



# Peak Oil News

## A Compilation of New Developments, Analysis, and Web Postings

[Tom Whipple](#), Editor

Tuesday, November 25, 2008

### Current Developments

#### [1. OIL FALLS BELOW \\$53 AFTER RISING OVERNIGHT](#)

Pablo Gorondi  
Associated Press Writer  
November 25, 2008

Oil prices fell below \$53 a barrel Tuesday after surging overnight as investors mulled whether a U.S. government bailout of Citigroup Inc. will restore enough confidence to staunch crude's slide since July. By midday in Europe, light, sweet crude for January delivery was down \$1.95 to \$52.55 a barrel in electronic trading on the New York Mercantile Exchange. In London, January Brent crude fell \$2.06 to \$51.87 a barrel on the ICE Futures exchange. The Nymex contract overnight rose \$4.57 to settle at \$54.50 after the Treasury Department announced a rescue of banking giant Citigroup. Fears the sprawling financial firm would collapse sent stock markets plunging and the price of oil to a 3-year low near \$49 last week — a third of its peak near \$150 a barrel in July.

#### [2. RUSSIA MAY COORDINATE OIL PRODUCTION CUT WITH OPEC](#)

By Thomas Kutty Abraham and Lucian Kim

Nov. 25 (Bloomberg) -- Russia may coordinate oil production cuts with OPEC as the world's second-largest crude exporter reels from falling energy prices. "Russia will coordinate with OPEC to defend its interests," Energy Minister Sergei Shmatko said at a conference in New Delhi today. "We cannot rule out cutting production." The largest oil producer outside the Organization of Petroleum Exporting Countries, Russia made a formal proposal for closer cooperation in September. OPEC Secretary General Abdalla el-Badri met with Russian President Dmitry Medvedev in Moscow last month to discuss future coordination. "Issues of coordination are actually much wider than just cutting production," Shmatko said. "There will be an exchange of information on market developments and the finalization of investment programs."

#### [3. OPEC TO ANNOUNCE OUTPUT CUT, BUT NOT THIS WEEKEND](#)

Reuters  
24 November 2008

LONDON - OPEC looks set to announce a further output cut of up to 1.5 million barrels per day (bpd) this year but will probably wait until its next policy meeting in December before making the move, a poll suggested on Monday. Eight of 15 oil analysts surveyed by Reuters Nov. 21-24 said the Organization of the Petroleum Exporting Countries was unlikely to announce any reduction at its informal gathering in Cairo on Saturday. Most believe the 12-member group, responsible for around 40 percent of the world's oil production, will instead tighten supply at its policy-setting meeting in Oran, Algeria, on Dec. 17. 'OPEC will probably sit on the fence and wait until their meeting in December before adjusting production,' said Harry Tchilinguirian, oil analyst at BNP Paribas in London. The only thing that could change that would be a big fall in prices over the next few days.' A collapse in oil prices over the last four months to around \$50 from a peak of more than \$147 a barrel in July has forced OPEC to consider all its options.

## **4. PIRATE ATTACKS FAIL TO REVIVE TANKER RATES AS OIL DEMAND SLOWS**

By Alaric Nightingale

Nov. 25 (Bloomberg) -- Oil shipping costs may extend this year's 76 percent rout as shrinking energy demand and a global recession eclipse disruptions caused by pirates off east Africa capturing their largest-ever freighter. Tanker rates next month are about 7 percent lower than yesterday's level on the Persian Gulf to Japan route, according to derivative contracts called Forward Freight Agreements that trade privately among banks, brokers, hedge funds and shipping companies. Transport costs plunged this year as OPEC curtailed production, lowering demand for vessels. Somalian pirates seized their biggest-ever prize on Nov. 15, a ship loaded with 2 million barrels of crude, worth a combined \$250 million. The hijacking prompted Frontline Ltd., the world's biggest tanker operator, and owners controlling almost a quarter of the fleet to say they may avoid the region, lengthening journeys and effectively reducing ship supplies.

## **5. ECONOMIC SLUMP MAY LIMIT MOVES ON CLEAN ENERGY**

By Elisabeth Rosenthal  
NY Times

Tuesday, November 25, 2008

Just as the world seemed poised to combat global warming more aggressively, the worldwide economic slump and plunging prices of coal and oil are upending plans to wean businesses and consumers from fossil fuel. From Italy to China, the threat to jobs, profits and government tax revenues posed by the financial crisis has cast doubt on commitments to cap emissions or phase out polluting factories. Automakers, especially Detroit's Big Three, face collapsing sales, threatening their plans to invest heavily in more fuel-efficient cars. And with gas prices now around \$2 a gallon in the United States, strapped consumers may be less inclined than they once were to trade in their gas-guzzling models in any case. President-elect Barack Obama and the European Union have vowed to stick to commitments to cap emissions of carbon dioxide and invest in new green technologies, arguing that government action could stimulate the economy and create new jobs in producing sustainable energy.

## **6. THE MINISTRY OF OIL STRESSED THAT THE FIRE IN IRAQI-TURKISH PIPELINE WILL NOT EFFECT ON IRAQI EXPORTS**

Iraq Directory  
25 November 2008

The Spokesman of Iraq's oil ministry stated on Saturday, that a fire broke out in the Iraqi-Turkish oil pipeline because of sabotage action and it would not affect on Iraq's oil exports that ranging between 350 thousand to 400 thousand barrels a day through the Turkish port of Ceyhan. Assem Jihad told (Voices of Iraq) "the sabotage that hit Iraqi oil pipeline linking Kirkuk and the Turkish port of Ceyhan last night would not affect the level of Iraqi oil exports," adding that the export of oil through the Turkish port of Ceyhan will continue at the same level that oil reservoirs in the port are full of sufficient quantities of oil to be exported for more than 10 days. It was an act of sabotage last night targeted Iraqi-Turkish pipeline connecting the Kirkuk fields to Turkish port of Ceyhan in the region of Mardin 100 km north of the Iraqi-Turkish border. He added that "stop pumping through the pipeline will not affect the export rates."

## **7. SHAHRISTANI IN ERBIL: DNO, TAQ TAQ OIL EXPORTS OK FROM NORTH IRAQ**

Iraq Oil Report  
November 24, 2008

Two companies developing oil fields in Iraq's Kurdistan region received approval from Baghdad to tie in to the northern Iraq pipeline, a company official said. An official from the Taq Taq Operating Co., TTOPCO, a joint venture between Turkey's Genel Enerji and Canada's Addax Petroleum, said on condition of anonymity that both TTOPCO and Norway's DNO were given tie-in permission, Ben Lando reports for United Press International. News reports from Erbil, the Kurdistan Regional Government's capital, said a

visit Monday by Iraqi Oil Minister Hussain al-Shahristani paved the way to proceed with the technical work. Iraq exported an average 319,000 barrels per day through the northern pipeline last month. It hit a high of 483,000 in June, and the combined initial addition of TTOPCO and DNO exports could add anywhere between 60,000 to 100,000 bpd depending on technical issues with their respective oil fields and infrastructure.

## **8. IRAQ IN BREAKTHROUGH TO LINK KURD OILFIELDS TO EXPORT**

By Shamal Aqrawi

ARBIL, Iraq, Nov 24 (Reuters) - Iraq's oil minister and officials from its largely autonomous Kurdistan region agreed on Monday to link two Kurdish oilfields to the main northern export pipeline to the Turkish port of Ceyhan, the minister said. "Concerning this issue, we have agreed to prepare and link the pipeline to the Iraqi strategic pipeline, but regarding the exporting process there are still some unresolved points which will be discussed ... in coming days," Oil Minister Hussain al-Shahristani said. He had been asked by reporters in the Kurdish capital Arbil when the Oil Ministry would grant an export licence for Kurdistan's Tawke oilfield, on which Norwegian firm DNO has the concession, and for its Shiwashuk field. DNO shares surged on the news and last traded up 18 percent. Disputes between the Baghdad and the Kurdistan Regional Government (KRG) have held up development of oilfields for export in Kurdistan. DNO pumps oil from Tawke but has not managed to gain a licence to export it.

## **9. IRAN OIL INDUSTRY NEEDS \$145 BLN INVESTMENT**

TEHRAN, Nov. 24 (Xinhua) -- Iran's Deputy Oil Minister for domestic construction and engineering affairs Hamdollah Mohammadnejad said that at least 145 billion U.S. dollars is needed to be invested in the country's oil industry within a ten-year period, Iran's Energy and Oil Information Network (SHANA) reported on Monday. Mohammadnejad made the remarks in his address to the opening ceremony of the first National Stakeholder System Development Congress in Oil Industry that began in Tehran on Nov. 22. Iran needs some 14 billion dollars annually to invest in oil industry to gear up to be the "region's first choice for value-added petrochemicals, OPEC's second producer and world's third gas producer," SHANA quoted him as saying. He also invited the domestic private sector to increase its share as much as 7 billion dollars a year to implement the projects. The visiting Turkish Energy Minister Hilmi Guler said here that Turkey may make a 12-billion-dollar investment in Iran on the basis of an agreement signed between the two countries in Tehran, according to the official IRNA news agency.

