



DrumBeat: January 22, 2009

Posted by [Leanan](#) on January 22, 2009 - 9:47am

Topic: [Miscellaneous](#)

[The Peak Oil Crisis: What of 2009?](#)

Our wish has been granted for we are indeed living in interesting times. The world's economy is either collapsing or is putting on a very good imitation of doing so.

Production of cheap, abundant fossil fuels is peaking and will soon be withering away, yet gasoline for our cars has almost never been inflation-adjusted cheaper. Around the world, numerous sovereign governments are close to becoming dysfunctional -- likely with very bad consequences. We are pumping so much of the wrong kinds of gases into the atmosphere that the poles are melting, the seas are rising, the land is drying out and some day soon this planet is going to be very tough to live on. On top of all this, the world seems to be acquiring a fair number of people who are convinced that only they understand God properly and that the rest of us deserve to be done in. The only good news is that, so far as we know, there are no large meteors heading towards earth that would render the foregoing problems irrelevant.

[Dryships suspends dividend, dumps expansion plans](#)

Dryships said it was cancelling the purchase of nine Capesize vessels, which are the largest type of ships that can haul dry bulk commodities like iron ore, coal and grains due to the "considerable decrease" in the asset values .

An abrupt end to the recent boom for bulk shippers has left many laden with debt for ships they bought at the top of the market. They now owe more than their ships are worth.

[Iraq forced to cut spending as oil price falls](#)

BAGHDAD — Iraq's government will have dramatically less money to spend this year than expected because of plunging oil prices — a dire economic situation that's already forced the country to slash rebuilding plans by 40 percent, The Associated Press has learned. As the U.S. seeks a timetable for withdrawal, cutbacks on spending and jobs could trigger heightened violence.

[Analysts: Libya oil nationalization unlikely](#)

CAIRO, Egypt (AP) -- Call it, if you will, classic Moammar Gadhafi.

The Libyan leader's mention of the possibility of nationalizing the oil sector in response to current low oil prices is merely his unique way of calling attention to the difficulties producers face because of the global economic meltdown, some analysts say.

[Venezuela says new OPEC cut possible](#)

CARACAS, Jan 22 (Reuters) - Venezuela's oil minister said on Thursday he did not rule out a new OPEC output cut because the oil market remains unstable.

OPEC, which pumps about a third of the world's oil, agreed last month to cut its output by 2.2 million barrels per day from Jan. 1 in a race to balance supply with rapidly declining demand for fuel.

[Suncor move to cut spending will hurt Flint Energy](#)

CALGARY, Alberta -- Flint Energy Services Ltd said it will lose as much as \$150-million (US\$119-million) in revenue next year and plans to lay off construction workers after Suncor Energy Inc shelved a \$20.6-billion oil sands expansion.

[Gazprom counts on Arctic bonanza](#)

Russian gas giant Gazprom said today its hydrocarbon reserves on Russia's Arctic shelf look set to increase by 5.6 billion tonnes (41.1 billion barrels) of equivalent between this year and 2020.

[Ecuador cuts oil budget to \\$3 bn](#)

Ecuador's President Rafael Correa said today the country will earmark about \$3 billion this year to run state oil company Petroecuador.

Last year, Correa's administration initially approved a \$4.8 billion budget for Petroecuador to boost dwindling production.

[Nigeria says Obama Energy Plan Threatens Economy](#)

The governor of Nigeria's central bank, Chukwuma Soludo, says U.S. President Barack Obama's plan to reduce dependency on oil imports is a threat to the Nigerian economy. Nigeria is Africa's largest crude producer and the fifth biggest source of U.S. oil imports.

[The High Price of Clean, Cheap Ethanol](#)

"The promise of biofuel is a lie. Anyone who buys ethanol is pumping blood into his tank. Ethanol is produced by slaves."

The padre is familiar with the dark sides of Lula's vision. He cares for the people for whom the president's dream has meant living a nightmare.

