Peak Oil News

A Compilation of New Developments, Analysis, and Web Postings

Energy Action for a Healthy Economy and a Clean Environment

Tom Whipple, Editor

Tuesday, February 01, 2011

Current Developments

1. OIL STAYS ABOVE $100, IEA MOVES TO CALM MARKETS

By Jessica Bachman
Tue Feb 1, 2011 5:35am EST

Reuters) - Oil hovered above $100 on Tuesday as the market assessed the risk of Egypt's social unrest spreading to neighboring OPEC members, but stayed below yesterday's high of $101 on lower factory growth in China. Analysts and traders agreed that the popular uprising against the Egyptian government was unlikely to disrupt tanker movement and oil flows along the strategic Suez canal and Sumed pipeline, but said that the restive mood in the region will support prices. "Even if the worst case scenario of a complete halt of traffic through the crucial link materializes, the global surplus in shipping capacity would allow a switch to the longer haul journey around southern Africa without too much of a headache," JBC Energy said in a research note. "However, there appears to be a substantial risk that events could spread to other countries in the region," the report said. The unrest in Egypt comes on the heels of an uprising in Tunisia that toppled the country's president and is keeping global investors and traders on the lookout for any signs of copycat unrest in neighboring OPEC producer Algeria. Brent crude for March slid 48 cents to $100.54 a barrel as of 1006 GMT, after topping $100 for the first time since October 2008 on Monday, when prices touched an intraday high of $101.73. U.S. crude shed 10 cents to $92.09.

2. CRUDE RALLY ENDS ON SIGNS OF REDUCED RISK FROM EGYPTIAN UNREST

By Ann Koh and Nidaa Bakhsh
Bloomberg
Feb 1, 2011

Oil dropped from a two-year high as concern eased that supplies through the Suez Canal may be disrupted by unrest in Egypt. Brent crudetraded above $100 a barrel for a second day. Futures trimmed two days of gains after Suez Canal officials said traffic is moving normally through the main artery for more than 2.2 million barrels of oil a day. A U.S. government report tomorrow may show stockpiles grew for a third week, according to a Bloomberg News survey. "So far the escalating violence in Suez has seen no specific targeting of shipping facilities or passing ships," Andrey Kryuchenkov, a London-based analyst at VTB Capital, said in a note. "We still see little threat to major producing nations, with the exception of Algeria, where we had some unrest earlier this month." Oil for March delivery on the New York Mercantile Exchange dropped as much as 84 cents, or 0.9 percent, to $91.35 a barrel and was at $91.45 a barrel at 10:40 a.m. London time. Yesterday, it rose to $92.19, the highest settlement since Oct. 3, 2008. Futures have gained 0.9 percent in January. Brent for March settlement fell as much as 73 cents, or 0.7 percent, to $100.28 a barrel on the ICE Futures Europe exchange in London. It rose to $101.73 yesterday, the highest price since Sept. 29, 2008.

3. CRUDE DIPS, EGYPT PROTESTS TO DECIDE DAY'S DIRECTION

LONDON (Dow Jones)--Oil futures fell Tuesday, though Brent prices stayed above $100 barrel as traders remain unsure how political unrest in Egypt will affect the global supply of crude oil. At 1137 GMT, the front-month March Brent contract on London's ICE futures exchange was down 47 cents, or 0.5%, at $100.54 a barrel. The front-month March contract on the New York Mercantile Exchange was down 75 cents, or 0.8%, at $91.44 a barrel. Prices have shot up since last week, when anti-government protests in Egypt began to gain momentum. The oil industry hasn't been a target, but the nearly three million barrels transported through the Sumed pipeline and Suez Canal would be threatened by more instability. Nymex futures rose nearly 8% in the previous two sessions, while Brent has made a more steady week-long climb. The oil market could see more gains if protests spread to other countries in the region or the flow of oil through the Suez slows. But they could also fall back if the protests quiet down, analysts said. Much will also depend on the response from the Organization of the Petroleum Exporting Countries, which will raise production to compensate for supply disruptions in Egypt, Secretary General Abdalla Salem El-Badri said Monday. "The direction of crude prices today will depend on how the demonstrations in Egypt go," said Christine Tuxen, a senior analyst at Danske Research. Traders are also awaiting U.S. manufacturing data due at 1500 GMT from the Institute for Supply Management. The U.S. economic recovery was one of the biggest drivers of oil prices before the Egyptian protests, and signs of faster growth could still affect futures Tuesday, Tuxen said.

4. BRENT OIL RISES TO $100 FOR FIRST TIME IN TWO YEARS ON DEMAND

By Grant Smith and Margot Habiby
Bloomberg
Jan 31, 2011

Brent crude, used to price two- thirds of the world's oil supply, rose above $100 a barrel for the first time since 2008 on growing confidence in its usefulness for tracking the global recovery in fuel demand. North Sea Brent surged to a record premium of more than $11 a barrel over U.S. crude futures on Jan. 27 as swelling U.S. inventories weakened oil futures in New York and sent investors toward the European benchmark. Prices also increased amid concern protests in Egypt would spread to major oil-producing parts of the Middle East. "Brent has been the star of the energy market this month, viewed as the ultimate oil benchmark because it best reflects global supply and demand," said Andrey Kryuchenkov, an analyst at VTB Capital in London. "The mood among oil investors is upbeat, while colder weather and tightness in North Sea supplies added to positive sentiment." The March Brent contract on London's ICE Futures Europe exchange advanced $1.59, or 1.6 percent, to $101.01 a barrel, the highest settlement since Sept. 26, 2008. It last traded above $100 on Oct. 1, 2008. The futures rose 6.6 percent in January, the fifth consecutive monthly increase. Futures for March delivery on the New York Mercantile Exchange gained $2.85, or 3.2 percent, to settle at $92.19 a barrel. Nymex oil gained 0.9 percent in January. It was $8.82 a barrel cheaper than Brent crude, the narrowest spread in a week.

5. OIL PRICES SURGE ON FEARS UNREST MAY HURT SUPPLY

By Guy Chazan
WSJ
Oil prices surged to levels not seen since 2008 on Monday amid fears the anti-government unrest in Egypt could ripple across the Middle East, potentially disrupting global oil supplies. Oil markets are also worried the chaos could paralyze the Suez Canal, a vital shipping lane, and the Suez-Mediterranean, or Sumed pipeline, which both run through Egypt bringing Middle East oil to Western markets. "We're dealing with a market that appears to be in panic mode," said Stephen Schork, an oil analyst and author of the Schork Report. "The fear is that this unrest could spread to a country that actually produces a lot of oil." Oil prices were already on the rise even before the turmoil in Egypt, increasing by $30 a barrel since the summer as the global economic recovery pushed up demand for crude. That has put pressure on the Organization of Petroleum Exporting Countries, which has faced mounting calls from oil-consuming countries to raise output. OPEC Secretary-General Abdalla Salem El-Badri said Monday the organization would open the spigots if the unrest in Egypt affected supply, though he said that was unlikely to happen. He stressed the market was well-supplied, with inventories full. OPEC says it has about six million barrels a day of spare capacity-equal to 7% of global demand-and can easily tap that if the world runs low on oil. Brent crude oil rose $1.59 to settle at $101.01 a barrel on Monday, while the U.S. benchmark-West Texas Intermediate, or WTI-rose $2.85 to settle at $92.19 a barrel on the New York Mercantile Exchange. Both prices have not been reached since 2008. Brent, which is used to price oil in Asia and Europe, has been trading at a premium to WTI for months now, largely because of dwindling North Sea crude supplies coupled with rising demand for Brent in Asia and a cold winter in its main European market.

6. JOBLESSNESS, RISING PRICES MAY FUEL UNREST: IMF CHIEF

By Kevin Lim and Saeed Azhar

(Reuters) - The world economy is beset by problems such as high unemployment and rising prices which could fuel trade protectionism and even lead to war within nations, the head of the International Monetary Fund warned on Tuesday. Rising food and fuel prices in recent months have already hit poorer countries and are one of the factors behind massive anti-government protests in Egypt and in Tunisia, whose president was ousted last month. "As tensions between countries increase, we could see rising protectionism -- of trade and of finance. And as tensions within countries increase, we could see rising social and political instability within nations - even war," Dominique Strauss-Kahn said in a speech in Singapore. Strauss-Kahn noted two "dangerous" imbalances that he said could sow the seeds of the next crisis. The first was the unbalanced recovery across countries, as emerging nations grow much faster than developed economies and possibly overheat. The second was the social strains within countries with high unemployment and widening income gaps. Over the next decade, 400 million young people would join the global labor force, posing a daunting challenge for governments, Strauss-Kahn added. "We face the prospect of a 'lost generation' of young people, destined to suffer their whole lives from worse unemployment and social conditions. Creating jobs must be a top priority not only in the advanced economies, but also in many poorer countries."

7. EURO HITS 2-MONTH HIGH VS DOLLAR ON RATE VIEW

By Naomi Tajitsu
Tue Feb 1, 2011 6:06am EST

Reuters) - The euro rallied to its highest against the dollar in more than two months on Tuesday, boosted by signs that increasing inflation pressures will prompt a much faster rise in euro zone than in U.S. interest rates. Traders said the latest leg-up for the single currency during the European session was driven by demand from Middle Eastern investors, while Asian names were also seen buying back euro positions sold earlier in the day. The dollar tumbled across the board, hitting a 2 1/2-month trough against a currency basket as investors highlighted expectations the Federal Reserve will lag far behind other central banks -- notably the European Central Bank and the Bank of England -- in raising interest rates. "Relative rate spreads are still favoring the euro to the dollar," said John Hydeskov, currency strategist at Danske. "Pressure has intensified for the ECB to do something about inflation when it meets on Thursday. The ECB has hiked rates when inflation was previously at this level, so it's possible they could do it again." Data on Monday showed a higher than expected 2.4 percent year-on-year rise in euro zone inflation. With inflation hovering above the central bank's target of just below 2 percent for the second month, investors expect ECB President Jean-Claude Trichet to keep his hawkish tone on Thursday.

8. COMMODITIES OVERTAKE STOCKS, BONDS AFTER TWO-DAY GAIN ON EGYPT

By Whitney Kisling and Millie Munshi
Bloomberg
Jan 31, 2011

The biggest two-day rally in commodities since December pushed raw materials past stocks, bonds and the dollar for a second month, after Egyptian riots drove oil, wheat and rice higher. The S&P GSCI Total Return Index of 24 raw materials gained 3.1 percent in January and rose for a fifth month, the longest streak since 2004, according to data compiled by Bloomberg. The MSCI All-Country World Index of equities climbed 1.6 percent including dividends. The U.S. Dollar Index, a gauge of the currency against six counterparts, fell 1.6 percent. The Global Broad Market Index for corporate and government bonds lost 0.2 percent as of Jan. 28, Bank of America Merrill Lynch data show. Commodities have beaten stocks for three months, the longest stretch since June 2008, after the Federal Reserve pledged to buy $600 billion of Treasuries and demand for clothes and food lifted cotton, cocoa and copper. Equities were poised to break the streak until Jan. 28, when concern Egyptian President Hosni Mubarak will be ousted sent the MSCI gauge to its biggest retreat since November and boosted food and fuel. "There are supply-side issues that have really kicked up the price of a lot of commodities," said Walter "Bucky" Hellwig, who oversees $17 billion at BB&T Wealth Management in Birmingham, Alabama. "Rising prices have really hit people in countries where food makes up a larger part of their income. We're seeing this play out in North Africa right now, where food prices have become a tinder box."

9. OPEC HEAD SEES OIL SHORTAGE IF EGYPT GETS OUT OF HAND

LONDON -(Dow Jones)- The Organization of Petroleum Exporting Countries said Monday there is a risk of an oil shortage if the Egyptian crisis escalates but added the organization was ready to increase output if that was the case, OPEC secretary general said Monday. He added that this point has not been reached and the market is well supplied. Speaking to reporters, Abdalla Salem El-Badri said that if oil supply going through Egyptian routes is lost to the market, "there could be a real shortage." The Suez canal, along with the Sumed oil pipeline, are two key oil routes from the Middle East to Western markets.

"If we see a real shortage, we will need to act," El-Badri said. But for, now the "situation is not out of hand," he added. In e-mails this weekend to customers, international shipping logistics company GAC said transit was continuing as usual at present. But it warned of possible delays and recommended suspending crew change and spares delivery until further notice. El-Badri said "the market is well supplied" with strong inventories and "demand is less than last year" at this time. "I don't see why we have this high price," he added. El-Badri also said there was no need for now to hold a formal, emergency meeting before the next OPEC conference due in June.

