearly daily protests across the country and accusations that a cash transfer scheme aimed at softening the impact of the rise was not going to those in need.

[US-made oil disaster has mileage](#)

The short answer is that the US Federal Reserve was in large part responsible for the oil price explosion and its volatility, while two successive US administrations have created the oil supply shortfall, again adversely affecting oil prices.

[CNOOC's focus not international](#)

CNOOC Ltd, China's biggest offshore oil producer, said overseas acquisitions won't be the main driver of future growth.

The company will rely on existing businesses as its growth engine while overseas asset purchases and takeovers are just one aspect of the overall strategy, Chairman Fu Chengyu said after the annual general meeting in Hong Kong yesterday.

[New Lukoil, Gazprom Field Holds 100M Tons of Oil](#)

The Caspian oil and gas field discovered jointly by Russia's OAO Gazprom (GAZP.RS) and OAO Lukoil (LKOI.RS) could hold more than 100 million metric tons, or around 730 million barrels, of oil, a person familiar with the matter told Dow Jones Newswires Thursday.

Earlier the same day, the two companies said they had "discovered a large oil and gas condensate field" in the Caspian Sea's central structure. The companies said they have started a feasibility study of the field, which is located 150 kilometers from Makhach-Kala on the border between Russia and Kazakhstan.

[No rise in electricity exports](#)

Cape Town - Public Enterprises Minister Alec Erwin has denied that South Africa increased its exports of electricity in the first three months of this year, saying that in fact exports fell by 8%.

At the same time, he said, imports also fell.

[Eskom CEO: Crisis to last years](#)

Johannesburg - The power shortage that has slowed South Africa's growth and

frightened investors will go on for years, the head of Eskom warned on Thursday.

Eskom, which produces about 95% of South Africa's electricity, has rationed power through load-shedding since January, when the national grid virtually collapsed and millions were plunged into darkness.

[Blackouts: Prepare for the worst](#)

Johannesburg - South African power utility Eskom on Thursday warned that it could take about two weeks to bring South Africa's power system back up if it were to collapse. . . .

"I don't want to be alarmist," said Maroga, "but the consequence of a nationwide blackout is not fully understood."

[AZERBAIJAN SEES POSITIVE SIGNS FOR ENERGY PARTNERSHIP WITH TURKMENISTAN](#)

Azerbaijani President Ilham Aliyev has recently stepped up his ongoing campaign to promote Azerbaijan as the key to Europe's energy security at a recent energy summit in Kyiv. But this is a role in which Baku needs a supporting actor. Azerbaijani experts believe that the Aliyev administration now has agreements with Turkmenistan to play that part. . . .

If that trend continues, Shaban believes, an agreement between Azerbaijan and Turkmenistan on delineation of their territorial lines could be forthcoming by the time of the summit of Caspian Sea littoral states (Azerbaijan, Iran, Kazakhstan, Russia, Turkmenistan) in Baku this September.

[Petrobangla seems unable to supply gas to new PDB power projects](#)

DHAKA: Petrobangla wants to sit with the Power Development Board (PDB) to review the gas-based power projects as it may fail to supply gas to the new PDB projects as per commitment. "After examining all possible ways to increase we realise that we need to hold a meeting with the PDB to apprise it of the gas production scenario as we committed to supply gas to their new projects. But unfortunately we may not keep our promise", a top official of Petrobangla told The Independent yesterday.

[First licence for LPG auto-gas station issue](#)

KARACHI: A Lahore-based LPG marketing company on Thursday received a licence for setting up an auto-gas station, the first to regularise the sale of this fuel, which is usually marketed by illegal decanters.

[Subsidy on kerosene being pocketed by industrialists](#)

SLAMABAD: Millions of rupees in government subsidy on kerosene for providing the poor with the fuel are actually pocketed either by paint manufacturers or adulterators.

[Diesel shortage hits truckers again](#)

Doha • Shortage of diesel has hit the local market again after almost a year of the first diesel crisis, says an Arabic daily. Truck drivers and salesmen at petrol stations across the country say there is a severe shortage of the fuel.

The crisis has caused serpentine queues of trucks to be formed in front of several filling stations. Some heavy vehicles are causing traffic jams in Doha and its suburbs as they roam around fuel stations in search of a few gallons of diesel.

[Australia looks for power from hot rocks](#)

Brisbane • A small bleak township in Australia's Outback is sitting on a source of energy that could power the entire nation for thousands of years. Deep beneath the tiny community of Innamincka lie the earth's hottest rocks and the prospect of endless supplies of geothermal energy is exciting investors as far afield as the UK.

The township in South Australia, not far from the fateful riverbank where the explorers Burke and Wills died of hunger and exposure in 1861, has attracted Geodynamics, one of Australia's larger renewable energy producers, keen to exploit the hot rocks 4km below the surface.