[Mexico turns toward alternative energy amid falling oil production](#)

LA VENTOSA, Mexico (AP) — Mexico inaugurated one of the world's largest wind farm projects Thursday as the nation looks for alternative energy, in part to compensate for falling oil production.

Mexico is trying to exploit its rich wind and solar potential after relying almost exclusively on petroleum for decades. With oil production down by 9.2 percent in 2008, Mexico now is turning to foreign companies, mainly Spanish, to tap its renewable riches.

[Kazakh nuclear, oil deals hang in balance](#)

ASTANA (KAZAKHSTAN): Indian and Kazakh energy officials are braving freezing temperatures to race against time to work out two pathbreaking deals in the nuclear and oil sectors. But time-consuming procedures of unlocking atomic fuel, which involve international agencies, and Kazakhstan's tough bargaining in oil have left question marks over whether specific contracts would be signed when President Nursultan Nazarbayev arrives in New Delhi as the Republic Day guest.

['Fertiliser price fixing no surprise'](#)

Sasol's move to settle its involvement in possible price fixing in the fertiliser industry comes as no surprise, Grain SA said on Thursday.

"Competition in the fertiliser industry has been under suspicion for more than a decade," said Neels Ferreira, chairperson of Grain SA, in a statement.

[Oil to take 'years' to return to \\$100](#)

Forecast - Oil prices won't rise higher than \$100 US a barrel for "a couple of years," according to Daniel Yergin, chairman of Cambridge Energy Research Associates Inc.

"Just on supply-demand, putting aside geopolitics, this surplus is going to last for a couple of years and that will have a dampening impact on oil prices," said Yergin, winner of a Pulitzer Prize for his book *The Prize: The Epic Quest For Oil, Money & Power*, in a telephone interview Wednesday. "Right now, predicting oil prices is really predicting" gross domestic product.

[Exxon Says Greenland Oil Exploration Team Analyzes Seismic Data](#)

(Bloomberg) -- Exxon Mobil Corp., the world's largest oil company, said its exploration team in west Greenland is analyzing the results of a seismic survey.

The data are from two exploration blocks that cover 27,000 square kilometers (10,400 square miles), the Irving, Texas-based company said in a January update on its U.K. Web site entitled "Exploration team breaks the ice in Greenland."

"It's an extremely sensitive environment," Gary Robertson, Exxon Mobil's U.K.-based geoscience project manager for West Europe, said in the statement. "It's a dramatic, beautiful and pristine place. We need to understand our potential impact on the environment and the communities living there before we do any work."

[Back To The Future: \\$1 Per MCF Natural Gas Again?](#)

He believes there will not be an economic turnaround until 2010. He sees too much natural gas supply in the market largely due to the fall in industrial gas consumption, but also from the development of unconventional gas supplies. According to Ziff Consulting, by 2014, some 42% of U.S. gas supply will be coming from unconventional gas resources. Given the current gas supply/demand situation, he sees gas prices falling into the \$3-\$4 per Mcf range that will create serious economic challenges in the gas and energy industries. He thinks gas storage will be full by September 1st and that could lead to \$1 per Mcf gas as gas-on-gas price competition develops. His thoughts about the impact of the natural gas industry environment on the oilfield service business were not particularly encouraging. He expects a further 500 rig-count drop and expects well costs to fall dramatically as well. He pointed out that well costs had risen by a factor of two over the prior two years, but well costs are starting to fall, especially for steel prices (casing and tubing) and drilling rig day rates. He questioned how quickly we would see oilfield service costs fall to 2006 levels, but then wondered aloud when they would retreat to 2003 levels. Bad news for oilfield service companies!

[South Hook's First Cargo Heralds Qatar as Key U.K. Gas Supplier](#)

(Bloomberg) -- South Hook LNG, an import terminal in South Wales, will import its first

cargo next month, marking Qatar's arrival as a key natural gas supplier to the U.K.