10. MUBARAK'S GRIP ON POWER IS SHAKEN

By David D. Kirkpatrick
The New York Times

CAIRO — In a test of wills that seems to be approaching a critical juncture, hundreds of thousands of people crammed into Cairo's vast Tahrir Square on Tuesday, seeking to muster a million protesters demanding the ouster of President Hosni Mubarak.

Their mood was jubilant, as though they had achieved their goals, even though Mr. Mubarak remained in the presidency a day after the Egyptian military emboldened the protesters by saying they would not use force against them and the president's most trusted advisor offered to negotiate with his adversaries.

There were reports that the government was seeking to choke off access to the capital to thwart the demonstrators' ambitions for their biggest show of strength so far. But the scale of the protest seemed bigger and more tumultuous than anything in the previous week, suggesting that the authorities had been unable to strangle protest at what had been seen by all sides as a potential turning-point. The crowd offered a remarkable tapestry of Egypt's many-layered society, from the most westernized to the most traditional, from young woman with babies to old men with canes. "Look at the faces of the old men — they are young again," said Ahmed Zemhom, 37, a former teacher of math who makes a living as a cab driver. Seeking to impose some kind of order, the military set up checkpoints to search people entering the square, presumably for hidden weapons, separating them by gender so that women could be patted down only by other females. But there were no immediate reports of clashes. The fast-moving developments appeared to weaken Mr. Mubarak's grip on power just two weeks after a group of young political organizers called on Facebook for a day of protest inspired by the ouster of another Arab strongman, in Tunisia.

11. EGYPT'S ECONOMY IS NEAR PARALYSIS

By Nicholas Kulish
The New York Times

ALEXANDRIA, Egypt - Egypt's economy approached paralysis on Monday as foreign commerce, tourism and banking all but halted, placing acute pressure on President Hosni Mubarak to find a way out of the weeklong chaos. International companies closed plants and sent workers home or out of the country; food staples went undelivered to stores; and banks remained closed during a week when many Egyptians, who are routinely paid monthly, would receive their paychecks. A major ratings agency cut the country's bond rating, while shortages led to rising prices. And poorer Egyptians told of cutting back to just two meals a day to cope. The protests' crippling effects could give Mr. Mubarak and his new cabinet perhaps only a few weeks to re-establish order before shortages, rising unemployment and a deep crisis set in, economists said. "It might give impetus to more demonstrations and more riots in the streets," said Ahmed Galal of the Economic Research Forum in Cairo. "I think the challenge is going to be in the next couple of weeks, and it is going to mount in a week or two."

12. EGYPT'S MILITARY DEPLOYS ALONG SUMED OIL PIPELINE, OFFICIAL SAYS

By Abdel Latif Wahba
Bloomberg
Feb 1, 2011

Egypt deployed troops to help protect the SuMed pipeline transporting crude alongside the Suez Canal, while the facility's own guards doubled their number of sentry posts, an official with knowledge of the build-up said. The military's deployment began Jan. 28, said the official, who declined to identify himself because of the sensitivity of the security operation. SuMed added 16 guard posts to the 14 it already had in place along the 360-kilometer (220-mile) pipeline, the official said today. Oil companies use SuMed because the largest oil tankers, such as Very Large Crude Carriers or VLCCs, can't navigate the Suez Canal fully loaded. They send part of their cargo via the pipeline at the canal's Red Sea entrance and then re-load the oil at the Mediterranean end. Alternatively, they can transfer their entire cargoes into smaller vessels that then transit the waterway. SuMed has a carrying capacity of 2.5 million barrels a day and a disruption there would have a bigger impact on oil and shipping markets than a shutdown of the canal itself, Erik Nikolai Stavseth, an Oslo-based analyst at Arctic Securities ASA, said in a report yesterday. Shipping through the canal has been unaffected so far by protests across Egypt over the past week, Ahmed El Manakhly, the head of traffic for the Suez Canal Authority, said yesterday.

13. POTENTIAL ENERGY RISKS OF EGYPT PROTESTS

Jan 28 (Reuters) - Disruptions in Suez Canal oil shipments and Egypt's liquefied natural gas exports would be the biggest risks to energy supplies from escalating government protests in the north African nation. Egypt almost produces enough oil to meet domestic demand, so there is little international trade in the country's oil that would be affected. U.S. Energy Secretary Steven Chu said on Friday the administration was monitoring the protests very closely and he warned that any serious disruptions in the Middle East could harm oil prices. "We've diversified our oil supplies, but certainly any disruption in the Middle East means a partial disruption of oil we import," Chu said. However, he declined to specifically say whether he was worried the Egyptian protests could grow to interrupt Mideast oil shipments. The U.S. Energy Information Administration provided the following data on Egypt's energy sector and Suez Canal oil shipments.

SUEZ CANAL OIL AND LNG SHIPMENTS

- About 1 million barrels of crude oil and refined petroleum products a day moved northbound through the canal to the Mediterranean Sea in 2009. About 800,000 bpd of similar cargoes flowed south to the Red Sea.
- Crude oil and refined petroleum products accounted for 16 percent of Suez cargoes by tonnage.
- Canal is 1,000 feet (305 meters) at its narrowest point and can't handle very large crude oil carriers.

14. EGYPT UNREST CAUSES FUEL SHORTAGE IN GAZA STRIP

- Gazan car owners start hoarding fuel
- Tunnel smuggling less lucrative

By Nidal al-Mughrabi

GAZA, Jan 29 (Reuters) - Gaza Strip residents flocked to petrol stations on Saturday after clashes in neighbouring Egypt hampered smugglers ferrying fuel supplies through tunnels that run under the border into the enclave, witnesses said. Merchants and tunnellers said the pace of smuggling of fuel and other materials had dropped in recent days and reached its lowest level on Saturday as clashes between

Egyptian residents of north Sinai and security forces intensified. Fearing that makeshift fuel pipes that run through the smuggling tunnels would soon dry up completely, Gaza car owners filled their tanks to the brim and also took extra cans to stock up with additional supplies. "Move now and fill your car," read a mobile phone text message that Gazans circulated. A statement issued by Hamas officials tried to calm fears by saying that there was no shortage of any goods in the coastal strip but it did not deter drivers from filling their cars. Palestinians get most of their fuel from Egypt through a network of underground tunnels. Egyptian President Hosni Mubarak sent troops and armoured cars into Egyptian cities on Friday in an attempt to quell street fighting and mass protests demanding an end to his 30-year rule.

15. JORDAN OFFICIALS: GAS IMPORTS FROM EGYPT UNAFFECTED BY TURMOIL

AMMAN (Dow Jones)--Jordan continues to receive natural gas supplies from Egypt via the Arab Gas Pipeline despite the ongoing political turmoil in the North African state, an official at the Jordanian energy ministry said Tuesday. "We are still receiving gas from Egypt at agreed quantities and on a daily basis," the official told Dow Jones Newswires. The amounts of gas supplied to the kingdom from Egypt has began to rise since last December to reach "240 million cubic feet a day" and that level was preserved in January, Jordan's National Electricity Co. head Ghaleb Maabreh said in a separate statement posted in the company's web site. He added that Jordan and Egypt also continue to exchange electricity via 500-megawatt cable running beneath the Red Sea, which also supplies power to Syria and Lebanon. Currently 60% of Jordan's electricity is generated from natural gas, the bulk of which is imported from Egypt. Jordan and Egypt signed an agreement in 2004 for the supply of 240 million cubic feet a day, or 2.48 billion cubic meters a year, of Egyptian gas at preferential price via the Arab Gas Pipeline, with the option of raising total supply by a further 900 million cubic meters a year. The pipeline runs from Egypt to Jordan and extends to Syria and Lebanon. Egypt agreed in October to resume exports of natural gas to Jordan to levels stipulated under the 2004 bilateral agreement after supplies dropped below the agreed volumes because of domestic gas shortages in Egypt, Jordan's official news agency Petra reported at the time.

16. NO SIGN OF KURDISH OIL EXPORTS SCHEDULED FOR FEBRUARY 1 START

Baghdad Platts
1Feb2011

The semi-autonomous Kurdistan Province in Iraq has not yet started exporting crude oil despite a reported agreement that exports would resume from February 1, Iraqi oil ministry sources said Tuesday. Two top oil ministry officials, speaking on condition of anonymity, said there had been no additional oil supplied from two producing fields in the Kurdish province despite a reported deal between the Kurdish Regional Government and Baghdad that would have allowed the resumption of exports. The officials said they did not know when exports would begin. Kurdish Prime Minister Barham Salih said earlier this month that he had reached an agreement with the Iraqi federal government that would allow oil exports to resume, with Baghdad agreeing to pay foreign contractors operating in Iraqi Kurdistan. Deputy Iraqi Oil Minister Ahmed al-Shamma subsequently confirmed to Platts that exports would resume on February 1 at a rate of 100,000 b/d from the Tawke and Taq Taq oil-producing fields. Under an existing agreement with Baghdad, which allowed for brief oil exports from Kurdistan in 2009, the Kurdish crude is exported through the federal pipeline system with the State Oil Marketing Organization selling the crude on the KRG's behalf and the proceeds deposited into the central treasury. The KRG would, in turn, receive 17% of total revenues, in line with its percentage of the Iraqi population.

17. REPORT LISTS PERILS FOR ENVOYS AFTER U.S. LEAVES IRAQ

By Mark Landler
The New York Times

WASHINGTON - The United States will not be able to protect its diplomats in Iraq adequately if it sticks to the plan to withdraw its last 50,000 troops by December, potentially hindering American efforts to reach out to the Iraqi people, according to a new report by the Senate Foreign Relations Committee. The report, to be released Tuesday, contends that if the Obama administration leaves only a token contingent of troops behind in an advisory role, as currently planned, "security and political gains could be jeopardized." Without thousands of additional soldiers - a prospect that seems untenable, given political pressures in both countries - the report recommends rethinking the American civilian presence, which is projected to number 17,000 diplomats, contractors and others in 15 sites in Iraq. "The administration may be forced to choose between scaling back the diplomatic mission or accepting a degree of physical risk familiar to military personnel but normally unacceptable for diplomats," said the report by two committee investigators, a copy of which was provided to The New York Times. On Tuesday, the two top American officials in Iraq, Ambassador James F. Jeffrey and Gen. Lloyd J. Austin III, the senior American military commander in the country, are scheduled to testify before the Senate about the handover to civilians from soldiers. In remarks prepared for the hearing, Mr. Jeffrey said that "gutting our civilian presence" in Iraq would embolden Iran to interfere with its neighbor and destabilize the region. "The U.S. military has performed admirably," he said in the statement, "but they cannot stay forever."

18. COUNTRY FACING 50% GAS SHORTFALL: QAZI

ISLAMABAD, (SANA): Secretary Petroleum Imtiaz Qazi has said that currently the country is facing 50% gas shortfall; meanwhile the gas production is decreasing with the passage of every day. He said that initially one thousand to two thousand MW of electricity will be generated from the Thar Coal reserves which will later be scaled up to four thousand MW. Addressing the third Oil and Gas Forum Pakistan in Islamabad here on Saturday, the Secretary Petroleum said that the Sindh government has made significant progress in the exploitation of coal reserves at Thar. The successful exploitaton there, he said , will serve as a backbone for energy needs of the country. He said that the government fully realizes the difficulties faced by the economy due to energy crisis and is addressing the matter in a structured manner. The petroleum secretary pointed out that the country is currently facing natural gas shortfall of 2 billion cft and to meet this gap, exploration activities have been accelerated. He said that a tight gas policy has also been formulated which has been sent to the council of common interests for approval. After getting nod from the CCI, this untapped resource will also be exploited. The Secretary Petroleum said that the government has allowed the private sector to import LNG. In addition, Iran- Pakistan and Turkmenistan-Afghanistan-Pakistan gas pipeline projects would also help meet the growing energy requirements. Meanwhile addressing the participants HAS COL Group Chairman Imtiaz Hassan Khan has demanded of the government to set up National Energy Authority to tackle the issue of energy, adding that the experts of the energy sector should be included in the authority.

19. UGANDA: EAST AFRICA TO BUILD REGIONAL OIL REFINERY

Ibrahim Kasita
New Vision
31 January 2011

UGANDA has agreed to partner with the East Africa regional states and foreign investors to construct a $2b refinery. The move is aimed at processing petroleum products to meet the regional energy needs. Fred Kabagambe, the energy ministry permanent secretary, said the refinery would process a wide range of products, including diesel, petrol, kerosene and aviation fuel. "We shall start with the first phase of 20,000 barrels daily to meet local demands. We shall then upgrade the facility in the second phase to produce 60,000 barrels a day. Later, we shall have a bigger one processing more that 120,000 barrels a day," he said. Kabagambe explained that the refinery would be located in Kabale. The ministry was in the process of searching for a consultant to carry out studies for a pipeline that would transport petroleum products from the Lake Albert region, he added. Kabagambe said the feasibility study on refining of crude oil had been undertaken, indicating "profitability and high returns on investment between 20 and 30%". The announcement comes after Uganda, Kenya and the Democratic Republic of Congo signed a memorandum of understanding aimed at co-ordinating oil exploration and development in the Lake Albert basin, located along the Uganda-Congo border.