## **10. NIGERIAN REBELS IN OIL-RICH DELTA THREATEN TO END CEASE-FIRE**

By Antony Sguazzin

Nov. 25 (Bloomberg) -- The Movement for the Emancipation of the Niger Delta, the main militant group fighting in Nigeria's oil region, said it may end a cease-fire after a request to do so by allies in the area. The group, known as MEND, "has been contacted by its Delta state cousins to support is renewed fight against the military Joint Task Force," it said in an e-mailed statement today. "MEND is mulling over the urgent request in the face of its cease-fire declaration but will have no choice other than to join the fray if the violence escalates." While MEND declared a cease-fire on Sept. 21, it reported a skirmish with the military on Nov. 20.

## **11. RUSSIA, VENEZUELA TO FORM 'STRATEGIC' OIL ALLIANCE**

Eric Watkins  
Oil Diplomacy Editor

LOS ANGELES, Nov. 24 -- Venezuelan President Hugo Chavez plans to enter into a strategic alliance with Russia aimed at developing his country's oil industry, according to a senior government minister. "It will be a strategic alliance between Petroleos de Venezuela SA (PDVSA) and an oil consortium of all the Russian firms, state and private, a large industrial conglomerate not just for production, but also for the entire matter of refining and industrialization," said Venezuela Energy Minister Rafael Ramirez. A strategic cooperation agreement will be signed on Nov. 26 during Russian President Dmitry Medvedev's visit to Caracas, Ramirez said, noting that Moscow also is pursuing a policy "of greater cooperation" with the Organization of Petroleum Exporting Countries. Earlier this month, Rosneft Chief Executive Officer

Sergei Bogdanchikov said five of Russia's largest oil and gas firms each have taken a 20% stake in the national consortium formed to develop heavy oil fields in Venezuela's Orinoco River basin.

## **12. WORLD BANK SAYS CRISIS WILL SLOW CHINA**

By Geoff Dyer in Beijing  
Financial Times  
November 25 2008 08:51

The World Bank on Tuesday cut its growth forecast for China next year to 7.5 per cent, the slowest rate of expansion since 1990, and said the impact of the global financial crisis was likely to "intensify". In its latest quarterly report on the Chinese economy, the bank reduced its forecast for next year from 9.2 per cent and said the government should accelerate steps to rebalance the economy away from exports and investment towards more domestic consumption. The sharp cut in expected output growth reflects the rapid deterioration in the Chinese economy over the last two months, as a slowdown in the local housing market has combined with weaker demand from export markets.

## **13. PETROCHINA DOUBLES LNG PURCHASES IN ACCORD WITH SHELL**

By Winnie Zhu

Nov. 25 (Bloomberg) -- PetroChina Co., the nation's largest oil company, doubled the volume of liquefied natural gas it will buy from Royal Dutch Shell Plc in an agreement to supply terminals being built along China's eastern coast. The companies signed a final accord for two million metric tons of supplies a year from the Gorgon project in Western Australia and Shell's global portfolio, the China unit of Europe's largest oil company said in a faxed statement today. In an initial accord signed in September 2007, Beijing-based PetroChina had agreed to buy 1 million tons of the fuel. The Chinese oil producer is building three LNG terminals as part of a government plan to double the use of cleaner-burning fuels by 2010 to cut reliance on coal and oil. China has an accord with Woodside Petroleum Ltd., 34 percent-owned by Shell, for supplies from Australia's North West Shelf for the nation's first LNG plant in Guangdong province. The accord signed yesterday is a "20-year sales and purchase agreement," Shell said in the statement, without indicating when deliveries may start.

## **14. 23-BILLION TON ULTRA LARGE COAL FIELD DISCOVERED IN CHINA'S TURFAN BASIN**

By People's Daily Online

After efforts by geological exploration teams for over a year, an ultra large coal field with a forecasted 23 billion tons of total reserve was found in the famous Turfan Basin in China. Reporters learnt from the Department of Land and Resources of the Xinjiang Uygur Autonomous Region that, the newly-discovered coal field is located in the Sha'er Lake in Piqan County of Turfan Region in Xinjiang. The coal mine occupies an area of over 300 square kilometers with a gross minable thickness of 169.69 meters, and a coal bearing ratio of 29%, with the largest coal bed being 141.91 meters thick in a single layer. In China, a coal field with over 50 million tons of reserve is defined as an ultra large coal field. Sha'er Lake coal field has a forecasted reserve of 23 billion tons placing it into the category of an ultra large coal field at the national level. The People's Government of Autonomous Region has now listed Sha'er Lake as the key coal exploration area in Xinjiang, and it will be deployed, explored and excavated with an overall plan.

## **15. STATE POWER UTILITY REELS UNDER COAL SHORTAGE, DABHOL WOES**

Devraj Dasgupta  
Times of India  
25 Nov 2008, 0246 hrs IST

MUMBAI: Faced with an acute coal shortage and frequent breakdowns of the 2,140 MW Dabhol power plant, the management of state utility MSEB on Monday said the "matter is of great concern". The utility has raised both these issues, which could affect supply of electricity in power-starved Maharashtra, with the state government as well as the Centre for an early resolution. The state is already reeling under load-shedding of four to eight hours due to an electricity shortage of almost 5,000 MW. While demand

has crossed 15,000 MW, mainly due to agriculture pumps running full steam and the heat wave, MSEB officials say that things could get worse if coal reserves and Dabhol issues are not resolved quickly.

## **16. ASIAN UTILITIES MAY HAVE HALVED SPOT LNG PURCHASES**

By Dinakar Sethuraman

Nov. 25 (Bloomberg) -- Asia may have halved imports of liquefied natural gas spot cargoes for winter consumption after inventories climbed because of mild weather and as the global financial crisis cuts demand, ship-tracking data shows. Utilities including Tokyo Electric Power Corp. and Korea Gas Corp. may have bought at least eight LNG cargoes from the Atlantic Ocean area for delivery this month compared with about 16 in November last year, according to transmissions from ships captured by AISLive on Bloomberg and official data. "The summer was not as hot as expected and the tanks are running full in Japan and Korea," James Palairret, an analyst with LNG Shipping Solutions, said by telephone from London. "There have been more spot cargoes going to Europe and the U.S. in the past few weeks."

## **17. OBAMA WILL BOOST STIMULUS PLAN WITH FUNDS FOR ROADS, ENERGY**

By Matthew Benjamin

Nov. 25 (Bloomberg) -- President-elect Barack Obama, encouraged by congressional Democrats, will propose early next year an economic-stimulus package three times larger than one he was discussing only weeks ago, with the main focus on infrastructure, aides and lawmakers said. The package, aimed at ending the worst U.S. economic slump in at least a quarter-century, probably won't be submitted until January, giving up any chance of passing a stimulus plan during a lame-duck session of Congress next month. An infusion of as much as \$700 billion is warranted, according to Senator Dick Durbin of Illinois, the No. 2 ranking Democrat in the Senate and Obama's closest ally in Congress. "You better stimulate with a number that will create measurable economic growth," Durbin said in an interview. Obama, who said during a press conference yesterday that he had to deal with an "economic crisis of historic proportions," declined to give a range for the new package he favors. Still, he made Durbin's point that it will have to be big enough to restore confidence.

## **18. NGS: TAXES, RESTRICTIONS COULD STIFLE US SHALE GAS POTENTIAL**

Nick Snow  
Washington Editor, Oil & Gas Journal

WASHINGTON, DC, Nov. 24 -- Natural gas production from US shale plays such as the Marcellus shale in New York, Pennsylvania, and West Virginia could double in the next 10 years and provide 25% of the nation's supply, a Natural Gas Supply Association official said Nov. 21. But NGS Vice-Chairman Terrence L. Ruder, who also is senior vice-president for Devon Energy Corp.'s marketing and mainstream division, also warned that a windfall profits tax and new restrictive regulations could hurt that effort a time when more gas will be needed to help meet clean air requirements mandated by climate change legislation. "What we've seen so far from shale fields is just the tip of the iceberg. To facilitate a steady supply growth of gas from shale, we need a stable tax and regulatory environment," Ruder told a Federal Energy Regulatory Commission conference on the US gas infrastructure. He said shale developments provide an estimated 6-8 bcf/d of gas, or 10-12% of projected 2008 US demand. Over the next 10 years, US shale gas production could double to 15-20 bcf/d, with total reserve estimates at 250-750 tcf of gas, he indicated.