[Naryshkin Says Oil Could Slow Growth](#)

Kremlin chief of staff Sergei Naryshkin warned on Thursday against economic complacency but said that if sensible policies were continued then Russia could be one of the world's top five economies by 2020. Naryshkin, who was appointed President Dmitry Medvedev's chief of staff earlier this month, told the ruling United Russia party that economic stability was not guaranteed forever. . . .

Investment bank Goldman Sachs predicts that Russia's economy will overtake Britain, France and Germany over the next few decades to become the biggest economy in Europe. Naryshkin said Russian per capita GDP would reach 70 percent of the equivalent level in the United States by 2030. At present, Russian per capita GDP is just 16 percent of the U.S. level.

[Regulators Step Up Probes Of Trading in Oil Market](#)

The CFTC's announcement about its oil investigation suggested a single, broad probe that began in December 2007. But people familiar with its enforcement priorities say the agency is pursuing multiple oil investigations, and that many of them relate to one another. CFTC enforcement chief Gregory Mocek said the agency has about 60 manipulation investigations open in various commodity markets.

[Platts.Com News Feature: North American Shale Gas](#)

Although much of the industry's attention to future domestic supply has focused on coalbed methane and the deepwater Gulf, shale is making a huge comeback - as

evidenced by the surge in activity in Texas' Barnett Shale, which has propelled Devon Energy to the Lone Star State's largest gas producer. And shale formations in other parts of the country, from Wyoming to Arkansas to Appalachia, are attracting millions of dollars of new investment.

Estimates of how much gas is sandwiched between shallow layers of prehistoric mud now as hard as a chalkboard change constantly as more exploration-and-production companies plunk their bets on those quirky, unconventional plays - and have more success coaxing commercial quantities of gas out of them.

[Ukrainian Leaders Found Themselves on the Opposite Sides of the Pipeline](#)

According to the information of Kommersant, Ukraine's President Victor Yushchenko and Prime Minister Yuliya Tymoshenko have delivered two competing energy plans for the country. Friday, speaking at the Energy Summit in Kiev, Victor Yushchenko suggested creating a gas transporting OPEC, which will transport energy resources omitting Russia. In her turn, Yuliya Tymoshenko intends to settle the gas dispute with Russia promising Russia to prolong the treaty on its Black Sea Fleet deployment and suspend Ukraine's NATO plans.

[Tax windfall enough to cover fuel duty freeze, says IFS](#)

Windfall gains made by the Government from taxes on North Sea oil would more than pay for a postponement of the 2p rise in fuel duty scheduled for this October.

[Oil prices to be probed by US regulator CFTC](#)

America's leading commodities regulator has launched an unprecedented investigation into possible market manipulation in the US crude oil market amid record prices which continue to cripple various parts of the global economy.

[Burning food: why oil is the real villain in the food crisis](#)

The rising cost of foods is widely being blamed on the use of grains for biofuels, and the case for the prosecution is simply made. About 100m tonnes of maize from this year's US crop will be diverted into ethanol refineries, an increase of a third on 2007's figure. This means one in 20 of all cereal grains produced in the world this year will end up in the petrol tank of US cars, the country that is most aggressively increasing the use of food for fuel.

[UK power giant says energy industry on the brink of radical change](#)

Britain's second biggest gas and electricity supplier, Scottish and Southern Energy, warned today the industry stood on the brink of radical change.

Centralised fossil fuel fired generation would have to give way to a combination of energy efficiency and diversity of generation.

"The days of meeting an unchecked demand for energy through monolithic carbon intensive power stations are coming to an end. Increasingly the emphasis will be on energy efficiency, renewables, cleaned up fossil fuel plant and micro generation," the company said in a statement accompanying its full-year results.

[Fuel prices spark holiday crunch as air surcharges soar](#)

Families are facing holiday misery this summer after big airlines sharply increased fuel surcharges on their flights, bringing the era of cheap air travel to an end.

Virgin Atlantic is imposing new charges today and, from Tuesday, British Airways long-haul passengers will have to pay £218 on top of the ticket price simply to cover the cost of fuel.

[Darkness at noon as National Grid and E.ON dispute price](#)

A rescue plan to avert blackouts that hit 500,000 homes this week was undermined by demands of E.ON, the German energy group, that National Grid pay double the usual price for an emergency electricity boost, The Times has learnt.

[New surges in energy bills imminent, says power boss](#)

The chief executive of one of Britain's largest power companies issued a warning yesterday that further energy price rises were imminent.

AIan Marchant, the chief executive of Scottish & Southern Energy (SSE), which supplies power to 8.45 million UK customers, said that an unprecedented rise in oil prices in recent months meant that the outlook for consumers was not good.

[Mounting costs slow the push for clean coal](#)

WASHINGTON: For years, scientists have had a straightforward idea for taming global warming. They want to take the carbon dioxide that spews from coal-burning power plants and pump it back into the ground.

President George W. Bush is for it, and indeed has spent years talking up the virtues of "clean coal." All three candidates to succeed him favor the approach. So do many other members of Congress. Coal companies are for it. Many environmentalists favor it. Utility executives are practically begging for the technology. But it has become clear in recent months that the nation's effort to develop the technique is lagging badly.