20. CHINA ALLOCATES 1.5 BLN YUAN TO VEGETABLE SUPPLY FOR NORTHERN CITIES

BEIJING, Feb. 1 (Xinhua) -- China's central government has allocated 1.5 billion yuan (227.96 million U.S. dollars) to support vegetable supplies for key northern cities, the Ministry of Finance (MOF) said Tuesday. The fund will be used to subsidize producers and suppliers to ensure winter vegetable supplies, the MOF said in a statement on its website. Vegetable shortages usually occur in the north due to bottlenecks in supply and transport. With plentiful supply resources this year,transportation was the key bottleneck, said Chen Yu, an official with the agricultural department in Zhanjiang, Guangdong Province. Vegetables mostly are transported by road from the south, but this is vulnerable to icy weather, which can cause traffic deadlocks, resulting in rotten vegetables and losses. The MOF said the fund allocation aimed to support the State Council's requirements of city governments to underpin the "vegetable basket project" and to "ensure supply and stabilize prices." The Ministry of Agriculture initiated the "vegetable basket project" in 1988 in a bid to improve production and marketing of vegetables and foodstuffs. Under the project, about 4,000 wholesale agricultural produce markets were established across the country. [The State Council proposed a new "vegetable basket project" in March this year and put forward a five-year plan.

21. AVOID MEGA PROJ IN COAL-RICH BELTS TO AVOID FUEL SHORTAGE: GOVT

The Economic Times

NEW DELHI: The Centre today advised states not to build mega projects in coal-bearing areas, afraid that such a move would "sterilise" at least 20 billion tonnes of the dry-fuel reserves and aggravate coal shortage in the country. "We have asked Chief Ministers of coal-bearing states to not to allow large super structures or expansion projects on coal-bearing areas, as this would steelies at least 20 billion tonnes of reserves," Coal Minister Sriprakash Jaishwal said. The country is already facing coal shortage and any such step could hamper production of 400 million tonnes per annum, further widening the demand-supply gap in the country, Jaiswal said. "Discreet steps are needed to ensure that coal-bearing areas in the country are left unencumbered and accessible for exploitation at a future date," Jaiswal said. "I have written to Chief Ministers of Jharkhand, Orissa, Chhattisgarh, Madhya Pradesh, West Bengal, Maharashtra, Andhra Pradesh and Uttar Pradesh to take immediate necessary steps in this regard, as the coal requirement for expansion of thermal power generation is very high," Jaiswal added. The Coal Ministry is against approval to NTPC's proposed 1,980-MW North Karanpura thermal power project in Jharkhand and has been pressing for relocation of the project, arguing the site is situated above an estimated 6 billion tonnes of coal reserves.

22. US LAWMAKERS BUILD SUPPORT FOR ANTI-REGULATORY LEGISLATION

Washington Platts
31Jan2011

The Republican-controlled US House of Representatives is lining up behind a bill that would make it much more difficult for the Obama administration to issue federal regulations that would impose new costs on electric utilities, oil and natural producers and other energy-related industries. The bill, dubbed the "Regulations from the Executive In Need of Scrutiny" act, would require both the House and the Senate to vote on and pass "major" executive branch rules -- defined as those with an annual economic impact of at least $100 million -- before they take effect. The bill would also set up a "disapproval procedure" that Congress could use to rescind "nonmajor" rules. As of Monday, the so-called REINS act (H.R. 10) had 115 cosponsors, including key lawmakers such as Representative Fred Upton of Michigan, the chairman of the Energy and Natural Resources Committee. The measure is expected to advance to the House floor in the coming months because it is a top priority of House Speaker John Boehner, an Ohio Republican who argues that Obama administration rules on air quality and other matters are hurting the economy. "By requiring a vote in Congress, the REINS Act will result in more carefully drafted and detailed legislation, an improved regulatory process and a legislative branch that is truly accountable to the American people for the laws imposed upon them," the legislation says.

23. MIDEAST UNREST COULD HURT RECOVERY

By Sudeep Reddy
WSJ

The U.S. economy can absorb the hit from the past week's rise in oil prices, but could stumble anew if continuing Mideast turmoil pushes crude prices significantly higher. Benchmark crude-oil prices in the U.S. have jumped about $6.50 since Thursday to more than $92 a barrel Monday, their highest point since October 2008. If prices stay around that level they will likely exert a drag on growth by crimping household spending, damping consumer confidence and squeezing business profits. The economy would likely continue to expand at a solid pace, but not fast enough to bring down unemployment much, forecasters said. If oil prices jump a further $10.70 a barrel, an accompanying 25-cent-a-gallon increase in gasoline prices would sap U.S. economic output by 0.4% in the first year, economists at IHS Global Insight estimated. That jump in fuel costs would cost about 270,000 jobs over a year, the analysts said. If oil prices were to surge an additional $40 a barrel, all bets would be off. The hit to consumers' wallets would easily erase the income boost from the payroll-tax cut that took effect in January. Retailers that have avoided raising prices due to weak demand would either pass on higher energy costs through raising prices or accept lower revenue, possibly resulting in more job cuts.

24. CNOOC BIDS HIGH TO EXTEND U.S. SHALE FOOTPRINT

CNOOC Ltd.
1/31/2011

Chesapeake and CNOOC announced the execution of an agreement whereby CNOOC International Limited, a wholly-owned subsidiary of CNOOC Limited, will purchase 33.3% undivided interest in Chesapeake's 800,000 net oil and natural gas leasehold acres in the Denver-Julesburg (DJ) and Powder River Basins in northeast Colorado and southeast Wyoming. The consideration for the transaction will be $570 million in cash at closing. In addition, CNOOC Limited has agreed to fund 66.7% of Chesapeake's share of drilling and completion costs until an additional $697 million has been paid, which Chesapeake expects to occur by year-end 2014. Closing of the transaction is anticipated in the first quarter of 2011. As the operator of the project, Chesapeake will conduct all leasing, drilling, completion, operations and marketing activities for the project. Chesapeake is currently operating 16 producing wells in the DJ and Powder River Basins that have reached initial production rates of up to 1,000 barrels of oil and 3.0 million cubic feet of natural gas per day. Over the next several decades, the companies plan to develop net unrisked unproved resource potential up to 5.0 billion barrels of oil equivalent (after deducting an assumed average royalty burden of 20%). Chesapeake is currently utilizing five operated rigs to develop its DJ and Powder River Basins leasehold and with the additional capital investment from CNOOC Limited, anticipates increasing its drilling activities to approximately 10 rigs by year-end 2011 and 20 rigs by year-end 2012.

25. BP EXECUTIVE: US REFINERY SALE SEEN FETCHING OVER $3.7 BLN

LONDON (Dow Jones)--BP PLC (BP) expects the sale of its Texas City and Carson refineries in the U.S. to fetch in excess of $3.7 billion, the company's refining head Iain Conn said Tuesday. A recent refining deal between Petrochina and Ineos set the benchmark of $5,000 a thousand barrels of refining capacity, Conn told reporters in London. The two BP refineries, with a combined capacity of 740,000 barrels a day, are among the most highly upgraded facilities in the world and are expected to fetch a higher price, he said. BP has already talked to potential buyers for Texas City, but hasn't yet opened discussions for buyers of the Carson plant in California.

26. NEW ELECTRICITY METERS STIR FEARS

By Felicity Barringer
The New York Times

INVERNESS PARK, Calif. - Pacific Gas and Electric's campaign to introduce wireless smart meters in Northern California is facing fierce opposition from an eclectic mix of Tea Party conservatives and left-leaning individualists who say the meters threaten their liberties and their health. In the San Francisco Bay Area, "Stop Smart Meters" signs and bumper stickers have been multiplying on front lawns and cars. Four protesters have been arrested for blocking trucks seeking to deliver the meters. Since 2006, PG&E has installed more than seven million of the devices, which transmit real-time data on customers' use of electricity. But in Santa Cruz County, south of San Jose, the Board of Supervisors recently extended a yearlong moratorium on installations. Officials in Marin County, north of San Francisco, approved a ban this month on meters in unincorporated, largely rural areas, where about a quarter of its population lives. The meters are a crucial building block for what the Obama administration and the industry envision as an efficient "green grid." The goals are to help utilities allocate power more smoothly and to give people more information on how they consume energy and incentives to use less.

27. BP PROFIT LAG TAKES SHINE OFF DIVIDEND

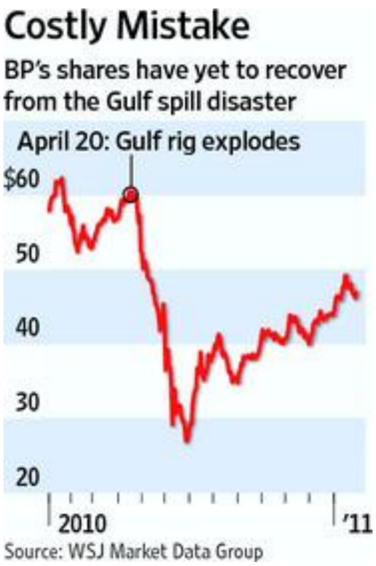
By Tom Bergin

(Reuters) - BP Plc failed to dispel doubts about its future on Tuesday as its long-awaited return to a dividend payout was tainted by weaker than expected profits and a new charge for the Gulf of Mexico oil spill. The shares dropped 1.9 percent to 476 pence by 0921 GMT, putting it among the biggest losers in the blue-chip FTSE 100 index. BP held out the prospect of long-term growth via new exploration partnerships and a fresh focus on getting oil and gas out of the ground, but this was overshadowed by a court hearing due later on Tuesday at which the company's partners in TNK-BP will seek an injunction to block BP's planned Arctic exploration joint venture with Russian state-controlled Rosneft. "The company has clearly pinned its hopes on Russia, but the new JV has already gone wrong, antagonizing the TNK-BP partners ... There remains substantial uncertainty surrounding the company," said Dougie Youngson, analyst at Arbuthnot Securities. BP said it would pay a fourth-quarter dividend of 7 cents per share and 42 cents per American depositary share -- in line with analysts' expectations, but only half of what it was paying before the spill disaster. "The re-introduction of the dividend is good news for investors (even at its much lower level), but it is likely to prove inflammatory to U.S. Gulf Coast senators whose communities are still being impacted by the spill," Youngson said.

28. BP'S SAFETY DRIVE FACES ROUGH ROAD

By Guy Chazan
WSJ

Bob Dudley, the new chief executive of BP PLC, has vowed to change the safety culture of the accident-prone oil giant in the wake of the deadly explosion and spill at one of its wells in the Gulf of Mexico last year. But the story of a little-known BP safety official on the desolate North Slope of Alaska offers some cautions about just how difficult a job that will be. The day after the Gulf well blew out last April, killing 11 rig workers, Phil Dziubinski was suspended from his job and escorted out of his office in Alaska. The company said he was let go as part of a broad management overhaul. In a five-month skirmish, two government agencies rejected Mr. Dziubinski's claims that he was fired as retribution for warning of safety risks. His back-and-forth with the British oil giant, though, sheds light on what Mr. Dudley is up against.



Mr. Dudley has created a new global safety division at BP, a company that also suffered a 15-fatality refinery explosion in Texas five years before the lethal Gulf accident. He has given the division power to intervene in or shut down any operation seen as too hazardous. The safety issue goes to the heart of BP's corporate culture, say some critics, who contend that compared with its Big Oil rivals, the company has historically been focused more on deal-making and less on safety and operational excellence. "Other companies were less aggressive on growth and more focused on their safety-management systems," says John Hofmeister, a former president of Shell Oil Co. "Changing the culture is hard."