[Nigeria Proposes Bill to End Discretionary Oil License Awards](#)

(Bloomberg) -- Nigeria proposed to end discretionary awards of oil and gas exploration licenses in new legislation for the country's hydrocarbon industry.

Licenses will be given through an "open, transparent and competitive" bidding process and "no discretionary awards shall be given under any circumstances whatsoever," according to the draft bill obtained at parliament in Abuja.

[Nigeria gunmen free Romanian hostage](#)

A Romanian man seized by gunmen who attacked an oil vessel off the coast of Nigeria on yesterday has been released today, a military spokesman said.

[Forties Crude Rises to Three-Month High; BP Seeks Second Cargo](#)

(Bloomberg) -- North Sea Forties crude oil rose to the highest in three months relative to Dated Brent after BP Plc sought to buy its second cargo this week.

[Israeli Gas Find Raises Hopes in Cyprus](#)

Israel's discovery of large natural gas deposits off its Mediterranean coast is an encouraging indication that similar finds are possible off nearby Cyprus, a senior Cyprus energy official said on Thursday.

[Reliance bottom line takes a hit](#)

Indian giant Reliance Industries reported a drop of almost 10% in net profit for the third quarter of the financial year, compared with the previous quarter.

The company booked RIL net profit for the quarter ended December 2008, stood at 35.01 billion Indian rupees (\$707 million).

Reliance said the global economic slowdown and softening crude prices have hit its bottom line.

[Opinion: India, China, and Obama's Oil Policy](#)

Over the past year there has been an ever-quickenning drumbeat of dire news about oil. Predictions of \$250 barrel super-spikes, declining global supplies, and the potential for energy wars made headline news. In the U.S., high prices at the pump became a leading campaign issue and a very real driver of inflationary fears. That inflationary pressure forced the emerging giants, India and China, to tighten monetary policy, which in turn constrained economic growth. But while oil will indeed come to an end as the primary energy supply for the global economic engine, it will most likely go out with a whimper and not a roar.

[US Pres. Vows to Break 'Addiction' to Foreign Oil, Increase Domestic Prod.](#)

US President Barack Obama spared no time in stepping up to energy issues, posting an energy agenda on the administration's new White House website on the day of his inauguration.

[Gloomy Canadian retail data shows recession biting](#)

OTTAWA (Reuters) - Canadian retail sales dropped by 2.4 percent in November from October, the steepest decline in nearly 11 years, and analysts said they expected worse to come as the recession starts to bite harder.

The November decline easily exceeded the 1.5 percent fall expected by market analysts and was the largest since the 4.5 percent plunge recorded in January 1998, when much of Eastern Canada was hit by an ice storm.

The value of sales at gasoline stations plummeted by 14.9 percent from October, reflecting lower prices. Sales at new car dealers fell 3.4 percent.

[2009 Japan prize honors lead author of "The Limits to Growth"](#)

Dr. Dennis Meadows, lead scientist and co-author of The Limits to Growth (1972) and its subsequent updates, is the winner of this year's Japan Prize from the Science and Technology Foundation of Japan for "Transformation towards a sustainable society in harmony with nature." This prestigious award is given once a year to people from all parts of the world whose original and outstanding achievements in science and technology are recognized as having advanced the frontiers of knowledge and served the cause of peace and prosperity for humankind. It carries a cash award of 50 million yen (about \$500,000) and will be awarded during a Japan Prize Awards week in April 2009.

[Energy Companies Find Money Pipeline Is Open Again](#)

Credit markets are showing some signs of life after months of inactivity, with energy companies helping to lead a surge in new debt and equity deals in recent weeks.

Companies have started to raise funds through sales of debt and equity at a pace not seen since last spring, according to data tracking firm Dealogic.

Globally, new corporate debt sales totaled \$91.4 billion last week, the highest since last May when \$103 billion was sold.