## **19. RUSSIA MAY AGREE OIL ACCORD WITH CHINA BY YEAR-END**

By Pratik Parija and Greg Walters

Nov. 25 (Bloomberg) -- Russia may strike a crude oil supply agreement with China by the end of the year, Energy Minister Sergei Shmatko said, in return for a multi-billion dollar loan for Russian oil companies. Beijing-based magazine Caijing said Nov. 21 that the two countries may sign final agreements on loans and oil supplies by tomorrow. China may agree to provide \$25 billion of loans to Russian oil companies and receive 300 million metric tons (2.2 billion barrels) of crude oil based on a memorandum of

understanding signed Oct. 28, the magazine said. In 2005, Moscow-based Rosneft committed to ship 48.4 million metric tons of crude to China National Petroleum Corp. through 2010 to help repay \$6 billion of loans that part-financed the purchase of now bankrupt OAO Yukos Oil Co.'s largest production unit. China may provide Russian oil companies with a "considerable" loan as the countries expand energy cooperation, Russian Deputy Prime Minister Igor Sechin told reporters after a meeting between Prime Minister Vladimir Putin and Chinese counterpart, Wen Jiabao, in Moscow Oct. 28.

## **20. GAZPROM: UKRAINE TO PAY PART OF GAS DEBT BY DEC 1**

Tue Nov 25, 2008 6:45am EST

MOSCOW, Nov 25 (Reuters) - Russian gas export monopoly Gazprom (GAZP.MM: Quote, Profile, Research, Stock Buzz) said on Tuesday Ukraine has agreed to repay by Dec. 1 its gas debt to Russia for all September and some October deliveries.

Gazprom said in a statement, issued after talks in Moscow between Chief Executive Alexei Miller and the head of Ukraine's Naftogaz, Oleg Dubina, the sides would continue talks on gas cooperation after Dec. 1. Gazprom said future supplies to Ukraine would only be possible after it receives full payment of the gas debt, which Gazprom estimates at \$2.4 billion. "As was stated during the talks... the move to direct long-term contracts between Gazprom and Naftogaz Ukraine is only possible on the condition of Ukraine's full repayment of the debt," Gazprom said in the statement.

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### 1. OIL FALLS BELOW \$53 AFTER RISING OVERNIGHT

Pablo Gorondi  
Associated Press Writer  
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By midday in Europe, light, sweet crude for January delivery was down \$1.95 to \$52.55 a barrel in electronic trading on the New York Mercantile Exchange.

In London, January Brent crude fell \$2.06 to \$51.87 a barrel on the ICE Futures exchange.

The Nymex contract overnight rose \$4.57 to settle at \$54.50 after the Treasury Department announced a rescue of banking giant Citigroup. Fears the sprawling financial firm would collapse sent stock markets plunging and the price of oil to a 3-year low near \$49 last week — a third of its peak near \$150 a barrel in July.

But some oil market watchers think euphoria over the government lifeline for Citigroup will soon give way to more dismal news about a severe global economic slowdown and trigger a test of the lows that oil hit last week.

"We could see some renewed oil price weakness in the very near term as economic data from the U.S. and Europe is likely to be weak," said David Moore, commodity strategist at Commonwealth Bank of Australia in Sydney. "That would keep pressure on the oil price."

The U.S. Commerce Department will release gross domestic product data for the third quarter of the year at 1330 GMT (8:30 a.m. EST). Analysts surveyed by Thomson Reuters expect GDP to have decreased at an annual rate 0.5 percent annual rate in the July to September quarter.

Investors are eyeing the Organization of Petroleum Exporting Countries, which accounts for 40 percent of global supply, for signs the group may reduce output quotas at an informal meeting Nov. 29 in Cairo.

Venezuelan Oil Minister Rafael Ramirez said Sunday that OPEC should cut oil production by 1 million barrels per day at the Cairo meeting. OPEC President Chakib Khelil said Monday that if the organization met today, a cut of 1 million barrels would not be enough to support oil prices.

The group, which cut output by 1.5 million barrels a day last month, will hold its next official meeting on Dec. 17.

"My guess is OPEC is looking to cut production by about 1 million barrels a day at the December meeting," Moore said. "If there is compliance with the previous cut, it tightens the oil market up quite a bit."

Investors brushed off OPEC's output cut last month, but lower production should eventually help support higher prices, Moore said.

"By late this year or early next year, as the OPEC cuts start to bite a little more, you might see a modest recovery in oil prices," he said.

In other Nymex trading, gasoline futures dropped 3.67 cents to \$1.1058 a gallon. Heating oil slid 4.19 cents to \$1.7425 a gallon while natural gas for January delivery fell 5 cents to \$6.777 per 1,000 cubic feet.

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"Russia will coordinate with OPEC to defend its interests," Energy Minister Sergei Shmatko said at a conference in New Delhi today. "We cannot rule out cutting production."

The largest oil producer outside the Organization of Petroleum Exporting Countries, Russia made a formal proposal for closer cooperation in September. OPEC Secretary General Abdalla el-Badri met with Russian President Dmitry Medvedev in Moscow last month to discuss future coordination.

"Issues of coordination are actually much wider than just cutting production," Shmatko said. "There will be an exchange of information on market developments and the finalization of investment programs."

OPEC, which controls more than 40 percent of world oil supply, has already cut production as crude prices fell to a third of a July high of almost \$150 a barrel. Oil ministers from the 13-nation group will next meet on Nov. 29 in Cairo and are due to hold another summit on Dec. 17 in Algeria to discuss production targets.

Venezuelan President Hugo Chavez said OPEC should return to a system of setting a price band for crude oil in order to guarantee market stability.

The country would consider a price of \$80 to \$100 a barrel to be "fair," Chavez said yesterday in a televised press conference in Caracas. OPEC created price bands in the late 1990s to try to keep oil between \$22 and \$29 a barrel.

Russia, the largest crude exporter after Saudi Arabia, is struggling to keep production at current levels as older fields mature and credit for new projects dries up.

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**3. OPEC TO ANNOUNCE OUTPUT CUT, BUT NOT THIS WEEKEND**

Reuters  
24 November 2008

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Eight of 15 oil analysts surveyed by Reuters Nov. 21-24 said the Organization of the Petroleum Exporting Countries was unlikely to announce any reduction at its informal gathering in Cairo on Saturday.

Most believe the 12-member group, responsible for around 40 percent of the world's oil production, will instead tighten supply at its policy-setting meeting in Oran, Algeria, on Dec. 17.

'OPEC will probably sit on the fence and wait until their meeting in December before adjusting production,' said Harry Tchilinguirian, oil analyst at BNP Paribas in London.

'The only thing that could change that would be a big fall in prices over the next few days.'

A collapse in oil prices over the last four months to around \$50 from a peak of more than \$147 a barrel in July has forced OPEC to consider all its options.

The price fall has coincided with recession in the major consumer countries and a consequent drop in oil use.

Some economists say world oil use may even see a rare contraction next year.

Although some OPEC members, such as Qatar, can manage with a relatively low oil price, other members of the group require much higher prices.

Venezuela needs more than \$90 a barrel this year in order to balance its external accounts, according to Washington-based consultancy PFC Energy. Iran is thought to need almost \$60.

#### 'IMPORTANT DECISION'

To try to support the market, OPEC called an emergency meeting on Oct. 24 when it agreed to reduce production by 1.5 million bpd to just over 27.3 million bpd.

But prices have fallen by more than \$10 since last month's meeting.

The Cairo talks are not a formal OPEC conference, but all members of the group have been invited to attend. Originally, only the group's core members, who form the Organization of Arab Petroleum Exporting Countries (OAPEC), were to meet in the Egyptian capital.

Since an initial announcement on Nov. 12 that the OAPEC meeting could be widened, OPEC President Chakib Khelil has downplayed expectations there would be an early output decision.

Khelil said on Friday ministers would not have enough data on the impact of their output reduction so far when they meet in Cairo and OPEC would very likely take an 'important decision' when it meets in Oran in December.

'In Cairo we will not have the complete data about the market,' Khelil said. 'It's very possible that we will not take a decision until we will see the impact-this impact will not likely be seen until December.'

That argument is fairly widely accepted by analysts.

'Until the full impact of the cuts on Oct. 24 can be properly assessed, it will be difficult for OPEC,' said Julian Lee, senior energy analyst at the Centre for Global Energy Studies.

With prices so low, it is also extremely painful for some OPEC countries, particularly smaller states, to agree production cuts and OPEC heavyweight Saudi Arabia has made it clear it is unwilling to shoulder all the burden of output cuts.

'At these prices some OPEC producers have little choice but to pump full on,' said Jan Stuart, analyst at UBS in New York.