Discussion and Analysis

29. OIL, FOOD, AND THE WEALTH OF MENA COUNTRIES

POSTED BY STUART STANIFORD
Early Warning

This morning, I've been catching up on some reading about the protests in Egypt and Algeria, following on the Jasmine Revolution that is in process in Tunisia. Clearly, the reason for interest is wondering to what extent is there any risk of these events spreading into the big oil exporters, which could cause extremely large disruptions in the global economy. This is probably unlikely, but not so inconceivable that serious observers aren't starting to at least think about it. For example, Marc Lynch writes: The end of the

Tunisian story hasn't yet been written. We don't yet know whether the so-called Jasmine Revolution will produce fundamental change or a return to a cosmetically-modified status quo ante, democracy or a newly configured authoritarianism. But most of the policy community has long since moved on to ask whether the Tunisian protests will spread to other Arab countries -- Egypt, of course, but also Jordan, Yemen, Algeria, Libya, and almost every place else. Most experts on each individual country can offer powerful, well-reasoned explanations as to why their country won't be next. I'm skeptical too. But I found it unsatisfying to settle for such skepticism as I watched the massive demonstrations unfold in Egypt on my Twitter feed while moderating a panel discussion on Tunisia yesterday (I plead guilty). As I've been arguing for the last month, something does seem to be happening at a regional level, exposing the crumbling foundations of Arab authoritarianism and empowering young populations who suddenly believe that change is possible. There are strong reasons to expect most of these regimes to survive, which we shouldn't ignore in a moment of enthusiasm. But we also shouldn't ignore this unmistakable new energy, the revelation of the crumbling foundations of Arab authoritarian regimes, or the continuing surprises which should keep all analysts humble about what might follow.

30. 'THIS IS BIGGER THAN GLOBAL WARMING': EXPERT

By IAN ELLIOT
The Whig-Standard

An expert in the growing but still controversial area of peak oil came to Kingston warned Sunday that unless the world cuts back on its oil consumption, the global economy could collapse entirely. David Hughes, who spent 32 years working for the federal government as a geoscientist, is on a 13-city tour speaking of the dangers of what has come to be known as peak oil -- the time when the supply of fossil fuels begins to run out. It would have far-reaching implications for both individuals and the global economy, he said, because both are utterly dependent on petroleum and coal. "This is bigger than climate change," Hughes told a small crowd that gathered in an auditorium at Queen's for the speech. "This will affect our basic ability to maintain the lifestyle we have developed over the past 150 years." Demand has been increasing almost exponentially since coal, oil and their byproducts began to be used in the 19th century. Petroleum continues to be the most-used source of energy on earth. Unlike nuclear or wind power, oil packs a lot of bang for the buck and is easily consumed and shipped.

31. PEAK OIL AND CIVIL UNREST

Posted By Ron Beasley
International, Politics, Society.
JAN 31ST, 2011

As the demonstrations in Egypt continue for a seventh day what few are willing to admit is that the revolutionary demonstrations we are seeing around the world have little to do with politics, oppression or religion. They are instead the result of too many people, too few jobs and lack of affordable food. People who have a job that allows them to supply their families with the minimum required for survival are rarely revolutionary. They won't demonstrate against a tyrant or join al-Qaeda, they may be envious but they won't revolt when a small percentage of the population has most of the wealth. We will see an increasing number of revolutionary demonstrations throughout the world because we are facing a food shortage crisis that is the result of the end of cheap oil and global climate change. Several billion of the worlds population depend on cheap fossil fuel for their food. For most of the thousands of years since humans perfected agriculture food was the energy we produced. In good times we could create a surplus because it took less than one calorie of human and animal energy to produce one calorie of food. Cheap oil resulted in today's industrial agriculture - there are fewer of us working in food production but we pay a price. It now takes on the average seven calories of fossil fuel to produce a single calorie of food. Have you noticed that the price of beef follows the price of oil? There is a good reason for that - it takes 3/4 of a gallon of oil to produce a pound of beef. Does that Quarter Pounder with Cheese taste a little oily?

32. PEAK CHOCOLATE? WORLD'S SUPPLY OF SUSTAINABLE COCOA COULD RUN OUT BY 2014

The Daily Mail

The world faces a chocolate 'drought' over the next few years, an expert warned yesterday. Political unrest in the Ivory Coast, where 40 per cent of the world's cocoa beans are grown, has 'significantly' depleted the number of certified fair trade cocoa farmers. Many have fled the West African country, while fair trade training programmes have also come to a halt. Fairtrade training programmes have ground to a halt because of the danger farmers face in rural areas. The situation is already affecting chocolate manufacturers, who are facing the highest cocoa prices for over 30 years. Prices jumped by 10 per cent this month alone. Analysts are predicting they could soon hit $3,720 per metric tonne - a level last seen in January 1979. It follows a curb on international cocoa exports initiated earlier this week by the country's new president, Alassane Ouattara. Angus Kennedy, the editor of Kennedy's Confection and a leading British chocolatier, said chocolate producers are facing 'one of the biggest challenges to hit the industry in recent history'. 'Supplies of sustainable cocoa are set to run out, it's that simple,' he said.

----

1. OIL STAYS ABOVE $100, IEA MOVES TO CALM MARKETS

By Jessica Bachman
Tue Feb 1, 2011 5:35am EST

Reuters) - Oil hovered above $100 on Tuesday as the market assessed the risk of Egypt's social unrest spreading to neighboring OPEC members, but stayed below yesterday's high of $101 on lower factory growth in China.

Analysts and traders agreed that the popular uprising against the Egyptian government was unlikely to disrupt tanker movement and oil flows along the strategic Suez canal and Sumed pipeline, but said that the restive mood in the region will support prices.

"Even if the worst case scenario of a complete halt of traffic through the crucial link materializes, the global surplus in shipping capacity would allow a switch to the longer haul journey around southern Africa without too much of a headache," JBC Energy said in a research note.

"However, there appears to be a substantial risk that events could spread to other countries in the region," the report said.

The unrest in Egypt comes on the heels of an uprising in Tunisia that toppled the country's president and is keeping global investors and traders on the lookout for any signs of copycat unrest in neighboring OPEC producer Algeria.

Brent crude for March slid 48 cents to $100.54 a barrel as of 1006 GMT, after topping $100 for the first time since October 2008 on Monday, when prices touched an intraday high of $101.73. U.S. crude shed 10 cents to $92.09.

The International Energy Agency said on Tuesday that the oil market does not face any emergency, but called on OPEC to remain "flexible" in the event that contagion does spread and shortages begin to show.

But many traders said that perceived risk, while unsupported by any evidence of a direct threat to ships passing through the strategic Suez canal connecting the Red Sea with the Mediterranean, could lead to further rises.

"$100 is not a final target for Brent," said Tetsu Emori, a fund manager at Tokyo-based Astmax Co Ltd.

"$110 and $115 could be reached by the end of the year. People now have to take geopolitics into consideration. Even if nothing happens in Egypt, it allows investors to take on additional risk and develop long positions in the hope of making more money."

Egypt's anti-government protesters, sensing victory after President Hosni Mubarak agreed to discuss sweeping political reforms, rallied support for what they hope will be a million-strong march for democracy on Tuesday.

Mubarak's newly appointed vice-president began talks with opposition figures and the army declared the protesters' demands "legitimate" and said it would hold its fire.

"While short-term risks remain skewed to the upside, we think that the current price strength is likely to ease once the situation in Egypt normalizes. Spare OPEC production capacity remains ample, which should prevent a rapid tightening of the market balance," said analysts from Credit Suisse.

OPEC AND THE CHINA FACTOR

The Organization of the Petroleum Exporting Countries says it holds about 6 million barrels per day (bpd) of idle production capacity -- equal to 7 percent of world demand -- that it could tap to fill any shortage. Most of this capacity is held by Saudi Arabia.

----

2. CRUDE RALLY ENDS ON SIGNS OF REDUCED RISK FROM EGYPTIAN UNREST

By Ann Koh and Nidaa Bakhsh
Bloomberg
Feb 1, 2011

Oil dropped from a two-year high as concern eased that supplies through the Suez Canal may be disrupted by unrest in Egypt. Brent crudetraded above $100 a barrel for a second day.

Futures trimmed two days of gains after Suez Canal officials said traffic is moving normally through the main artery for more than 2.2 million barrels of oil a day. A U.S. government report tomorrow may show stockpiles grew for a third week, according to a Bloomberg News survey.

"So far the escalating violence in Suez has seen no specific targeting of shipping facilities or passing ships," Andrey Kryuchenkov, a London-based analyst at VTB Capital, said in a note. "We still see little threat to major producing nations, with the exception of Algeria, where we had some unrest earlier this month."

Oil for March delivery on the New York Mercantile Exchange dropped as much as 84 cents, or 0.9 percent, to $91.35 a barrel and was at $91.45 a barrel at 10:40 a.m. London time. Yesterday, it rose to $92.19, the highest settlement since Oct. 3, 2008. Futures have gained 0.9 percent in January. Brent for March settlement fell as much as 73 cents, or 0.7 percent, to $100.28 a barrel on the ICE Futures Europe exchange in London. It rose to $101.73 yesterday, the highest price since Sept. 29, 2008.

Egypt Unrest

Futures in New York rose 3.2 percent yesterday as opposition groups demanding Egyptian President Hosni Mubarak's ouster urged more people onto the streets. About 2.5 percent of global oil output moves through Egypt via the Suez Canal and the adjacent Suez-Mediterranean Pipeline, according to Goldman Sachs Group Inc.

Ships are passing normally through the waterway, which is handling 45 to 50 vessels a day, said Ahmed El Manakhly, the head of traffic for the Suez Canal Authority.

Egypt deployed troops to help protect the SuMed, while the facility's pipeline's guards doubled their number of sentry posts, an official said today. Mubarak has meanwhile offered to negotiate with an opposition movement that plans to force him out of office.

"By the looks of it, the army is not going to attack the people, which removes the risk premium in the market," Kryuchenkov at VTB said by phone.

The Organization of Petroleum Exporting Countries would increase output if the unrest in Egypt disrupts supplies from the Middle East, Secretary-General Abdalla el-Badri said in London yesterday. Crude prices at $70 to $80 a barrel are "appropriate," Saudi Arabian Oil Minister Ali al-Naimi said at a conference in Geneva yesterday.

High Inventories

"A lot of producing countries like OPEC are saying every day that a lot of crude oil is available, there is no shortage," said Ken Hasegawa, a commodity derivative sales manager at broker Newedge in Tokyo. "WTI is very weak because of high inventories."

An Energy Department report tomorrow may show that U.S. crude inventories climbed by 2.5 million barrels last week from 340.6 million, according to the median of 11 analyst estimates in a Bloomberg News survey. The industry-funded American Petroleum Institute will report its own data today.

The premium of Brent over WTI futures was at $8.95 a barrel at 10:44 a.m. in London after surging to $11.75 a barrel on Jan. 27. The spread may eventually stabilize at $8 to $10 a barrel, Hasegawa said.

----

3. CRUDE DIPS, EGYPT PROTESTS TO DECIDE DAY'S DIRECTION

LONDON (Dow Jones)--Oil futures fell Tuesday, though Brent prices stayed above $100 barrel as traders remain unsure how political unrest in Egypt will affect the global supply of crude oil.

At 1137 GMT, the front-month March Brent contract on London's ICE futures exchange was down 47 cents, or 0.5%, at $100.54 a barrel. The front-month March contract on the New York Mercantile Exchange was down 75 cents, or 0.8%, at $91.44 a barrel.

Prices have shot up since last week, when anti-government protests in Egypt began to gain momentum. The oil industry hasn't been a target, but the nearly three million barrels transported through the Sumed pipeline and Suez Canal would be threatened by more instability. Nymex futures rose nearly 8% in the previous two sessions, while Brent has made a more steady week-long climb.

The oil market could see more gains if protests spread to other countries in the region or the flow of oil through the Suez slows. But they could also fall back if the protests quiet down, analysts said.

Much will also depend on the response from the Organization of the Petroleum Exporting Countries, which will raise production to compensate for supply disruptions in Egypt, Secretary General Abdalla Salem El-Badri said Monday.

"The direction of crude prices today will depend on how the demonstrations in Egypt go," said Christine Tuxen, a senior analyst at Danske Research.

Traders are also awaiting U.S. manufacturing data due at 1500 GMT from the Institute for Supply Management. The U.S. economic recovery was one of the biggest drivers of oil prices before the Egyptian protests, and signs of faster growth could still affect futures Tuesday, Tuxen said.

A Dow Jones Newswire survey found economists expecting the ISM's January index reading at 58, with anything over 50 representing growth. That would mark an 18th consecutive month where U.S. manufacturing activity has grown.

----

4. BRENT OIL RISES TO $100 FOR FIRST TIME IN TWO YEARS ON DEMAND

By Grant Smith and Margot Habiby
Bloomberg
Jan 31, 2011

Brent crude, used to price two- thirds of the world's oil supply, rose above $100 a barrel for the first time since 2008 on growing confidence in its usefulness for tracking the global recovery in fuel demand.