[Devil in the detail of gas deal](#)

The taps are back on, and Russian gas is flowing back into Europe via Ukraine.

But, after the initial relief, those European governments whose people spent up to two weeks with no heating will be asking themselves: is it really over?

This was Europe's worst energy crisis in years.

Slovakia declared a state of emergency and rationed gas supplies to industry. Hundreds of thousands of people in countries like Bulgaria, Bosnia and Moldova were left shivering in the middle of a particularly harsh winter.

[Bhutan: Thimphu running out of fuel wood](#)

Winter in Thimphu is at its heights but the news from the Department of Forestry Services (DFS) is even chillier.

The DFS may not meet even a third of Thimphu's demand for firewood this year, according to officials.

This is because the increasing demand for firewood is far exceeding the allocated supply quantities established by the DFS. In 2008, Thimphu consumed 7,736 cubic meters or 967 truckloads of firewood from its three Forest Management Units (FMU) that supply the dzongkhag with timber.

[Pakistan: Power cuts continue around the country](#)

KARACHI: Unscheduled and scheduled electricity loadshedding have continued to hamper the normal life of people across the country on Thursday.

According to reports, 10 to 12 hours of power cuts are being observed in various cities of Sindh, including Sukkur, Rohri, Panu Aqil, Sangrar and Khairpur.

Meanwhile, eight to 10 hours of loadshedding is being witnessed in urban areas of Hyderabad, Matli, Tandobago, Tando Muhammad Khan, Jamshoro, Badin, Nawabshah, Mirpurkhas, Umar Kot, Tharparkar, Ghotki and Obaro. However, rural areas bear prolonged power cuts of around 14 hours a day.

[Solar energy emerges as a genuine alternative](#)

“There is a quiet solar revolution going on. It doesn’t come out of the blue, it comes from years of people working on it,” Karel van de Graaf, the director of corporate communications for the Dutch renewables firm, E Concern, told the World Future Energy Summit in the capital. “It isn’t that spectacular. Other industries have shown the same progress ratio.”

[Can Obama Save the Planet?](#)

The wintry wind that blew through Washington D.C. Tuesday brought change, ushering in what many see as a new era of respect for science that researchers and government officials around the world hope will result in a significant new effort to combat climate change.

Whether the task is worthy will continue to be debated by some. Whether it can be accomplished, politically or scientifically, remains to be seen. Two things are certain: If the majority of scientific projections are accurate, the stakes are very high — saving Earth from rising seas and mass extinctions — and the task monumental.

[Saudis to Cut Oil Output 300,000 Barrels Below Quota](#)

(Bloomberg) -- Saudi Arabia, the world’s top oil exporter, will cut production by 300,000 barrels a day below the quota agreed on with OPEC to prop up prices, Algerian Oil Minister Chakib Khelil said.

Saudi Arabia will make the reduction before a March 15 meeting of the Organization of Petroleum Exporting Countries, the Algerian state-run newspaper El Moudjahid reported, citing comments from Khelil yesterday in Algiers.

“That shows that the Saudis want to take their responsibility and that they see the imperative to match a lower demand with a lower supply,” Johannes Benigni, managing director of JBC Energy consultants in Vienna, said in a Bloomberg Television interview today.

[Lower OPEC output won't boost prices: Deutsche Bank](#)

HOUSTON (Reuters) - Early indications that OPEC members are complying with the deepest ever oil-supply cuts may not stop oil prices from falling further, a top energy analyst said on Wednesday.

"It's going to be difficult," said Adam Sieminski, chief energy economist for Deutsche

Bank.

OPEC's previous efforts to cut output to stabilize prices have had limited effect.

"They have to cut four to five million barrels a day in quotas; they have to get a good portion of that in real, wet barrels off the market," Sieminski said. "In a sense, OPEC is chasing the economy down."