[Social pain of rising fuel costs spreads in Europe](#)

PARIS: When it comes to transportation, Marie Schneberger has always tried to be thrifty. As an airline employee earning a middle-income paycheck, the price of gasoline in France, like elsewhere in Europe, has made it prohibitively expensive for her to ever own anything bigger than a Fiat Panda.

But now that gasoline prices have surged past €1.40 a liter, or the equivalent of \$8.21 a gallon, on much of the Continent, she has cut back even more. Recently, Schneberger started taking the Métro to work. Now, she shares her subcompact car with two other women to split fuel costs.

[Patrick signs bill to manage ocean resources](#)

Governor Deval Patrick yesterday signed the nation's first comprehensive ocean planning law to guide where pipelines should be laid, areas should be protected, and energy projects built. . . .

The plan will not affect the Nantucket wind farm, nor the new liquefied natural gas port off Gloucester, both of which are in federal waters.

[As Oil Prices Soar, Restaurant Grease Thefts Rise](#)

The bandit pulled his truck to the back of a Burger King in Northern California one afternoon last month armed with a hose and a tank. After rummaging around assorted restaurant rubbish, he dunked a tube into a smelly storage bin and, the police said, vacuumed out about 300 gallons of grease.

[How Abu Dhabi Differs From Exxon](#)

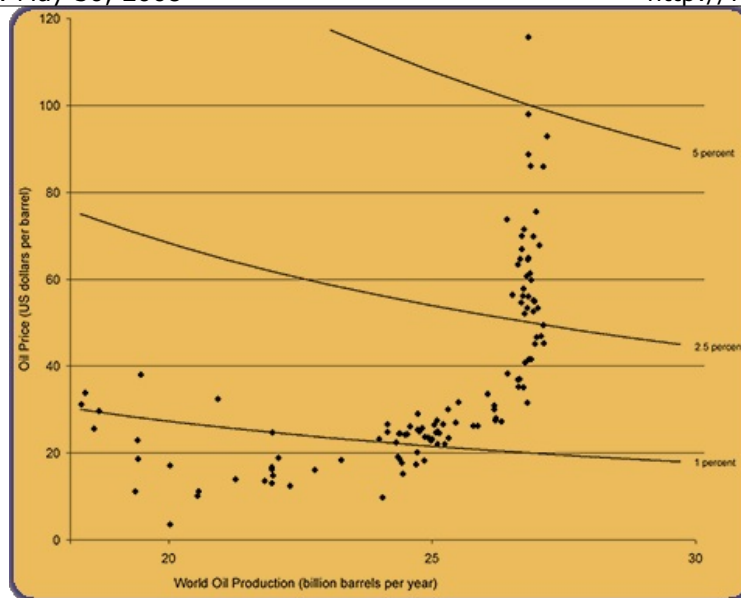
Abu Dhabi, the largest of seven sheikhdoms in the United Arab Emirates, is swimming in oil revenue - and it's investing some of that money in solar power. That's more than can be said for Exxon Mobil Corp., which rebuffed a Rockefeller initiative at yesterday's annual meeting to nudge the company toward renewable energy. A shareholder resolution sponsored by the company's founding family was easily defeated.

[Coal seam gas seen as Asia's next hot energy play](#)

PERTH (Reuters) - Surging gas prices are increasingly drawing new investors to Asia's nascent coalbed methane (CBM) seams, an underutilized energy source that analysts say could meet a sizeable part of the region's gas needs in coming years.

[Ken Deffeyes: Oil Production, Oil Price](#)

In 2005, world oil production stopped growing and oil prices shot up uncontrollably. My graph of production versus price is now two weeks old and the price is already off the top of the paper. This morning, West Texas Intermediate is \$130 per barrel. In Econ 101, they taught us that increasing prices would enlarge the supply. The economists may have envisioned a large inventory of oil wells, temporarily shut down because of low oil prices.



[Riders Swamp Public Transit](#)

Under normal circumstances, the surge in ridership would be a boon to the agencies, which have long argued that public transit is one of the best ways to combat social ills such as traffic congestion and global warming.

But at the very moment they should be investing to expand their services, the same driver that is ballooning ridership is crippling transit budgets: steep fuel bills. As record numbers of people board buses and trains, higher costs are forcing public transit agencies to scale back on services, further straining capacity. Local transit agencies fret that the capacity problems may squander the opportunity to convert more Americans to public transportation.

[Lehman Bros warns of oil dot.com](#)

“Summer market tightness could, under these circumstances, continue to propel oil prices upward to untested levels. But when peak prices hit, we believe they are also likely to fall precipitously.

“That is the way cyclical turning points tend to occur—in the midst of a market trend, turning points can be sudden, unexpected, and severe. If history is a guide, the turning point will come, getting the timing right is the difficult part.”



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