North Sea Brent surged to a record premium of more than $11 a barrel over U.S. crude futures on Jan. 27 as swelling U.S. inventories weakened oil futures in New York and sent investors toward the European benchmark. Prices also increased amid concern protests in Egypt would spread to major oil-producing parts of the Middle East.

"Brent has been the star of the energy market this month, viewed as the ultimate oil benchmark because it best reflects global supply and demand," said Andrey Kryuchenkov, an analyst at VTB Capital in London. "The mood among oil investors is upbeat, while colder weather and tightness in North Sea supplies added to positive sentiment."

The March Brent contract on London's ICE Futures Europe exchange advanced $1.59, or 1.6 percent, to $101.01 a barrel, the highest settlement since Sept. 26, 2008. It last traded above $100 on Oct. 1, 2008. The futures rose 6.6 percent in January, the fifth consecutive monthly increase.

Futures for March delivery on the New York Mercantile Exchange gained $2.85, or 3.2 percent, to settle at $92.19 a barrel. Nymex oil gained 0.9 percent in January. It was $8.82 a barrel cheaper than Brent crude, the narrowest spread in a week.

Production stoppages off the coast of Norway have added to Brent's cost. OPEC said last week it considers prices to be in a "comfortable zone," though Saudi Arabian Oil Minister Ali Al- Naimi said in Geneva today that oil prices at $70 to $80 a barrel are "appropriate."

Production

Royal Dutch Shell Plc, Europe's largest oil company, said Jan. 21 that all four Brent platforms will be shut for several weeks following an accident. Statoil ASA, Norway's biggest oil and natural gas producer, halted production on Jan. 24 at its Oseberg A, B, D and Oseberg South and East platforms in the North Sea due to a gas leak.

Worldwide oil consumption will increase by 1.4 million barrels a day, or 1.6 percent, this year to a record 89.1 million a day, driven by consumption in China and other emerging economies, according to the International Energy Agency.

The U.S., the largest consumer of crude, grew at a faster pace in the fourth quarter, driven by the biggest gain in consumer spending in four years.

Rising GDP

Gross domestic product climbed at a 3.2 percent annual pace from October through December, Commerce Department figures showed on Jan. 28, falling short of the 3.5 percent median forecast of 85 economists surveyed by Bloomberg News.

Still, the nation's crude-oil supplies remain above their five-year average at 340.6 million barrels, according to Energy Department data.

The Organization of Petroleum Exporting Countries would increase output if current unrest in Egypt disrupts supplies of crude from the Middle East, Secretary-General Abdalla el-Badri said in London.

"If we see a real shortage we will have to add," he said. OPEC would act if supply was reduced by 1 million barrels a day or more, he said. OPEC, responsible for 40 percent of global oil supply, is next due to meet for a review of its production quota in June.

Opposition groups urged more Egyptians onto the streets to help unseat Hosni Mubarak as the president sought to quell unrest by appointing a new Cabinet and putting police back on duty in Cairo.

The anti-Mubarak movement, backed by former United Nations nuclear official Mohamed ElBaradei and the Muslim Brotherhood, aims to hold a 1 million-person march in the capital tomorrow to demand Mubarak's resignation, said Mahmoud El-Said, one of the organizers. That would be the biggest demonstration in a week- long uprising that has left as many as 150 dead.

Iranian Oil Minister Masoud Mir-Kazemi said on Jan. 16 that a rise to $100 a barrel would not be sufficiently "worrisome" to trigger an emergency meeting.

----

5. OIL PRICES SURGE ON FEARS UNREST MAY HURT SUPPLY

By GUY CHAZAN

Oil prices surged to levels not seen since 2008 on Monday amid fears the anti-government unrest in Egypt could ripple across the Middle East, potentially disrupting global oil supplies.

Oil markets are also worried the chaos could paralyze the Suez Canal, a vital shipping lane, and the Suez-Mediterranean, or Sumed pipeline, which both run through Egypt bringing Middle East oil to Western markets.

"We're dealing with a market that appears to be in panic mode," said Stephen Schork, an oil analyst and author of the Schork Report. "The fear is that this unrest could spread to a country that actually produces a lot of oil."

Oil prices were already on the rise even before the turmoil in Egypt, increasing by $30 a barrel since the summer as the global economic recovery pushed up demand for crude. That has put pressure on the Organization of Petroleum Exporting Countries, which has faced mounting calls from oil-consuming countries to raise output.

OPEC Secretary-General Abdalla Salem El-Badri said Monday the organization would open the spigots if the unrest in Egypt affected supply, though he said that was unlikely to happen. He stressed the market was well-supplied, with inventories full. OPEC says it has about six million barrels a day of spare capacity-equal to 7% of global demand-and can easily tap that if the world runs low on oil.

Brent crude oil rose $1.59 to settle at $101.01 a barrel on Monday, while the U.S. benchmark-West Texas Intermediate, or WTI-rose $2.85 to settle at $92.19 a barrel on the New York Mercantile Exchange. Both prices have not been reached since 2008. Brent, which is used to price oil in Asia and Europe, has been trading at a premium to WTI for months now, largely because of dwindling North Sea crude supplies coupled with rising demand for Brent in Asia and a cold winter in its main European market.

But some analysts expect Brent to fall again as the winter ends. "I'd be surprised if we have a sustainable breakout above $105 a barrel," said Ed Morse, head of commodities research at Credit Suisse. "The fact is, we're in a market that is seeing seasonality re-emerging."

Combined, the Suez Canal and Sumed pipeline, which connects the Red Sea to the Mediterranean, carried about 2.6 million barrels a day to world markets in December, according to the International Energy Agency.

View Full Image

That makes them far less important than the Strait of Hormuz, through which some 40% of all seaborne traded oil flows. Also, unlike Hormuz, traders can use alternative routes if the Suez Canal is blocked-such as sending tankers round Africa.

But rerouting oil in this way would greatly increase voyage times-and also boost transportation costs, which would further drive up the price of oil.

"We estimate it could take an additional eight to 10 days for cargoes to reach the U.S., and another 15 days for them to get to Europe," said Julius Walker, an oil-market analyst at the IEA. "That would tighten markets, no question."

So far, there is no evidence the unrest has affected the Suez Canal and caused tankers to be rerouted. "The impact is negligible," said Bob Knight, managing director of deep-sea tankers at Clarkson's, a London-based ship broker. "So far it's just a watching brief."

A/S Maersk, a Danish shipping line, said it had closed its Egyptian office due to the unrest and that all ports have closed.

But a large international shipping logistics company, Gulf Agency Co. Ltd., said Monday that ship crews should avoid embarking or disembarking along the Suez Canal while the unrest continues. It issued the warning in a maritime security alert sent to its customers. It said vessel operators looking to change crews should do so in other regional ports, including Aqaba in Jordan, Jeddah in Saudi Arabia and Al-Hudaydah in Yemen. Foreign oil firms were evacuating staff out of Egypt, including Russia's OAO Lukoil and OAO Novatek were bringing staff home Monday. BP, which produces 150,000 barrels of oil equivalent in Egypt-a sizable chunk of its 3.8 million barrels a day of global output-said it had started to evacuate the dependents of its expatriate employees, and BG Group PLC said it had brought home all nonessential, non-Egyptian staff.

----

6. JOBLESSNESS, RISING PRICES MAY FUEL UNREST: IMF CHIEF

By Kevin Lim and Saeed Azhar

(Reuters) - The world economy is beset by problems such as high unemployment and rising prices which could fuel trade protectionism and even lead to war within nations, the head of the International Monetary Fund warned on Tuesday.

Rising food and fuel prices in recent months have already hit poorer countries and are one of the factors behind massive anti-government protests in Egypt and in Tunisia, whose president was ousted last month.

"As tensions between countries increase, we could see rising protectionism -- of trade and of finance. And as tensions within countries increase, we could see rising social and political instability within nations - even war," Dominique Strauss-Kahn said in a speech in Singapore.

Strauss-Kahn noted two "dangerous" imbalances that he said could sow the seeds of the next crisis.

The first was the unbalanced recovery across countries, as emerging nations grow much faster than developed economies and possibly overheat. The second was the social strains within countries with high unemployment and widening income gaps.

Over the next decade, 400 million young people would join the global labor force, posing a daunting challenge for governments, Strauss-Kahn added.

"We face the prospect of a 'lost generation' of young people, destined to suffer their whole lives from worse unemployment and social conditions. Creating jobs must be a top priority not only in the advanced economies, but also in many poorer countries."

Unemployment stands at 9.4 percent in the United States while European countries are struggling to create jobs.

Despite high joblessness in the wake of the 2008 global credit crisis, trade barriers have not reached levels feared by many analysts. Instead, a number of countries, most prominently China according to its critics, have sought to keep their currencies undervalued to keep exports humming.

"The pre-crisis pattern of global imbalances is re-emerging," Strauss-Kahn said.

"Growth in economies with large external deficits, like the U.S., is still being driven by domestic demand. And growth in economies with large external surpluses, like China and Germany, is still being powered by exports."

Strauss-Kahn said the IMF expected subdued growth of 2.5 percent for advanced economies this year as high unemployment and household debt weighed on domestic demand.

Emerging markets would grow at a faster pace of 6.5 percent, with Asia excluding Japan expanding by 8.5 percent, he said.

Strauss-Kahn said the "global growth gap" was straining the recovery in other ways, with energy prices rising swiftly, reflecting the rapid growth in emerging economies.

"Food prices are rising too -- though here supply shocks are the main reason with potentially devastating consequences for low-income countries. Together, these price increase are beginning to feed into headline inflation," he said.

----

7. EURO HITS 2-MONTH HIGH VS DOLLAR ON RATE VIEW

By Naomi Tajitsu
Tue Feb 1, 2011 6:06am EST

Reuters) - The euro rallied to its highest against the dollar in more than two months on Tuesday, boosted by signs that increasing inflation pressures will prompt a much faster rise in euro zone than in U.S. interest rates.

Traders said the latest leg-up for the single currency during the European session was driven by demand from Middle Eastern investors, while Asian names were also seen buying back euro positions sold earlier in the day.

The dollar tumbled across the board, hitting a 2 1/2-month trough against a currency basket as investors highlighted expectations the Federal Reserve will lag far behind other central banks -- notably the European Central Bank and the Bank of England -- in raising interest rates.

"Relative rate spreads are still favoring the euro to the dollar," said John Hydeskov, currency strategist at Danske.

"Pressure has intensified for the ECB to do something about inflation when it meets on Thursday. The ECB has hiked rates when inflation was previously at this level, so it's possible they could do it again."

Data on Monday showed a higher than expected 2.4 percent year-on-year rise in euro zone inflation.

With inflation hovering above the central bank's target of just below 2 percent for the second month, investors expect ECB President Jean-Claude Trichet to keep his hawkish tone on Thursday.

Implied interest rate futures suggest nearly an 80 percent possibility the ECB will raise rates by 25 basis points in August from the current record low of 1.0 percent.

Speculation that rates will rise has kept the two-year yield spread between German and U.S. government bonds at around 80 basis points, its widest in two years.

The euro rose as high as $1.3776, its strongest since late November. The single currency was well supported as market concern over political unrest in Egypt abated somewhat.

Also helping to boost the euro were a fall in the German jobless rate to 7.4 percent last month from 7.5 in December, and strong final readings of purchasing managers' indices in Germany and the wider euro zone, which supported the view the overall euro zone recovery is progressing.

Tighter yield spreads between bonds of weaker periphery euro zone countries against safe-haven German debt also supported the euro as they eased concerns about the region's debt problems for now.

The euro broke above $1.3740, around the 61.8 percent retracement of its November-January fall, which technical analysts said provided support and may open the way to $1.40.

The U.S. currency slipped to a four-week low around 81.54 yen, helping to push the dollar index, which tracks the U.S. currency's value against a basket of other currencies, as low as 77.294, its weakest since early November.

----

8. COMMODITIES OVERTAKE STOCKS, BONDS AFTER TWO-DAY GAIN ON EGYPT

By Whitney Kisling and Millie Munshi
Bloomberg
Jan 31, 2011

The biggest two-day rally in commodities since December pushed raw materials past stocks, bonds and the dollar for a second month, after Egyptian riots drove oil, wheat and rice higher.

The S&P GSCI Total Return Index of 24 raw materials gained 3.1 percent in January and rose for a fifth month, the longest streak since 2004, according to data compiled by Bloomberg. The MSCI All-Country World Index of equities climbed 1.6 percent including dividends. The U.S. Dollar Index, a gauge of the currency against six counterparts, fell 1.6 percent. The Global Broad Market Index for corporate and government bonds lost 0.2 percent as of Jan. 28, Bank of America Merrill Lynch data show.