But several analysts anticipate a cut this weekend, arguing OPEC cannot wait any longer. Rob Laughlin of MF Global said the market would respond badly if OPEC left Cairo without a cut.

'To go into that meeting and come out empty-handed would certainly produce lower prices. To do nothing is not an option,' he said.

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#### 4. PIRATE ATTACKS FAIL TO REVIVE TANKER RATES AS OIL DEMAND SLOWS

By Alaric Nightingale

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Somalian pirates seized their biggest-ever prize on Nov. 15, a ship loaded with 2 million barrels of crude, worth a combined \$250 million. The hijacking prompted Frontline Ltd., the world's biggest tanker operator, and owners controlling almost a quarter of the fleet to say they may avoid the region, lengthening journeys and effectively reducing ship supplies.

"It would be too strong to say it would become a huge constraint" to vessel supply, Andreas Sohmen-Pao, chief executive officer of BW Shipping Managers Pte., which controls 17 supertankers, said from Singapore Nov. 20. "It would reduce capacity, but not to an alarming level."

Shipowners are already contending with recessions in the U.S., Japan and Europe that have sapped demand for energy. The 13 members of the Organization of Petroleum Exporting Countries curtailed production for three consecutive months. The group also agreed to reduce output this month and meets again Nov. 29. The International Energy Agency, an adviser to 28 nations, cut its global oil demand forecast the most in 12 years on Nov. 13.

#### Shipping Hedge Fund

The cost of shipping Middle East crude to Asia, the global benchmark, has fallen to 66 Worldscale points from almost 277 points at the end of last year. Worldscale points are a percentage of a nominal rate, or flat rate, for more than 320,000 specific routes. Freight derivatives for December settlement are trading at about 61.5 Worldscale.

Longer voyages around South Africa's Cape of Good Hope, avoiding Egypt's Suez Canal and the Gulf of Aden above Somalia, won't change much, said Andreas Vergottis, research director at Tufton Oceanic Ltd., the world's largest shipping hedge fund group. Expanding inventories and weakening demand would have prompted refineries to seek slower deliveries, he said.

"In a slack market, this is happening anyway," London-based Vergottis said by phone Nov. 20. "It's just convenient for everybody."

Sailing at 14 knots, it takes 33.2 days to ship Saudi Arabian crude oil to Rotterdam via the Cape of Good Hope, compared with 19.2 days going through the Suez Canal, according to the world-register.net Web site. When rates are higher, shipowners will seek to speed deliveries.

#### Economic Contractions

“There's an economic case for going through the Suez and that works better when the market is higher,” Martin Stopford, London-based executive director at Clarkson Plc, the world's biggest shipbroker, said Nov. 20.

The International Monetary Fund on Nov. 6 predicted economic contractions in the U.S., Japan and euro region next year. The Organization for Economic Cooperation and Development on Nov. 20 said the economy of its 30-member nations shrank for the first time in seven years during the third quarter.

There have been about 97 supertankers booked to load at Middle East ports in November and there probably aren't any more cargoes, said Nikos Varvaropoulos, an official at Optima Shipbrokers in Athens. There are normally about 105 a month.

The drop in shipments has left the market with “plenty of vessels” and “no cargoes,” Varvaropoulos said Nov. 21.

#### Canal Pipeline

About 61 million metric tons of Middle East crude oil were shipped northward through the canal and an adjacent pipeline in the first half of 2008, according to data from Lloyd's Marine Intelligence Unit. That's about 2.45 million barrels a day, or 12 percent of Europe's daily oil consumption.

The five-member Bloomberg Tanker Index, led by Hamilton, Bermuda-based Frontline, plunged 63 percent since June.

The Somali pirates demanded \$25 million in ransom for the Saudi Arabian supertanker. Since January, at least 91 vessels have been attacked in the Gulf of Aden, an area flanked by Yemen and Somalia.

“My gut feeling is that this problem is going to subside,” said Finn Engelsen, managing director of Oslo-based shipbroker Lorentzen & Stemoco A/S. “It's going to be solved one way or another.”

The European Union last month joined the North Atlantic Treaty Organization, India, Malaysia and Russia in deploying vessels to combat piracy.

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## 5. ECONOMIC SLUMP MAY LIMIT MOVES ON CLEAN ENERGY

By Elisabeth Rosenthal  
NY Times  
Tuesday, November 25, 2008

Just as the world seemed poised to combat global warming more aggressively, the worldwide economic slump and plunging prices of coal and oil are upending plans to wean businesses and consumers from fossil fuel.

From Italy to China, the threat to jobs, profits and government tax revenues posed by the financial crisis has cast doubt on commitments to cap emissions or phase out polluting factories.

Automakers, especially Detroit's Big Three, face collapsing sales, threatening their plans to invest heavily in more fuel-efficient cars. And with gas prices now around \$2 a gallon in the United States, strapped consumers may be less inclined than they once were to trade in their gas-guzzling models in any case.

President-elect Barack Obama and the European Union have vowed to stick to commitments to cap emissions of carbon dioxide and invest in new green technologies, arguing that government action could stimulate the economy and create new jobs in producing sustainable energy.

But as the United Nations prepares to gather the world's environment ministers in Poznan, Poland, next week to try to agree on a new treaty to reduce emissions, both the political will and the economic underpinnings for a much more assertive strategy appear shakier than they did even a few weeks ago.

"Yes things have changed," said Yvo de Boer, executive secretary of the United Nations Framework Convention on Climate Change, in a phone interview. He is organizing the meeting in Poland.

"European industry is saying we can't deal with financial crisis and reduce emissions at the same time," he said. "Heads of government have other things on their minds."

The economic decline also could complicate the political calculus of limiting emissions in developing countries, especially China.

China overtook the United States as the largest producer of greenhouse gases in 2007. But the surge in heavy industry there that produced a sharp spike in its emissions already has given signs of turning into a bust.

Some experts argue that China's emissions ? and the pressing need to limit them ? may recede until economic conditions improve.

No government has officially repudiated climate goals; in Bali last year, all the nations of the world promised to pursue an emissions control treaty. de Boer said he remained optimistic that major powers would ultimately stick to pledges to reduce emissions.

"I don't think anyone will show the stupidity to focus on the short term and ignore the long-term issue because these decisions will be with us for 30 years," he said.

Even so, there are signs of considerable backpedaling in at least near-term commitments to invest in green technology and alternative energy.

Italy's environment minister, Stefania Prestigiacomo, said last month that "profound changes" were needed in the European Union climate package because of the global economic crisis. Coal-based economies like Poland's have expressed similar worries.

Theolia, one of France's largest alternative energy companies, has canceled plans for a subsidiary devoted to emerging markets, and pulled back on its goals of how much energy it could produce by 2009.

In the United States, T. Boone Pickens, the Oklahoma oil tycoon who leased hundreds of thousands of acres in West Texas for a giant wind farm, has now delayed the project. He told reporters at a recent news conference that fossil fuel prices would have to rise again before it was economically viable.

Barbara Helfferich, the European Commission spokeswoman on the environment, said, "Investing in reducing emission is more difficult to do in times of economic downturn than when you have money to spend."

Obama, de Boer and Stavros Dimas, the European Union environment commissioner, all argue that by promoting new green jobs, even with heavy government subsidies, they could create an engine of economic growth that would help countries pull themselves out of the recession.

Obama, without releasing specifics of his proposed economic stimulus package, called on the country to build "wind farms and solar panels, fuel-efficient cars and the alternative energy technologies that can free us from our dependence on foreign oil and keep our economy competitive in the years ahead."

The European Commission says it is planning to stay its course toward lower emissions ? a 20-percent reduction by 2020 ? and in so doing hopes to have a "first mover advantage" in terms of job creation, renewable sources and energy innovation once the global economy rebounds.

"I know it sounds counterintuitive, but our argument is that because there is an economic turndown, it is just the time to tackle the transition from a high-carbon to a low-carbon economy," Helfferich said.

Recessions can be good or bad for achieving environmental goals, and it remains uncertain how this one will play out.

In the short term, economic declines tend to reduce emissions, because industrial production slows down. Retrenchment will certainly curb fast-growing emissions from China, for example, where double-digit economic growth has been based partly on production from the most polluting industries, such as steel, cement and aluminum. But such reductions are inevitably temporary, rebounding when the economy picks up.

Against this, the current economic slump could have serious long-term environmental consequences, because it may reduce investment in greener production technologies without fundamentally changing the longer-term emissions picture. With so many renewable energy projects and programs in their nascent stages, their success is easily undercut by lack of credit or financing.

Centrica, a British company that has been building wind farms to meet its target of having 15 percent of that country's energy come from renewable sources by 2020, has put three planned offshore wind farms on hold, in part because of rising credit costs. Without projects like these it is unclear if Britain's ambitious emissions reductions target can be met.