[Oil hits \\$45 as US company news improves](#)

VIENNA, Austria – Positive news from U.S. companies and economic optimism spurred by the U.S presidential inauguration boosted prices Thursday, with crude trading around \$45 a barrel.

[Arawak resumes oil production in Kazakhstan](#)

(Reuters) - Oil and gas company Arawak Energy Ltd (ARAW.L) (AAK.TO) said it would resume production at its four operated fields in Kazakhstan following the adoption of a new tax code in that country, eliminating the customs export duty on crude.

The company had curtailed production at the fields in early December citing a "significant deterioration" in margins due to high taxation and a fall in oil prices.

[Oil sands cuts help sow seeds of oil price rebound](#)

CALGARY, Alberta (Reuters) - Suncor Energy Inc's decision to halt to its C\$20.6 billion (\$16.2 billion) oil sands expansion because of low oil prices points to an inevitable outcome -- high oil prices.

[Gaddafi says looking at oil firm nationalization](#)

WASHINGTON (Reuters) - Libyan leader Muammar Gaddafi said on Wednesday his country and other oil exporters were looking into nationalizing foreign firms due to low oil prices and suggested Tripoli might not stick to OPEC production quotas.

Speaking via a satellite link from Libya to students at Georgetown University in Washington, he called the current price of oil "unbearable."

[Offshore drilling plan to go ahead: Interior Dept](#)

WASHINGTON (Reuters) - A proposal issued in the final days of the Bush

administration to expand offshore drilling in previously banned areas will move forward under the administration of U.S. President Barack Obama, an Interior Department spokesman told Reuters on Wednesday.

[ANALYSIS - Gas row shakes Europe's trust in Russian energy](#)

MOSCOW (Reuters) - By cutting off gas supplies to Europe via Ukraine, Russia strengthened its case for new pipelines to bypass its ex-Soviet rival. But it may also have lost Europe's trust.

European consumers, left to shiver for two weeks when Moscow shut off their gas, will now accelerate plans to develop alternative fuels and build a regional gas supply network better equipped to withstand disruptions from the East, analysts said.

[Gas row adds pain to east Europe slowing economies](#)

DEVNIA, Bulgaria (Reuters) - Russia turned the gas taps back on this week but the damage inflicted on central and eastern Europe will linger for months, adding to the pain the global economic downturn was already causing.

"We suffered two consecutive shocks. First the recession and then the gas crisis which hit quite unexpectedly," said worker Valentin Vladimirov, whose fertilizer plant in Bulgaria closed for more than two weeks during the Russia-Ukraine gas row.

"I have a loan, everyone I know has loans...I hope we will survive somehow," said Vladimirov, 53, who fears his job remains under threat despite an accord ending the gas row.

[Sinopec's Oil-Processing Growth Slowest in Six Years](#)

(Bloomberg) -- China Petroleum & Chemical Corp., Asia's biggest refiner, posted the slowest growth in crude-oil processing in six years as the economy expanded more gradually.

Crude processing rose 4.5 percent to 168.8 million metric tons, or 3.4 million barrels a day, last year, Sinopec, as China Petroleum is known, said in a statement on its Web site today. That's the slowest growth rate since 2002, when oil processing increased 3.5 percent.

[China growth slows sharply](#)

BEIJING/TOKYO (Reuters) - China's economy slowed sharply in the fourth quarter

and Japan's central bank on Thursday foresaw two years of deflation as Asia's largest economies buckle under the strain of the financial crisis.

[Wind power leading new source of electricity](#)

For the first time, non-hydroelectric renewable energy, led by wind power, was the leading source of new electric generating capacity.

[Scientist: New fault could mean major U.S. temblor](#)

LITTLE ROCK, Arkansas (AP) — A previously unknown fault in eastern Arkansas could trigger a magnitude 7 earthquake with an epicenter near a major natural gas pipeline, a scientist said Wednesday.