Commodities have beaten stocks for three months, the longest stretch since June 2008, after the Federal Reserve pledged to buy $600 billion of Treasuries and demand for clothes and food lifted cotton, cocoa and copper. Equities were poised to break the streak until Jan. 28, when concern Egyptian President Hosni Mubarak will be ousted sent the MSCI gauge to its biggest retreat since November and boosted food and fuel.

"There are supply-side issues that have really kicked up the price of a lot of commodities," said Walter "Bucky" Hellwig, who oversees $17 billion at BB&T Wealth Management in Birmingham, Alabama. "Rising prices have really hit people in countries where food makes up a larger part of their income. We're seeing this play out in North Africa right now, where food prices have become a tinder box."

Global Economy

Stocks rose for a second month and raw materials for a fifth after the Washington-based International Monetary Fund raised its forecast for 2011 global economic growth on Jan. 25, saying the world economy will expand 4.4 percent, more than the 4.2 percent estimated in October. U.S. gross domestic product increased last quarter at a 3.2 percent annual pace, up from 2.6 percent in the previous three months, as consumer spending climbed the most in more than four years.

Cotton jumped 16 percent in January, the most among the 24 commodities in the S&P GSCI measure and the biggest rally for the month since at least 1960, Bloomberg data show. The price more than doubled in the past year and reached a record $1.7283 a bushel on Jan. 27 as growers struggled to meet demand in China, the world's biggest consumer. Inventories monitored by ICE Futures U.S. tumbled 87 percent since June 1.

Crop Futures

Rice, wheat, corn and soybean futures gained in Chicago on speculation governments in emerging economies will boost imports after soaring food prices spurred protests in Egypt, Tunisia, Algeria and Yemen. The unrest may worsen because grain hoarding "will intensify," according to a report yesterday from New York-based Goldman Sachs Group Inc. Cocoa surged 10 percent, the most since September 2009, on signs supplies will be disrupted from the Ivory Coast, the world's biggest grower.

Egypt's new Vice President Omar Suleiman reached out to opposition parties yesterday to end protests as demonstrators urged a million people to take to the streets. Forty people were killed and 1,100 injured in clashes, the country's Health Ministry said yesterday. Wheat reserves are adequate until the end of June, Al Arabiya television reported today.

Gold futures surged 1.7 percent on Jan. 28, the most in 12 weeks, trimming monthly declines after turmoil in North Africa boosted investor demand for a haven. Its 6.1 percent drop in January marked the worst start to a year since 1991 amid faster U.S. growth. Oil for March delivery gained 0.9 percent in January after rallying 7.6 percent on the last days of the month on concern shipments through the Suez Canal would be halted.

Biggest Slump

MSCI's equity index for 45 developed and emerging countries slumped the most in more than two months on Jan. 28 and fell 1.6 percent including dividends for the month. The gauge returned 104 percent since March 9, 2009, through yesterday.

"It's healthy for the markets that there was some consolidation," said Keith Wirtz, who oversees $18 billion as chief investment officer at Fifth Third Asset Management in Cincinnati. "History would still suggest that when you have a strong January, it's a good predictor of where the year will go. For 2011, stocks quite likely will do very well."

The direction of the equity index in January has matched its move for the full year 74 percent of the time, according to Bloomberg data dating back to 1988. In the 12 instances when it rallied, the gauge rose 15 percent during the full 12 months.

Energy Rally

Energy stocks gained the most out of 10 industries in the global index, adding 5 percent for the fifth straight monthly gain. Only consumer-staples and materials companies retreated in January, data compiled by Bloomberg show. Natural-gas futures touched the highest level in almost six months in January as cold weather boosted demand for the heating fuel in the U.S.

"The economy is doing pretty good outside housing," said Jeffrey Saut, chief investment strategist at Raymond James & Associates in St. Petersburg, Florida, who helps manage $240 billion. "I've been adamant that we won't have a double-dip recession and that earnings will continue to surprise."

Alcoa Inc., the biggest U.S. aluminum maker, climbed 7.7 percent in January. The New York-based company posted profit excluding some items that beat the average analyst forecast on Jan. 10. Since then, companies in the world index have posted a 40 percent average earnings growth rate, with results beating estimates by 6.3 percent, data compiled by Bloomberg show.

Krona Gains

The U.S. Dollar Index lost 1.6 percent in January. The Swedish krona was the best-performing currency in January, gaining 4.1 percent against the dollar. The South African rand performed worst, losing 7.7 percent.

In the U.S., Treasuries, the benchmarks for borrowing costs around the world, returned 0.2 percent in January, snapping three straight monthly losses, according to data compiled by Bank of America Merrill Lynch through Jan. 28. The gains compared with a 5.9 percent loss in 2010, Bank of America figures show.

"Equities have performed very well, outperforming bonds," said Christopher Sullivan, who oversees $1.7 billion as chief investment officer at United Nations Federal Credit Union in New York. "Corporate earnings have been strong and the general tone of the economy has been positive. People are generally more comfortable accepting risk from here because the underlying fundamentals in the U.S. are good and the expectation from continued corporate profitability are all still pretty good."

Monthly Gain

Corporate bonds worldwide returned 0.07 percent last month through Jan. 28, following a 0.55 percent loss in December, according to Bank of America Merrill Lynch's Global Broad Market Corporate Index. A gain through yesterday would mark the first monthly advance since October.

High-yield, high-risk, or junk, bonds returned 2.17 percent as of the end of last week, following a gain of 1.77 percent in December, according to the Bank of America Merrill Lynch Global High Yield Index, which returned 15.2 percent in 2010. Speculative-grade bonds are rated below Baa3 by Moody's Investors Service and lower than BBB- by S&P.

In Europe, finance ministers pledged Jan. 17 to strengthen the safety net for debt-strapped countries, examining ways to give the 750 billion-euro ($1 trillion) rescue fund more flexibility. Stocks in Greece, which sought a financial bailout last year, joined Spain and Italy in rallying at least 9.3 percent last month. They are all among the top 10 countries for January equity gains.

Greek Bonds

Greece also had the best-performing bonds among the 26 sovereign markets compiled by the European Federation of Financial Analysts Societies and Bloomberg, returning 3.8 percent in January. Portuguese bonds were the worst euro- denominated sovereign securities, losing 1.7 percent, the EFFAS data showed.

U.K. gilts fell 1.9 percent on speculation accelerating inflation would force the Bank of England to increase interest rates. Bonds in Japan, the biggest debt market, lost 0.6 percent in January, based on the Bank of America data. They returned 2.4 percent in 2010 as the central bank cut its benchmark interest rate to "virtually zero."

"The European problem is not solved, but sentiment has definitely changed," Sullivan said. "More people have come around to the view that Europe could muddle through from here, and may actually achieve real solutions in the intermediate term that preclude a deterioration in the continent's economic outlook."

----

9. OPEC HEAD SEES OIL SHORTAGE IF EGYPT GETS OUT OF HAND

LONDON -(Dow Jones)- The Organization of Petroleum Exporting Countries said Monday there is a risk of an oil shortage if the Egyptian crisis escalates but added the organization was ready to increase output if that was the case, OPEC secretary general said Monday.

He added that this point has not been reached and the market is well supplied.

Speaking to reporters, Abdalla Salem El-Badri said that if oil supply going through Egyptian routes is lost to the market, "there could be a real shortage."

The Suez canal, along with the Sumed oil pipeline, are two key oil routes from the Middle East to Western markets.

"If we see a real shortage, we will need to act," El-Badri said.

But for, now the "situation is not out of hand," he added.

In e-mails this weekend to customers, international shipping logistics company GAC said transit was continuing as usual at present. But it warned of possible delays and recommended suspending crew change and spares delivery until further notice.

El-Badri said "the market is well supplied" with strong inventories and "demand is less than last year" at this time.

"I don't see why we have this high price," he added.

El-Badri also said there was no need for now to hold a formal, emergency meeting before the next OPEC conference due in June.

Formal OPEC meetings are the only ones where an output change can be decided.

----

10. MUBARAK’S GRIP ON POWER IS SHAKEN

By David D. Kirkpatrick
The New York Times

CAIRO — In a test of wills that seems to be approaching a critical juncture, hundreds of thousands of people crammed into Cairo’s vast Tahrir Square on Tuesday, seeking to muster a million protesters demanding the ouster of President Hosni Mubarak.

Their mood was jubilant, as though they had achieved their goals, even though Mr. Mubarak remained in the presidency a day after the Egyptian military emboldened the protesters by saying they would not use force against them and the president’s most trusted advisor offered to negotiate with his adversaries.

There were reports that the government was seeking to choke off access to the capital to thwart the demonstrators’ ambitions for their biggest show of strength so far. But the scale of the protest seemed bigger and more tumultuous than anything in the previous week, suggesting that the authorities had been unable to strangle protest at what had been seen by all sides as a potential turning-point.

The crowd offered a remarkable tapestry of Egypt’s many-layered society, from the most westernized to the most traditional, from young woman with babies to old men with canes. “Look at the faces of the old men — they are young again,” said Ahmed Zemhom, 37, a former teacher of math who makes a living as a cab driver.

Seeking to impose some kind of order, the military set up checkpoints to search people entering the square, presumably for hidden weapons, separating them by gender so that women could be patted down only by other females. But there were no immediate reports of clashes.

The fast-moving developments appeared to weaken Mr. Mubarak's grip on power just two weeks after a group of young political organizers called on Facebook for a day of protest inspired by the ouster of another Arab strongman, in Tunisia.

A Western diplomat, who spoke in return for anonymity because of the sensitivity of the situation, said Monday night's moves by the military were believed to be part of choreographed maneuvers by the most senior people around Mr. Mubarak to set the stage for his eventual exit.

If that belief is borne out by events, however, it remained to be seen whether protesters would be satisfied by Mr. Mubarak's departure alone or would demand more far-reaching change, as demonstrators in Tunisia did after its strongman president, Zine el-Abidine Ben Ali, fled in mid-January.

In Tahrir Square, the chants of the huge crowd suggested that the demonstrators had already moved beyond demanding simply Mr. Mubarak's departure. "The people of Egypt want the president on trial," some chanted for the first time, while others chorused: "The people of Egypt want the government to fall."

"Nobody wants him, nobody," said El-Mahdy Mohamed, one of the demonstrators. "Can't he see on the TV what's happening?"

As opposition groups sought to stake out positions, moreover, Mohamed ElBaradei, the former head of the International Atomic Energy Agency and a Nobel laureate who has emerged as a potential rallying point for opposition, said on Tuesday that Mr. Mubarak must leave the country before any dialogue can start between the opposition and the government, Reuters reported.

"There can be dialogue but it has to come after the demands of the people are met and the first of those is that President Mubarak leaves," he told Al Arabiya television. "I hope to see Egypt peaceful and that's going to require as a first step the departure of President Mubarak. If President Mubarak leaves, then everything will progress correctly."

His words were apparently a first response to an offer of talks on Monday night by Omar Suleiman, Mr. Mubarak's right-hand man and newly appointed vice president.

By Tuesday morning, as a formal curfew that many have ignored was lifted, vast crowds flooded into Tahrir Square — a plaza that, for some outsiders at least, has assumed some of the symbolic importance of Tiananmen Square in Beijing during pro-democracy demonstrations there in 1989.

But, in marked contrast to those events, the military's promise not to use force has emboldened demonstrators sensing that the political landscape of the country has shifted as decisively as at any moment in Mr. Mubarak's three decades in power. The military seemed to aggressively assert itself as an arbiter between two irreconcilable forces: a popular uprising demanding Mr. Mubarak's fall and his tenacious refusal to relinquish power.

And even as the square itself filled up, rivers of protesters flowed from side streets.

Overnight, soldiers seemed to have boosted their presence around the square, with tanks and armored personnel carriers guarding some of its entrances and stringing concertina wire to block off some streets. The black-clad police — reviled by many protesters as a tool of the regime — also seemed to have been deployed in larger numbers, though not on the same scale as when the protests started a week ago.

The Associated Press reported that authorities had sought to isolate Cairo — Egypt's teeming capital — from the rest of the country, throwing up roadblocks on main highways and canceling train and bus services to prevent demonstrators from reaching the city. There was no immediate confirmation of the report. But witnesses said many people who had been stopped at road-blocks simply left buses and walked into the city center.

In a further token of the paralysis of normal business in Cairo, news reports said, the stock exchange announced that it would remain closed for a fourth successive day on Wednesday. Thousands of foreigners have fled the capital, around 1,200 of them on evacuation flights arranged by the American Embassy.

Around eight more planeloads of Americans are set to leave the country on Tuesday, officials said, taking diplomatic families and private citizens to Istanbul, Athens, Cyprus and Frankfurt.