At the same time, the price of buying permits to emit carbon dioxide in Europe ? a system the European Union uses to discourage companies from polluting ? have fallen by half compared with the price a year ago, largely because of slower growth.

Wind costs more than \$2.5 billion per gigawatt to build, compared with \$600 million for gas. Carbon permits and subsidies can narrow that gap, but the current low prices mean that it is cheaper to burn coal, even after paying penalties for the carbon dioxide emissions.

The United Nations says that 40 percent of the world's power generating capacity has to be replaced in the next 5 to 10 years. Six months ago, high oil prices, easy credit and political pressure led many governments to promote biofuels, wind farms and nuclear projects and phase out fossil fuel plants. But the logic of spending more on such plants has at least partly evaporated.

"If because of the current economic scenario, you choose cheap and dirty, we'll be in big trouble," de Boer said.

Paradoxically, it may not look that way, at least at first. One big short-term effect of the economic situation is likely to be a reduction of emissions from the developing world. In the decade after the Eastern bloc countries gained independence in 1989, pollution dropped precipitously, as Soviet-era heavy industry shut down.

Emissions dropped sharply between 1990 and 2000, only to start rebounding in the boom years after 2000. By 2006, for example, emissions dropped by 1 percent in industrialized countries (mostly those in Western Europe) that report their emissions to the United Nations. At the same time, they increased by 3 percent in the so called "economies in transition," including the former Soviet bloc states of Eastern Europe.

In the current global recession China could follow a similar trajectory.

The number of cement plants in China rose to 7,000 from 3,000 from the year 2002 to 2007, as China build new cities at a record pace. That catapulted China to top of the list of global emitters, more than a decade earlier than scientists had anticipated just a few years before.

Yet straight-line projections about China's emissions are now again in question, said Trevor Houser, a visiting fellow at the Washington-based Peterson Institute for International Economics.

"Demand for goods like steel, cement and aluminum is contracting severely, so the energy used to produce them is also severely down," he said.

Last month, he said, China's energy use fell by 4 percent compared with the same month in 2007. A year ago, use was growing at an annual rate of 15 percent.

That may ultimately be a good thing for the Chinese economy as well as the environment, because heavy industry produces heavy emissions, but very few jobs.

Indeed, the slowdown may provide a opportunity for China, too, to reinvent itself with investment in a greener economy. "Slower energy demand provides an opportunity to move away from coal," he said.

Still, such benefits may be more apparent to environmentalists than to factory owners and finance ministers trying to meet budgets and make profits. The European Union estimates that it will cost Italian industry 13 billion euros, about \$16.7 billion, to reduce emissions. Italy puts the cost up to 27 billion euros, which is says it can't afford.

"Transitions are expensive, but this one will help avoid the ups and downs we've recently seen," Helfferich said. "This is a short term bitter apple to create new sectors that are conducive to fighting climate change and jobs as well."

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## 6. THE MINISTRY OF OIL STRESSED THAT THE FIRE IN IRAQI-TURKISH PIPELINE WILL NOT EFFECT ON IRAQI EXPORTS

Iraq Directory  
25 November 2008

The Spokesman of Iraq's oil ministry stated on Saturday, that a fire broke out in the Iraqi-Turkish oil pipeline because of sabotage action and it would not affect on Iraq's oil exports that ranging between 350 thousand to 400 thousand barrels a day through the Turkish port of Ceyhan.

Assem Jihad told (Voices of Iraq) "the sabotage that hit Iraqi oil pipeline linking Kirkuk and the Turkish port of Ceyhan last night would not affect the level of Iraqi oil exports," adding that the export of oil through the Turkish port of Ceyhan will continue at the same level that oil reservoirs in the port are full of sufficient quantities of oil to be exported for more than 10 days.

It was an act of sabotage last night targeted Iraqi-Turkish pipeline connecting the Kirkuk fields to Turkish port of Ceyhan in the region of Mardin 100 km north of the Iraqi-Turkish border.

He added that "stop pumping through the pipeline will not affect the export rates."

It should be noted that Iraq exported between 350 thousand to 400 thousand barrels a day through the Turkish port of Ceyhan.

He said "The ministry condemns this criminal act which does not target only Iraq but all countries benefiting from Iraqi imported oil," he said.

The external relations officer in the PKK Abdul Rahman Chaderchi, threatened in last October to strike Iraq's oil export routes through Turkish territory.

The PKK militants recently claimed responsibility for similar attacks on pipelines in eastern Turkey.

Turkey is, like the United States and the European Union considers PKK a "terrorist" organization. The PKK took up arms against Turkey in 1984 aimed at a Kurdish homeland in southeast Turkey.

The Iraqi Oil Minister Hussain al-Shahristani said in last September that the flow of Kirkuk crude oil to Turkey at a steady rate of 350 thousand barrels per day.

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## 7. SHAHRISTANI IN ERBIL: DNO, TAQ TAQ OIL EXPORTS OK FROM NORTH IRAQ

Iraq Oil Report  
November 24, 2008

Two companies developing oil fields in Iraq's Kurdistan region received approval from Baghdad to tie in to the northern Iraq pipeline, a company official said.

An official from the Taq Taq Operating Co., TTOPCO, a joint venture between Turkey's Genel Enerji and Canada's Addax Petroleum, said on condition of anonymity that both TTOPCO and Norway's DNO were given tie-in permission, Ben Lando reports for United Press International.

News reports from Erbil, the Kurdistan Regional Government's capital, said a visit Monday by Iraqi Oil Minister Hussain al-Shahristani paved the way to proceed with the technical work. Iraq exported an average 319,000 barrels per day through the northern pipeline last month. It hit a high of 483,000 in June, and the combined initial addition of TTOPCO and DNO exports could add anywhere between 60,000 to 100,000 bpd depending on technical issues with their respective oil fields and infrastructure.

"Concerning this issue, we have agreed to prepare and link the pipeline (from both fields) to the Iraqi strategic pipeline, but regarding the exporting process there are still some unresolved points which will be discussed ... in coming days," Shamal Aqrabi of Reuters reports Shahristani as saying.

The Associated Press reports there were no decisions made about the disputed two-dozen other contracts signed by the KRG, but Nechirvan Barzani and Shahristani agreed to further talks.

They also will cooperate on Khurmala, part of the Kirkuk structure, which saw national and regional security forces standoff over it during the summer.

Iraq's Oil Ministry made good on a pledge last month to turn around a four-month decline in oil exports as Iraqi oil starts fetching less than \$60 a barrel.

New data from the ministry show Iraqi oil exports increased by more than 7 percent from September through October, which averaged 1.7 million barrels per day, Ben Lando reports for UPI. Exports slightly dropped in the north, from 320,000 bpd in September to 319,354 last month. But southern exports made up for the difference and then some, from 1.32 million bpd in September to October's 1.38 million bpd.

Iraq's Central Bank adviser says reserves are at \$42 billion, according to the Iraq Development Program.

The University of Baghdad and the Iraqi AlAmal Association have released their new study: Results of the Field Survey for Needs and Opinions of the Poor in Iraq.

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## 8. IRAQ IN BREAKTHROUGH TO LINK KURD OILFIELDS TO EXPORT

By Shamal Aqrabi

ARBIL, Iraq, Nov 24 (Reuters) - Iraq's oil minister and officials from its largely autonomous Kurdistan region agreed on Monday to link two Kurdish oilfields to the main northern export pipeline to the Turkish port of Ceyhan, the minister said.

"Concerning this issue, we have agreed to prepare and link the pipeline to the Iraqi strategic pipeline, but regarding the exporting process there are still some unresolved points which will be discussed ... in coming days," Oil Minister Hussain al-Shahristani said.

He had been asked by reporters in the Kurdish capital Arbil when the Oil Ministry would grant an export licence for Kurdistan's Tawke oilfield, on which Norwegian firm DNO has the concession, and for its Shiwashuk field.

DNO shares surged on the news and last traded up 18 percent.

Disputes between the Baghdad and the Kurdistan Regional Government (KRG) have held up development of oilfields for export in Kurdistan. DNO pumps oil from Tawke but has not managed to gain a licence to export it.

Without a licence, it has to sell oil on the domestic market at a fraction of the world price.

Analysts said the news was an unexpected breakthrough.

"It's a big step as far as the KRG is concerned," said Muhammad-ali Zainy of the Centre for Global Energy Studies in London.

"It's a surprise given that he (Shahristani) was adamant these contracts were illegal ... We don't know what's going on behind the scenes."

#### ONGOING DISPUTE

Shahristani was in Arbil for talks with Kurdish officials aimed at resolving the disputes over contracts the KRG signed with foreign oil firms on its own initiative. Baghdad has said such contracts are illegal, without central government consent.