Haydar Al-Shukri, the director of the Arkansas Earthquake Center at the University of Arkansas at Little Rock, said the fault is separate from the New Madrid fault responsible for a series of quakes in 1811-12 that caused the Mississippi River to flow backward.

...The researcher has said a gas pipeline crossed the newly discovered fault. He declined to name the company that owned the pipeline. Al-Shukri had said in a speech at the University of Arkansas' Clinton School of Public Service that the company was building a large line through the area, mirroring the old one's path.

[Bill McKibben Interview](#)

Fossil fuel is very seductive stuff. [John Maynard] Keynes once said that, as far as he could tell, the average standard of living from the beginning of human history to the middle of the eighteenth century had perhaps doubled. Not much had changed, and then we found coal and gas and oil and everything changed. Now we're reaping the result of that, both ecologically and socially.

In the United States, cheap fossil fuel has eroded communities. We're the first people with no real practical need for each other. Everything comes from a great distance through anonymous and invisible transactions. We've taken that to be a virtue, but it's as much a curse. Americans are not very satisfied with their lives, and the loss of community is part of that.

[Cleaner air might add 5 months to life](#)

Americans are living nearly three years longer than they were only two decades ago, and they owe up to five months of that longevity to cleaner skies, a study shows.

[Ecologists warn the planet is running short of water](#)

A swelling global population, changing diets and mankind's expanding "water footprint" could be bringing an end to the era of cheap water.

The warnings, in an annual report by the Pacific Institute in California, come as ecologists have begun adopting the term "peak ecological water" — the point where, like the concept of "peak oil", the world has to confront a natural limit on something once considered virtually infinite.

The world is in danger of running out of "sustainably managed water", according to Peter Gleick, the president of the Pacific Institute and a leading authority on global freshwater resources.

[Germany hails creation of global climate-change agency](#)

BERLIN (AFP) – Germany said on Wednesday it expected more than 100 countries to attend a major conference in Bonn next Monday to establish a new international agency promoting renewable energy (IRENA).

[Schwarzenegger asks Obama for tailpipe rules](#)

SACRAMENTO, Calif. – Gov. Arnold Schwarzenegger isn't waiting to press the Obama administration on one of California's top priorities — regulating greenhouse gas emissions from automobiles.

The Republican governor sent a letter to the new Democratic president on Wednesday, asking him to give California and other states permission to implement tough tailpipe-emission standards.

[California expects fast Obama move on car pollution](#)

SACRAMENTO/LOS ANGELES (Reuters) – California's top climate change official on Wednesday predicted President Barack Obama's administration would let the state impose its own tough limits on greenhouse gas emissions from cars by May, in what would be a victory for environmentalists.

[Climate fight 'will cost 175 bln euros a year by 2020'](#)

BRUSSELS (AFP) – The global cost of tackling climate change will reach 175 billion euros annually by 2020, according to European Commission estimates, an EU source said Wednesday.

[Clinton confirmed as new US chief diplomat](#)

The first "aye" vote came from Senate Foreign Relations Committee Chairman John Kerry, who made an impassioned speech on Clinton's behalf and declared that Obama had promised "to be serious" about battling climate change.

"We are staring at an abyss of irreversibility," Kerry warned, adding that he had discussed the problem with Obama and "he intends to be serious about it."

[Spring arriving earlier, study finds](#)

WASHINGTON (Reuters) - Looking forward to spring? The good news is that it is coming two days earlier on average, but so are summer, autumn and winter, researchers said on Wednesday.

[Big Homes, 1-Person Households are Main Causes of Consumer Energy Waste, Study Finds](#)

HACKETTSTOWN, N.J. /PRNewswire/ -- Changes in household size and home construction have been the main causes of over-consumption of energy by American consumers, according to a new study released today by SMR Research Corporation.

A reversal of these trends, SMR noted, would dramatically reduce U.S. energy use. Yet, household demographics and home building are seldom mentioned in the debates over global warming and energy independence.



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