How far Mr. Mubarak is offering to bend in negotiations remains to be seen, and given the potential ambiguities of both statements it is too soon to write off the survival of his government. In Washington, the State Department on Monday dispatched a veteran diplomatic troubleshooter, Frank Wisner, a former ambassador in Cairo and elsewhere, to meet Mr. Mubarak and other officials.

In a further diplomatic twist, Prime Minister Recep Tayyip Erdogan of Turkey — whose country is often held up as a model of Western-style democracy within a predominantly Islamic nation — urged Mr. Mubarak to "listen to people's outcries and extremely humanistic demands" and to "meet the freedom demands of people without a doubt," Reuters reported.

The week-old uprising here entered a new stage about 9 p.m. on Monday when a uniformed military spokesman declared on state television that "the armed forces will not resort to use of force against our great people." Addressing the throngs who took to the streets, he declared that the military understood "the legitimacy of your demands" and "affirms that freedom of expression through peaceful means is guaranteed to everybody."

A roar of celebration rose up immediately from the crowd of thousands of protesters still lingering in Tahrir, or Liberation, Square, where a television displayed the news. Opposition leaders argued that the phrase "the legitimacy of your demands" could only refer to the protests' central request — Mr. Mubarak's departure to make way for free elections.

About an hour later, Mr. Suleiman, the vice president, delivered another address, lasting just two minutes.

"I was assigned by the president today to contact all the political forces to start a dialogue about all the raised issues concerning constitutional and legislative reform," he said, "and to find a way to clearly identify the proposed amendments and specific timings for implementing them."

The protesters in the streets took Mr. Suleiman's speech as a capitulation to the army's refusal to use force against them. "The army and the people want the collapse of the government," they chanted in celebration. Even some supporters of Mr. Mubarak acknowledged that events may have turned decisively against him once the military indicated its support for the protesters, especially given the historical independence of the Egyptian military."

There were some faint dissident voices, however. In Alexandria on Tuesday, young women handed out leaflets to motorists in Alexandria urging people not to attend Tuesday's demonstrations. "Do not turn yourselves over to outside forces trying to create chaos in our country," the leaflets said. The argument seemed unlikely to dissuade protesters who had set up tents in front of the Misr train station in central Alexandria.

Mr. Mubarak's previously unquestioned authority had already eroded deeply over the preceding three days. On Friday, hundreds of thousands of unarmed civilian protesters routed his government's heavily armed security police in a day of street battles, burning his ruling party's headquarters to the ground as the police fled the capital. On Saturday, Mr. Mubarak deployed the military in their place, only to find the rank-and-file soldiers fraternizing with the protesters and revolutionary slogans being scrawled on their tanks.

And on Sunday, leaders of various opposition groups met to select Mr. ElBaradei to negotiate for them in anticipation of talks with Mr. Mubarak about forming a transitional unity government — an idea Mr. Mubarak's surrogate embraced Monday.

Mr. Mubarak’s government came under pressure from another front as well: the swift deterioration of the economy. The protests, and the specter of looting that followed the police withdrawal, have devastated tourism, the source of half of Egypt’s foreign income, and shut down transportation.

On Monday foreign embassies scrambled to book charter flights to evacuate their citizens as thousands of people jammed the Cairo airport trying to flee the country. International companies, including those in the vital oil and natural gas industries, shuttered their operations.

As late as midday, however, Mr. Mubarak seemed to be trying to wait out the protesters. He appeared on television soberly shaking the hands of a new roster of cabinet ministers in a public demonstration that even though protesters may control the streets, he remained head of state.

----

11. EGYPT'S ECONOMY IS NEAR PARALYSIS

By Nicholas Kulish
The New York Times

ALEXANDRIA, Egypt - Egypt's economy approached paralysis on Monday as foreign commerce, tourism and banking all but halted, placing acute pressure on President Hosni Mubarak to find a way out of the weeklong chaos.

International companies closed plants and sent workers home or out of the country; food staples went undelivered to stores; and banks remained closed during a week when many Egyptians, who are routinely paid monthly, would receive their paychecks.

A major ratings agency cut the country's bond rating, while shortages led to rising prices. And poorer Egyptians told of cutting back to just two meals a day to cope.

The protests' crippling effects could give Mr. Mubarak and his new cabinet perhaps only a few weeks to re-establish order before shortages, rising unemployment and a deep crisis set in, economists said.

"It might give impetus to more demonstrations and more riots in the streets," said Ahmed Galal of the Economic Research Forum in Cairo. "I think the challenge is going to be in the next couple of weeks, and it is going to mount in a week or two."

Average citizens seemed to agree.

"We can take this for one more week," said Samih Hammam, 38, a teacher with a wife and three children who should have been paid on Jan. 25 and is still waiting. "After this, it's going to create more chaos and problems, more violent reactions."

Entrenched corruption, the depredations of police forces and demands for free elections have all helped drive the protest movement, but for many Egyptians, rising prices and unemployment were the strongest motivations to stand up to the government. Now even many of those with jobs are not being paid, adding an edge of desperation to the rage.

"I'm going to try to eat the cheapest foods, ful and falafel," said Azza Aladin, 47. Ful is a simple dish of beans. A single mother with six children, Ms. Aladin said she had been forced to cut out a meal a day.

Many Egyptians are paid on the last or the first day of the month, and their wages often come in cash-filled envelopes. With A.T.M.'s empty and banks closed, many bosses just cannot pay.

Muhammad Soudan, 54, had a banner on his car at Monday's protest in Alexandria that read "I would rather live hungry than die in fear." It is not an abstract notion here.

Mr. Soudan runs a construction company that employs 35 people. To make payroll with the banks closed, he borrowed money from friends. But his business has larger problems. He is unable to get building materials he needs from abroad, and he expects many of the larger companies he relies on for business to cut back. "If it goes on like this, my company is going to die," Mr. Soudan said.

The American giants Coca-Cola and General Motors are pulling back or pulling out, as are German companies like Volkswagen and the retailer Metro, as well as the Danish shipping and oil company A. P. Moller-Maersk.

"Tourists are flying away; the capital is going to fly away as well," said Gehan Saleh, an economist at the Arab Academy for Science and Technology here. With the stock market down roughly 17 percent since Jan. 24, people will move their savings into safe havens, turning nest eggs into dollars or euros, Ms. Saleh said.

Ms. Saleh, a 39-year-old mother of four children, was herself facing an increasingly common problem for Egyptians: getting cash. With the grocery store refusing to take credit cards, she tried the four A.T.M.'s in her neighborhood and found them all empty, leaving her with no money in hand.

Alaa Ezz, secretary general of the Confederation of Egyptian European Business Associations here, said: "It's not like in Europe; we walk around here with wads of cash in our pockets. Very few people use credit cards or A.T.M. cards. We're a cash society."

Large retailers, meanwhile, are worrying about where to go with their huge stockpiles of cash from the panic buying that has cleared the shelves, with no banks to take these small fortunes at a moment when there are no police on the streets.

The bank closings were also affecting international business, Mr. Ezz said, with importers unable to get letters of credit. He said, however, that the subsidized food supply would be ensured by strategic stockpiles and that the government was moving to get curfew exemptions for deliveries of many necessities.

The Suez Canal, a vital transit route for oil to Europe, remained open on Monday. And although international oil companies are closing local offices, evacuating nonessential workers and family dependents and telling their Egyptian employees to stay home, there has been little impact so far on exploration and production activities centered in the Gulf of Suez, the Western Desert and the Nile Delta.

One exception is Statoil, a Norwegian company, which has halted offshore drilling in the El Dabaa area west of the Nile Delta.

Fuel deliveries were not arriving at many gas stations in Alexandria. Lines of cars at those that still had fuel, long on Sunday, were growing even longer on Monday; four lines stretched out of one station and snarled traffic on the coastal road.

Between curfews, checkpoints of armed civilians and fears of looting, transportation has emerged as a major problem. Ahmed Hassan, whose distribution company serves major consumer-goods companies like Procter & Gamble and Coca-Cola, said he was not letting any of his 350 trucks nationwide onto the roads.

"We cannot let our people jeopardize their lives," Mr. Hassan said. Instead his workers were taking shifts to ensure that all facilities and vehicles were guarded 24 hours a day against looters and thieves.

According to Mr. Hassan, Coca-Cola had inquired about delivering water for its Dasani brand, while Procter & Gamble was concerned about the need for Pampers diapers, but he said it could not be done. "There are misunderstandings, people are getting excited, some of them have guns," he said. "My first responsibility is to my workers."

The disruptions have made life harder for Egyptians already struggling to get by. Ahmad Ismail, 25, a real estate agent, supports his parents. He said safety concerns and disruptions to phone and Internet services meant he had not worked since Friday, and like others had not received his paycheck.

"Things are tough, but I'm more concerned about getting this government out of power," he said. "We can get by on less."

----

12. EGYPT'S MILITARY DEPLOYS ALONG SUMED OIL PIPELINE, OFFICIAL SAYS

By Abdel Latif Wahba
Bloomberg
Feb 1, 2011

Egypt deployed troops to help protect the SuMed pipeline transporting crude alongside the Suez Canal, while the facility's own guards doubled their number of sentry posts, an official with knowledge of the build-up said.

The military's deployment began Jan. 28, said the official, who declined to identify himself because of the sensitivity of the security operation. SuMed added 16 guard posts to the 14 it already had in place along the 360-kilometer (220-mile) pipeline, the official said today.

Oil companies use SuMed because the largest oil tankers, such as Very Large Crude Carriers or VLCCs, can't navigate the Suez Canal fully loaded. They send part of their cargo via the pipeline at the canal's Red Sea entrance and then re-load the oil at the Mediterranean end. Alternatively, they can transfer their entire cargoes into smaller vessels that then transit the waterway.

SuMed has a carrying capacity of 2.5 million barrels a day and a disruption there would have a bigger impact on oil and shipping markets than a shutdown of the canal itself, Erik Nikolai Stavseth, an Oslo-based analyst at Arctic Securities ASA, said in a report yesterday.

Shipping through the canal has been unaffected so far by protests across Egypt over the past week, Ahmed El Manakhly, the head of traffic for the Suez Canal Authority, said yesterday.

----

13. POTENTIAL ENERGY RISKS OF EGYPT PROTESTS

Jan 28 (Reuters) - Disruptions in Suez Canal oil shipments and Egypt's liquefied natural gas exports would be the biggest risks to energy supplies from escalating government protests in the north African nation.

Egypt almost produces enough oil to meet domestic demand, so there is little international trade in the country's oil that would be affected.

U.S. Energy Secretary Steven Chu said on Friday the administration was monitoring the protests very closely and he warned that any serious disruptions in the Middle East could harm oil prices.

"We've diversified our oil supplies, but certainly any disruption in the Middle East means a partial disruption of oil we import," Chu said. However, he declined to specifically say whether he was worried the Egyptian protests could grow to interrupt Mideast oil shipments.

The U.S. Energy Information Administration provided the following data on Egypt's energy sector and Suez Canal oil shipments.

SUEZ CANAL OIL AND LNG SHIPMENTS

* About 1 million barrels of crude oil and refined petroleum products a day moved northbound through the canal to the Mediterranean Sea in 2009. About 800,000 bpd of similar cargoes flowed south to the Red Sea.

* Crude oil and refined petroleum products accounted for 16 percent of Suez cargoes by tonnage.

* Canal is 1,000 feet (305 meters) at its narrowest point and can't handle very large crude oil carriers.

* The 200-mile (322-km) long Suez-Mediterranean Pipeline is an alternative to the Suez Canal for moving oil. The pipeline moved 1.1 million bpd of oil in 2009, down from 2.3 million bpd in 2007, so there is room for more oil shipments in the pipeline.

* Pipeline moves oil northbound and is owned by a joint venture between Egypt's national oil company, Saudi Aramco, Abu Dhabi's International Petroleum Investment Co. and a consortium of Kuwaiti companies.

* Closing the Suez Canal and the SUMED pipeline would force tankers to go around the southern tip of Africa, the Cape of Good Hope, adding 6,000 miles (9,656 km) to the trip.

* A total of 256 ships carrying 17.5 million tonnes of liquefied natural gas (LNG) also traveled through the canal.

EGYPT'S NATURAL GAS SECTOR

* Natural gas reserves total 58.5 trillion cubic feet, the third highest in Africa after Nigeria and Algeria.

* Exported 646 billion cubic feet (bcf) of natural gas in 2009, of which 70 percent was in the form of super-cooled LNG.

* Provides natural gas via pipeline to Israel, Lebanon, Jordan and Syria.