"We have agreed on the principle that oil remains for all Iraqi people," Shahristani said at a joint news conference with KRG Prime Minister Masoud Barzani.

Iraq's cabinet agreed a draft oil law in February last year, but it has failed to get it through parliament partly because of rows between the KRG and Baghdad over control of oil contracts.

"There are differences not only between the federal government and the (Kurdish) region on some articles in this law, but also among various political blocs," Shahristani said.

Iraq has the world's third largest proven reserves at around 115 billion barrels. In the absence of an oil law, Baghdad has been negotiating contracts with oil majors under old laws.

The KRG says the constitution gives it the right to also do deals in its territory, but the dispute has kept the majors away.

"We still believe that all differences can be resolved through dialogue and consultation," Barzani told the joint conference.

Shahristani said a top priority was the development of Kurdistan's Khurmala field to supply an Arbil refinery.

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#### 9. IRAN OIL INDUSTRY NEEDS \$145 BLN INVESTMENT

TEHRAN, Nov. 24 (Xinhua) -- Iran's Deputy Oil Minister for domestic construction and engineering affairs Hamdollah Mohammadnejad said that at least 145 billion U.S. dollars is needed to be invested in the country's oil industry within a ten-year period, Iran's Energy and Oil Information Network (SHANA) reported on Monday.

Mohammadnejad made the remarks in his address to the opening ceremony of the first National Stakeholder System Development Congress in Oil Industry that began in Tehran on Nov. 22.

Iran needs some 14 billion dollars annually to invest in oil industry to gear up to be the "region's first choice for value-added petrochemicals, OPEC's second producer and world's third gas producer," SHANA quoted him as saying.

He also invited the domestic private sector to increase its share as much as 7 billion dollars a year to implement the projects.

The visiting Turkish Energy Minister Hilmi Guler said here that Turkey may make a 12-billion-dollar investment in Iran on the basis of an agreement signed between the two countries in Tehran, according to the official IRNA news agency.

The money would be spent on developing Iran's offshore gas fields in southern Iran and construction of a 1,800-kilometer gas pipeline from Assalouyeh, the gas field in southern Iranian province of Bushehr to Turkish border, the report added.

Iran, which holds estimated recoverable oil reserves of 138 billion barrels and produces oil of some 4.2 million barrel per day(bpd), depends heavily on the foreign funds, especially in gas and oil sector, to fulfill its ambitions on developing the country.

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#### 10. NIGERIAN REBELS IN OIL-RICH DELTA THREATEN TO END CEASE-FIRE

By Antony Sguazzin

Nov. 25 (Bloomberg) -- The Movement for the Emancipation of the Niger Delta, the main militant group fighting in Nigeria's oil region, said it may end a cease-fire after a request to do so by allies in the area.

The group, known as MEND, "has been contacted by its Delta state cousins to support its renewed fight against the military Joint Task Force," it said in an e-mailed statement today. "MEND is mulling over the urgent request in the face of its cease-fire declaration but will have no choice other than to join the fray if the violence escalates."

While MEND declared a cease-fire on Sept. 21, it reported a skirmish with the military on Nov. 20.

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#### 11. RUSSIA, VENEZUELA TO FORM 'STRATEGIC' OIL ALLIANCE

Eric Watkins  
Oil Diplomacy Editor

LOS ANGELES, Nov. 24 -- Venezuelan President Hugo Chavez plans to enter into a strategic alliance with Russia aimed at developing his country's oil industry, according to a senior government minister.

"It will be a strategic alliance between Petroleos de Venezuela SA (PDVSA) and an oil consortium of all the Russian firms, state and private, a large industrial conglomerate not just for production, but also for the entire matter of refining and industrialization," said Venezuela Energy Minister Rafael Ramirez.

A strategic cooperation agreement will be signed on Nov. 26 during Russian President Dmitriy Medvedev's visit to Caracas, Ramirez said, noting that Moscow also is pursuing a policy "of greater cooperation" with the Organization of Petroleum Exporting Countries.

Earlier this month, Rosneft Chief Executive Officer Sergei Bogdanchikov said five of Russia's largest oil and gas firms each have taken a 20% stake in the national consortium formed to develop heavy oil fields in Venezuela's Orinoco River basin.

The consortium was registered on Oct. 8, Bogdanchikov said. In addition to Rosneft, the Russian group is comprised of Gazprom, Lukoil, TNK-BP, and Surgutneftegaz. PDVSA will have the controlling stake in the larger consortium announced by Ramirez, and the companies will complete formalities by next spring.

Russian Deputy Prime Minister Igor Sechin explained the rationale for the consortium with Venezuela.

"The consortium derives from practical considerations: crude produced at certain Venezuelan blocs is heavy, and it is necessary to build refineries capable of making commercial oil," Sechin said. "Such refineries are rather expensive (\$6-6.5 billion), and that is too much for one company."

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## 12. WORLD BANK SAYS CRISIS WILL SLOW CHINA

By Geoff Dyer in Beijing  
Financial Times  
November 25 2008 08:51

The World Bank on Tuesday cut its growth forecast for China next year to 7.5 per cent, the slowest rate of expansion since 1990, and said the impact of the global financial crisis was likely to "intensify".

In its latest quarterly report on the Chinese economy, the bank reduced its forecast for next year from 9.2 per cent and said the government should accelerate steps to rebalance the economy away from exports and investment towards more domestic consumption.

The sharp cut in expected output growth reflects the rapid deterioration in the Chinese economy over the last two months, as a slowdown in the local housing market has combined with weaker demand from export markets.

The reduced growth rate still relied heavily on higher public spending, which the bank said would contribute more than half of the expected increase in output next year. Earlier this month, the government said it would spend Rmb4,000bn over the next two years on infrastructure and welfare projects.

"The impact of the international financial and economic turmoil on China's economy has been manageable so far, but is expected to intensify," said Louis Kuijs, economist at the World Bank in Beijing. "Looking ahead, prospects are for a sharp reduction in export growth."

The bank said that exports had so far held up relatively well given the slowdown in the US, with the 13 per cent real increase in exports from China more than double the rate that global imports were expanding. Chinese companies would also likely gain market share during a global slowdown because of their strong competitiveness, even though the exchange rate had appreciated recently against most currencies.

However, export growth was likely to slow sharply as the financial market turmoil began to hit the economies in other emerging markets. Indeed, the bank said that net exports were likely to reduce the growth rate by 1 percentage point in 2009 – the first negative contribution to growth from trade "in many years".

Mr Kuijs said that China had ample room to lift public spending in face of the rapid slowdown after running modest fiscal surpluses in recent years, and predicted the budget deficit next year would rise to 2.6 per cent of GDP.

However, the bank said it could be difficult to spend the money in an efficient and transparent manner, given the large size of the likely fiscal stimulus and the speed with which it was being executed.

The bank said the government should use some of the fiscal spending to introduce policies that improve peoples' living standards, rather than just invest in infrastructure. Such policies should include more health and education spending and transfer payments to low-income groups.

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### 13. PETROCHINA DOUBLES LNG PURCHASES IN ACCORD WITH SHELL (UPDATE1)

By Winnie Zhu

Nov. 25 (Bloomberg) -- PetroChina Co., the nation's largest oil company, doubled the volume of liquefied natural gas it will buy from Royal Dutch Shell Plc in an agreement to supply terminals being built along China's eastern coast.

The companies signed a final accord for two million metric tons of supplies a year from the Gorgon project in Western Australia and Shell's global portfolio, the China unit of Europe's largest oil company said in a faxed statement today. In an initial accord signed in September 2007, Beijing-based PetroChina had agreed to buy 1 million tons of the fuel.

The Chinese oil producer is building three LNG terminals as part of a government plan to double the use of cleaner-burning fuels by 2010 to cut reliance on coal and oil. China has an accord with Woodside Petroleum Ltd., 34 percent-owned by Shell, for supplies from Australia's North West Shelf for the nation's first LNG plant in Guangdong province.

The accord signed yesterday is a "20-year sales and purchase agreement," Shell said in the statement, without indicating when deliveries may start.

The cargoes will add to supplies from Shell's 30 percent-owned Qatargas 4 Project under a deal signed in April. PetroChina will receive 3 million tons of LNG from the Qatari project starting 2011, Oil Minister Abdullah bin Hamad al-Attiyah said then.

PetroChina is building an LNG receiving terminal in the eastern province of Jiangsu and another in the northeastern city of Dalian. A third plant is planned in Tangshan city in Hebei province. The Jiangsu plant is scheduled to be completed by 2011.

#### Gorgon Delays

Shell has a 25 percent interest in the Gorgon project. Operator Chevron Corp. owns 50 percent while Exxon Mobil Corp. has the remaining 25 percent.

The financial crisis threatens to delay the project, which has already been postponed several years, analysts have said. It was first put on hold in 1998 when the Asian economic crisis hit. More recently, the venture scrapped a timeline for approving and building the plant as the partners seek to tackle a surge in construction costs.

Gorgon requires environmental approval after the partners expanded its proposed capacity.

In September 2007, PetroChina agreed to buy between 2 million and 3 million tons of LNG for 15 to 20 years from Woodside's proposed Browse project off the northwest coast of Australia.

LNG is natural gas that has been chilled to liquid form, reducing it to one-six-hundredth of its original volume, for transportation by ship to destinations not connected by pipeline. It's turned back into gas for distribution to power plants and other buyers.

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### 14. 23-BILLION TON ULTRA LARGE COAL FIELD DISCOVERED IN CHINA'S TURFAN BASIN

By People's Daily Online

After efforts by geological exploration teams for over a year, an ultra large coal field with a forecasted 23 billion tons of total reserve was found in the famous Turfan Basin in China.

Reporters learnt from the Department of Land and Resources of the Xinjiang Uygur Autonomous Region that, the newly-discovered coal field is located in the Sha'er Lake in Piqan County of Turfan Region in Xinjiang.

The coal mine occupies an area of over 300 square kilometers with a gross minable thickness of 169.69 meters, and a coal bearing ratio of 29%, with the largest coal bed being 141.91 meters thick in a single layer.

In China, a coal field with over 50 million tons of reserve is defined as an ultra large coal field. Sha'er Lake coal field has a forecasted reserve of 23 billion tons placing it into the category of an ultra large coal field at the national level. The People's Government of Autonomous Region has now listed Sha'er Lake as the key coal exploration area in Xinjiang, and it will be deployed, explored and excavated with an overall plan.

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**15. STATE POWER UTILITY REELS UNDER COAL SHORTAGE, DABHOL WOES**

Devraj Dasgupta  
Times of India  
25 Nov 2008, 0246 hrs IST

MUMBAI: Faced with an acute coal shortage and frequent breakdowns of the 2,140 MW Dabhol power plant, the management of state utility MSEB on

Monday said the `matter is of great concern'. The utility has raised both these issues, which could affect supply of electricity in power-starved Maharashtra, with the state government as well as the Centre for an early resolution.

The state is already reeling under load-shedding of four to eight hours due to an electricity shortage of almost 5,000 MW. While demand has crossed 15,000 MW, mainly due to agriculture pumps running full steam and the heat wave, MSEB officials say that things could get worse if coal reserves and Dabhol issues are not resolved quickly.

A B Pandey, MD of MSEB's distribution company `Mahavitaran', on Monday said the coal shortage was a big concern. "As it is Mahavitaran is grappling with power shortage in the range of 4,000 MW to 5,000 MW. We have apprised chief minister Vilasrao Deshmukh as well as the Centre of the grave consequences if the company gets less power due to lower thermal generation," said Pandey.

Sources said the MSEB's thermal plants are operating with a wafer-thin inventory of coal. According to standard norms followed in the industry, a thermal plant should have coal stock to generate power for a fortnight at any given point of time. But the Maharashtra State Power Generation Co Ltd (Mahagenco), the generation arm of MSEB, is running on just a day's reserve stock of coal.

MSEB officials said they are holding talks with the Centre to get immediate access to fresh stock from Western Coalfield Ltd (WCL). Officials said its six thermal plants are running without any buffer stock even as private operators purchase coal at higher rates.

Although circumspect, Pandey agreed that frequent breakdowns of the 2,140 MW Dabhol plant were also causing problems in supply. Last week, the Dabhol plant's generation went down by 600 MW as two units were withdrawn from service and sent for testing (read repairs).

He said the state is pushing both Ratnagiri Gas and Power Pvt Ltd (RGPPL), the central entity which runs Dabhol, and original equipment supplier General Electric (GE) to hold talks on a comprehensive maintenance schedule. "There is a dispute between RGPPL and GE on the reason for the turbines at

Dabhol being repaired frequently. But being the main beneficiary, Mahavitaran is asking both RGPPI and GE to talk on finalising an annual maintenance contract," he said.

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## 16. ASIAN UTILITIES MAY HAVE HALVED SPOT LNG PURCHASES

By Dinakar Sethuraman

Nov. 25 (Bloomberg) -- Asia may have halved imports of liquefied natural gas spot cargoes for winter consumption after inventories climbed because of mild weather and as the global financial crisis cuts demand, ship-tracking data shows.

Utilities including Tokyo Electric Power Corp. and Korea Gas Corp. may have bought at least eight LNG cargoes from the Atlantic Ocean area for delivery this month compared with about 16 in November last year, according to transmissions from ships captured by AISLive on Bloomberg and official data.

"The summer was not as hot as expected and the tanks are running full in Japan and Korea," James Palairet, an analyst with LNG Shipping Solutions, said by telephone from London. "There have been more spot cargoes going to Europe and the U.S. in the past few weeks."

A cooler Northern Hemisphere summer and a slowdown in the global economy have reduced demand for electricity to run air- conditioners in Japan and South Korea, the world's biggest LNG importers. Spot LNG prices have halved from about \$21 per million British thermal units, including shipping costs, reached in September, based on government data. In September, utilities in Asia imported 19 cargoes, based on official data.

Japan's imports of spot and multiyear cargoes decreased 8.6 percent to 5.5 million metric tons last month, according to a preliminary report released by the finance ministry in Tokyo on Nov. 20. The country paid an average \$14.6 per million Btu for the fuel in October compared with more than \$20 for a spot cargo from Egypt in September.

### Korea Gas

Korea Gas Corp., the world's biggest buyer of LNG, said on Nov. 10 domestic sales of natural gas fell 3.7 percent in October from a year earlier as demand from power plants dropped 10.7 percent.

Taiwan Power Co., which consumes more than half of the island's LNG imports, expects electricity demand to increase at the slowest pace in seven years in 2008 because of the global recession and higher prices, Chief Engineer Tu Yueh-yuan said in an interview in Taipei on Nov. 19.

"Barring some presently unforeseen event, the spot and diversion market for this winter in Asia is dead," Pan EurAsian Enterprises, a U.S. energy consultant, said in a Nov. 20 report. "Reduced economic growth and manufacturing plant shutdowns figure all through Asia with a strong impact on LNG imports."

Methania, a LNG tanker, was forced to return to the Zeebrugge LNG terminal in Belgium after a month because it failed to find a buyer in Asia willing to pay a premium for a spot cargo, according to Pan EurAsian and Distrigas NV.

### Gas Premium

Asian utilities must pay a premium of at least \$3 to \$4 per million Btu to prices of gas in U.K. to draw cargoes away from Europe, Palairet said.

Spain's import growth slowed to 8 percent in November after storage tanks reached 79 percent of capacity, the report said. Still, purchases increased 22 percent in the first 10 months from a year earlier, the highest among large LNG importing nations.

The risk of a year-on-year increase in U.S. LNG imports during the second half of 2009 may increase if spot LNG cargoes have trouble finding demand in Asia and end up at U.S. terminals, Goldman Sachs Group Inc. said in a report on Nov. 14.

The decline in November supplies was led by China and India, which did not buy any cargoes from the Atlantic Ocean area compared with at least three in September, ship-tracking data and Chinese customs figures show. Japan and South Korea bought at least seven cargoes from the Atlantic Ocean area this month compared with about 13 in September. Official data on October imports will be announced later this month.

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## 17. OBAMA WILL BOOST STIMULUS PLAN WITH FUNDS FOR ROADS, ENERGY

By Matthew Benjamin

Nov. 25 (Bloomberg) -- President-elect Barack Obama, encouraged by congressional Democrats, will propose early next year an economic-stimulus package three times larger than one he was discussing only weeks ago, with the main focus on infrastructure, aides and lawmakers said.

The package, aimed at ending the worst U.S. economic slump in at least a quarter-century, probably won't be submitted until January, giving up any chance of passing a stimulus plan during a lame-duck session of Congress next month.

An infusion of as much as \$700 billion is warranted, according to Senator Dick Durbin of Illinois, the No. 2 ranking Democrat in the Senate and Obama's closest ally in Congress.

"You better stimulate with a number that will create measurable economic growth," Durbin said in an interview.

Obama, who said during a press conference yesterday that he had to deal with an "economic crisis of historic proportions," declined to give a range for the new package he favors. Still, he made Durbin's point that it will have to be big enough to restore confidence.

The spending will be "of a size and scope that is necessary to get this economy back on track" and "significant enough that it really gives a jolt to the economy," he said.

Obama will hold another press conference today to discuss overhauling government spending, during which he will announce Peter Orszag, head of the Congressional Budget Office, as his budget director, according to a Democratic aide.

### Fueling Jobs, Growth

During the presidential campaign, Obama, 47, proposed a \$175 billion plan with tax-rebate checks for consumers as well as spending on school repairs, roads and bridges, aid to states, and tax credits for job creation.

Since the Nov. 4 election, the government reported the jobless rate climbed to 6.5 percent in October, the highest since 1994, with retail sales and consumer prices plunging the most on record. Federal Reserve policy makers now expect the economy to contract through the middle of 2009, with analysts forecasting the worst recession since at least the early 1980s.

Aides to Obama say Lawrence Summers, named yesterday as director of the National Economic Council, favors spending as much as possible to spark growth.

Many Democrats say much of the money should be used to jumpstart federal infrastructure projects because that would create jobs and fuel economic growth.

Laura Tyson, an economic adviser to Obama, said a program may be used to finance highway projects, alternative-energy initiatives, tax cuts, education programs and aid to state governments struggling to balance their budgets.

### 'The Big Number'

Tyson said the package could total as much as \$600 billion over the next two years as the administration seeks to offset a decline in consumer spending. She said the size of the proposed stimulus has grown as the economic outlook has worsened.

"If the economy is faltering at a faster pace than expected, which does seem to be the case right now, then you want to go for the big number -- you want to go for the \$600 billion range," Tyson, who previously served as President Bill Clinton's top economic adviser, said in an interview with Bloomberg Television.

The plan's components are likely to remain essentially the same as the \$175 billion package Obama initially advocated, said a person familiar with the presidential-transition team. Spending focused on "shovel-ready" infrastructure would be ratcheted up because the Obama team believes it has great job-creating potential, the person said.

### Rebates Ineffective

A \$168 billion package passed in February emphasized tax rebates. Democratic economists say that, because consumers tended to save a large chunk of that money, rebates aren't as effective in stimulating economic activity and creating jobs as is direct spending on infrastructure projects.

The Obama plan, which the president-elect said will be his economic team's first priority, will be focused on creating and preserving 2.5 million jobs. "If we do not act swiftly and act boldly, most experts now believe we could lose millions of jobs next year," Obama said yesterday.

He stressed the urgency of passing legislation quickly, adding that "we do not have a minute to waste." Yet it is unlikely Congress will produce a stimulus bill in December, a person inside his camp said.

### 'Runaway Spending'

Some Republicans in Congress aren't enthused.

"Growing Washington with runaway spending is not change, it's more of the same," Senator Jim DeMint, a South Carolina Republican, said in a written statement. "If federal spending actually created economic growth, our economy would be booming right now. We are trillions of dollars in debt and Obama's massive new spending program threatens to send our nation over a fiscal cliff, leading to higher taxes and fewer jobs."

DeMint, a member of the Joint Economic Committee, said "it's time to stop the failed bailouts and end the wasteful spending" and called for more tax cuts.

President George W. Bush has expressed opposition to any stimulus bill heavy on government spending, preferring tax cuts and rebates.

Obama voiced optimism over the prospects for a stimulus during yesterday's press briefing, painting it as a measure with broad support.

### Rare Consensus

"We have a consensus, which is pretty rare, between conservative economists and liberal economists, that we need a big stimulus package," he said. "Across the board, people believe that this stimulus is critical."

He said the plan would address both near-term concerns and far-reaching ones by investing in clean energy projects and education in addition to projects designed to create jobs immediately.

"Not only do I want this stimulus package to deal with the immediate crisis, I want it also to lay the groundwork for long-term, sustained economic growth," Obama said.

Durbin said that in addition to more infrastructure spending, he would favor more money for the Amtrak train system as "a national priority."

That may not be a hard sell in an Obama administration. Vice President-elect Joe Biden commuted almost daily from Washington to Wilmington, Delaware, on Amtrak throughout his years in the Senate.

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## 18. NGSА: TAXES, RESTRICTIONS COULD STIFLE US SHALE GAS POTENTIAL

Nick Snow  
Washington Editor, Oil & Gas Journal

WASHINGTON, DC, Nov. 24 -- Natural gas production from US shale plays such as the Marcellus shale in New York, Pennsylvania, and West Virginia could double in the next 10 years and provide 25% of the nation's supply, a Natural Gas Supply Association official said Nov. 21.

But NGSА Vice-Chairman Terrence L. Ruder, who also is senior vice-president for Devon Energy Corp.'s marketing and mainstream division, also warned that a windfall profits tax and new restrictive regulations could hurt that effort a time when more gas will be needed to help meet clean air requirements mandated by climate change legislation.

"What we've seen so far from shale fields is just the tip of the iceberg. To facilitate a steady supply growth of gas from shale, we need a stable tax and regulatory environment," Ruder told a Federal Energy Regulatory Commission conference on the US gas infrastructure.

He said shale developments provide an estimated 6-8 bcfd of gas, or 10-12% of projected 2008 US demand. Over the next 10 years, US shale gas production could double to 15-20 bcfd, with total reserve estimates at 250-750 tcf of gas, he indicated.

Ruder said Devon has invested more than \$10 billion in the Barnett shale play in northern Texas. He estimated that the gas industry as a whole will spend \$150 billion to fully develop the Barnett shale play.

Twenty major US fields

Ruder noted that there are about 20 major shale fields across the US that have the potential to or are currently producing gas, including the Bakken play in North and South Dakota, the Woodford in eastern Oklahoma, the Haynesville in East Texas and Louisiana, and the Green River Piceance basin play in Colorado.

"Shale developments are highly capital-intensive and a windfall profit tax assessment now being discussed in Congress would directly and adversely affect production," Ruder warned.

Another NGSА member, Clay Bretches, vice-president, minerals and marketing, at Anadarko Petroleum Corp., expressed similar concerns. "I cannot emphasize enough the importance of a stable regulatory environment. When exploration and production companies expend billions of dollars on capital projects, they can mitigate some of the risks stemming from price fluctuations, resource requirements, and transportation constraints. But in absence of a transparent and consistent regulatory environment, these projects may be delayed or worse yet, never get off the drawing board," he said.

"What we need is regulatory certainty that not only benefits the economics of the projects, but also provides adequate and on-time supply to consumers. Make no mistake about it, regulatory uncertainty strongly impacts price volatility," Bretches said.

Ruder said shale developments have the potential to reshape the traditional domestic gas supply mix and aid in the replacement of declining conventional production. "Industry has proven it can develop shale plays safely. These resources, however, will only partially satisfy the nation's growing demand for natural gas, demand that will increase even more rapidly with any new climate change policies," he said.

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## 19. RUSSIA MAY AGREE OIL ACCORD WITH CHINA BY YEAR-END

By Pratik Parija and Greg Walters

Nov. 25 (Bloomberg) -- Russia may strike a crude oil supply agreement with China by the end of the year, Energy Minister Sergei Shmatko said, in return for a multi-billion dollar loan for Russian oil companies.

Beijing-based magazine Caijing said Nov. 21 that the two countries may sign final agreements on loans and oil supplies by tomorrow. China may agree to provide \$25 billion of loans to Russian oil companies and receive 300 million metric tons (2.2 billion barrels) of crude oil based on a memorandum of understanding signed Oct. 28, the magazine said.

In 2005, Moscow-based Rosneft committed to ship 48.4 million metric tons of crude to China National Petroleum Corp. through 2010 to help repay \$6 billion of loans that part-financed the purchase of now bankrupt OAO Yukos Oil Co.'s largest production unit.

China may provide Russian oil companies with a "considerable" loan as the countries expand energy cooperation, Russian Deputy Prime Minister Igor Sechin told reporters after a meeting between Prime Minister Vladimir Putin and Chinese counterpart, Wen Jiabao, in Moscow Oct. 28.

Irina Yesipova, a spokeswoman for Russia's energy ministry, said she had had no details about the talks.

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## 20. GAZPROM: UKRAINE TO PAY PART OF GAS DEBT BY DEC 1

Tue Nov 25, 2008 6:45am EST

MOSCOW, Nov 25 (Reuters) - Russian gas export monopoly Gazprom (GAZP.MM: Quote, Profile, Research, Stock Buzz) said on Tuesday Ukraine has agreed to repay by Dec. 1 its gas debt to Russia for all September and some October deliveries.

Gazprom said in a statement, issued after talks in Moscow between Chief Executive Alexei Miller and the head of Ukraine's Naftogaz, Oleg Dubina, the sides would continue talks on gas cooperation after Dec. 1.

Gazprom said future supplies to Ukraine would only be possible after it receives full payment of the gas debt, which Gazprom estimates at \$2.4 billion.

"As was stated during the talks... the move to direct long-term contracts between Gazprom and Naftogaz Ukraine is only possible on the condition of Ukraine's full repayment of the debt," Gazprom said in the statement.

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