* About 450 bcf of LNG was exported in 2009, with 236 bcf going to Europe, 160 bcf going to the United States and the rest went primarily to Japan, India and South Korea.

EGYPT'S OIL SECTOR

* Crude oil reserves total 3.7 billion barrels.

* Oil production is about 685,000 bpd and consumption is slightly higher at 710,000 bpd.

* Has the largest oil refining sector in Africa. Some non-Egyptian crudes are imported for processing. (Reporting by Tom Doggett; Editing by Lisa Shumaker)

----

14. EGYPT UNREST CAUSES FUEL SHORTAGE IN GAZA STRIP

- Gazan car owners start hoarding fuel
- Tunnel smuggling less lucrative

By Nidal al-Mughrabi

GAZA, Jan 29 (Reuters) - Gaza Strip residents flocked to petrol stations on Saturday after clashes in neighbouring Egypt hampered smugglers ferrying fuel supplies through tunnels that run under the border into the enclave, witnesses said.

Merchants and tunnellers said the pace of smuggling of fuel and other materials had dropped in recent days and reached its lowest level on Saturday as clashes between Egyptian residents of north Sinai and security forces intensified.

Fearing that makeshift fuel pipes that run through the smuggling tunnels would soon dry up completely, Gaza car owners filled their tanks to the brim and also took extra cans to stock up with additional supplies.

"Move now and fill your car," read a mobile phone text message that Gazans circulated.

A statement issued by Hamas officials tried to calm fears by saying that there was no shortage of any goods in the coastal strip but it did not deter drivers from filling their cars.

Palestinians get most of their fuel from Egypt through a network of underground tunnels.

Egyptian President Hosni Mubarak sent troops and armoured cars into Egyptian cities on Friday in an attempt to quell street fighting and mass protests demanding an end to his 30-year rule.

Egyptian troops have a high presence in Rafah and police the border to try to prevent the smuggling of munitions and goods into the Gaza Strip that is partially blockaded by Israel.

Sounds of gunfire and explosions on the Egyptian side of the border could be heard across the southern Gaza Strip city of Rafah where Hamas security forces have been placed on high alert to prevent any possible breach of the border fence.

A Hamas interior ministry spokesman said the border was "secure and there were no violations" and the group added later that Egypt told them it would close Rafah border crossing on Sunday, possibly for a number of days.

Only a few dozen tunnels remain along Gaza's border with Egypt due to repeated Israeli air strikes and a stepped-up security crackdown by Egypt. Three years ago hundreds were used to smuggling munitions for militant factions.

Israel tightened its land, air and sea blockade of the Gaza Strip in 2007 after Gaza militants abducted Israeli soldier Gilad Shalit in a cross-border raid.

Tunnellers have said their business has become less lucrative because of the increased risk that has raised prices and because Israel has eased its restrictions on the importation of civilian goods and has allowed goods to be exported from the territory.

----

15. JORDAN OFFICIALS: GAS IMPORTS FROM EGYPT UNAFFECTED BY TURMOIL

AMMAN (Dow Jones)--Jordan continues to receive natural gas supplies from Egypt via the Arab Gas Pipeline despite the ongoing political turmoil in the North African state, an official at the Jordanian energy ministry said Tuesday.

"We are still receiving gas from Egypt at agreed quantities and on a daily basis," the official told Dow Jones Newswires.

The amounts of gas supplied to the kingdom from Egypt has began to rise since last December to reach "240 million cubic feet a day" and that level was preserved in January, Jordan's National Electricity Co. head Ghaleb Maabreh said in a separate statement posted in the company's web site.

He added that Jordan and Egypt also continue to exchange electricity via 500-megawatt cable running beneath the Red Sea, which also supplies power to Syria and Lebanon. Currently 60% of Jordan's electricity is generated from natural gas, the bulk of which is imported from Egypt.

Jordan and Egypt signed an agreement in 2004 for the supply of 240 million cubic feet a day, or 2.48 billion cubic meters a year, of Egyptian gas at preferential price via the Arab Gas Pipeline, with the option of raising total supply by a further 900 million cubic meters a year.

The pipeline runs from Egypt to Jordan and extends to Syria and Lebanon.

Egypt agreed in October to resume exports of natural gas to Jordan to levels stipulated under the 2004 bilateral agreement after supplies dropped below the agreed volumes because of domestic gas shortages in Egypt, Jordan's official news agency Petra reported at the time.

Jordan suffered power cuts last summer when it received below-average natural gas supplies from Egypt, which also suffered from high demand during the summer months.

The Jordanian energy ministry has plans to import gas from other countries in the region including Qatar to meet domestic demand. Jordan's Prime Minister Samir Rafai discussed with Qatari officials in Doha during a recent visit the possibility of importing gas from the gas-rich Gulf Arab state.

The kingdom imports some 95% of its energy needs at a cost of around 19% of its gross domestic product.

----

16. NO SIGN OF KURDISH OIL EXPORTS SCHEDULED FOR FEBRUARY 1 START

Baghdad Platts
1Feb2011

The semi-autonomous Kurdistan Province in Iraq has not yet started exporting crude oil despite a reported agreement that exports would resume from February 1, Iraqi oil ministry sources said Tuesday.

Two top oil ministry officials, speaking on condition of anonymity, said there had been no additional oil supplied from two producing fields in the Kurdish province despite a reported deal between the Kurdish Regional Government and Baghdad that would have allowed the resumption of exports.

The officials said they did not know when exports would begin.

Kurdish Prime Minister Barham Salih said earlier this month that he had reached an agreement with the Iraqi federal government that would allow oil exports to resume, with Baghdad agreeing to pay foreign contractors operating in Iraqi Kurdistan.

Deputy Iraqi Oil Minister Ahmed al-Shamma subsequently confirmed to Platts that exports would resume on February 1 at a rate of 100,000 b/d from the Tawke and Taq Taq oil-producing fields.

Under an existing agreement with Baghdad, which allowed for brief oil exports from Kurdistan in 2009, the Kurdish crude is exported through the federal pipeline system with the State Oil Marketing Organization selling the crude on the KRG's behalf and the proceeds deposited into the central treasury. The KRG would, in turn, receive 17% of total revenues, in line with its percentage of the Iraqi population.

The Tawke field, operated by Norway's DNO, has current production capacity of 50,000 b/d and is connected directly by pipeline to the Iraqi northern export pipeline at Feysh Khabur, just before it enters Turkey.

The Taq Taq field, being developed by a joint venture between Turkey's Genel Enerji and China's Sinopec, which has been producing 35,000 b/d, is transported by tanker trucks to a central depot and then fed into the export pipeline to the Turkish port of Ceyhan.

The Iraqi 2011 budget assumes oil exports for the year of 2.25 million b/d, including 150,000 b/d to be exported from the Kurdish province. Baghdad made the resumption of Kurdish exports a condition for the KRG receiving its 17% share of revenues, a provision that angered Erbil and prompted Salih's visit to Baghdad to try to resolve the issue and reach agreement on oil exports.

The KRG began exporting oil from Tawke and Taq Taq on June 1, 2009, but oil flow was halted four months later at the request of the foreign contractors, who insisted on being paid before they would agree to resume exports.

The Kurdish government had argued that since the central government was collecting the revenues from the oil sales, it should be responsible for paying the contractors. Baghdad wanted the KRG to pay out of its 17% share.

It was not immediately clear, in view of the reported agreement over payment to contractors, why exports had not yet resumed. The Iraqi government, in a bid to ease tensions with Erbil, had agreed to pay contractors' costs but not profits.

The exact amount and payment mechanism has not been disclosed.

It was not possible to contact a KRG representative for clarification with Kurdish natural resources minister Ashti Hawrami in London for an energy event.

The KRG has signed 40 production-sharing contracts with foreign oil companies which Baghdad says are illegal and refuses to honor.

----

17. REPORT LISTS PERILS FOR ENVOYS AFTER U.S. LEAVES IRAQ

By Mark Landler
The New York Times

WASHINGTON - The United States will not be able to protect its diplomats in Iraq adequately if it sticks to the plan to withdraw its last 50,000 troops by December, potentially hindering American efforts to reach out to the Iraqi people, according to a new report by the Senate Foreign Relations Committee.

The report, to be released Tuesday, contends that if the Obama administration leaves only a token contingent of troops behind in an advisory role, as currently planned, "security and political gains could be jeopardized."

Without thousands of additional soldiers - a prospect that seems untenable, given political pressures in both countries - the report recommends rethinking the American civilian presence, which is projected to number 17,000 diplomats, contractors and others in 15 sites in Iraq.

"The administration may be forced to choose between scaling back the diplomatic mission or accepting a degree of physical risk familiar to military personnel but normally unacceptable for diplomats," said the report by two committee investigators, a copy of which was provided to The New York Times.

On Tuesday, the two top American officials in Iraq, Ambassador James F. Jeffrey and Gen. Lloyd J. Austin III, the senior American military commander in the country, are scheduled to testify before the Senate about the handover to civilians from soldiers.

In remarks prepared for the hearing, Mr. Jeffrey said that "gutting our civilian presence" in Iraq would embolden Iran to interfere with its neighbor and destabilize the region. "The U.S. military has performed admirably," he said in the statement, "but they cannot stay forever."

While the report says that Mr. Jeffrey and General Austin have built a healthy relationship, it found evidence of bureaucratic squabbles between the Pentagon and the State Department - making it easier, for example, for the military to deliver helicopters to foreign countries than to the State Department.

Among the report's most startling conclusions is the formidable security detail needed to protect new American consulates in the cities of Basra and Erbil, as well as tiny outposts in Kirkuk and Mosul. Securing the consulates will require 1,400 security personnel for the 120 civilians, the report concludes, while the outlying offices will need a security staff of more than 600 for only 30 staff members.

All this could cost between $25 billion and $30 billion over the next five years, the report estimates.

The State Department has been bulking up for months for the postwar era in Iraq, when it will take over the lead role from the Pentagon, training the Iraqi police and overseeing an Office of Security Cooperation, staffed with a few hundred American soldiers who will help Iraqi troops with defensive operations.

The department plans to hire 5,500 private security contractors, roughly double the current number; most will guard the embassy in Baghdad and the four satellite outposts. The security of the installations themselves is adequate, the report says, although it questions whether contractors should take over delicate assignments like bomb disposal and aerial surveillance.

But protecting diplomats as they move around Iraq is a much bigger problem, the report says. The issue is not one of armed bodyguards, but the loss of intelligence, surveillance and rapid response capability that the military has been providing.

The Senate staff report does not estimate how many soldiers will be needed to provide adequate security. Military officers have suggested 5,000 to 10,000. But President Obama and Prime Minister Nuri Kamal al-Maliki of Iraq have each vowed to stick to the December 2011 deadline for a total American troop withdrawal.

Given that reality, the report concludes, "the United States should consider a less ambitious diplomatic presence in Iraq."

----

18. COUNTRY FACING 50% GAS SHORTFALL: QAZI

ISLAMABAD, (SANA): Secretary Petroleum Imtiaz Qazi has said that currently the country is facing 50% gas shortfall; meanwhile the gas production is decreasing with the passage of every day.

He said that initially one thousand to two thousand MW of electricity will be generated from the Thar Coal reserves which will later be scaled up to four thousand MW.

Addressing the third Oil and Gas Forum Pakistan in Islamabad here on Saturday, the Secretary Petroleum said that the Sindh government has made significant progress in the exploitation of coal reserves at Thar. The successful exploitaton there, he said , will serve as a backbone for energy needs of the country.

He said that the government fully realizes the difficulties faced by the economy due to energy crisis and is addressing the matter in a structured manner.

The petroleum secretary pointed out that the country is currently facing natural gas shortfall of 2 billion cft and to meet this gap, exploration activities have been accelerated.

He said that a tight gas policy has also been formulated which has been sent to the council of common interests for approval. After getting nod from the CCI, this untapped resource will also be exploited.

The Secretary Petroleum said that the government has allowed the private sector to import LNG. In addition, Iran- Pakistan and Turkmenistan-Afghanistan-Pakistan gas pipeline projects would also help meet the growing energy requirements.

Meanwhile addressing the participants HAS COL Group Chairman Imtiaz Hassan Khan has demanded of the government to set up National Energy Authority to tackle the issue of energy, adding that the experts of the energy sector should be included in the authority.

He said that the priorities for the provision of gas should have to be set, which include for electricity production, for industry, for commercial use, for transportation and at the end the gas should be supplied for the house hold use.

He said that if his suggestion was accepted than the country would save over $100 billion in form of export of gas and oil during the next 12 years.

----

19. UGANDA: EAST AFRICA TO BUILD REGIONAL OIL REFINERY

Ibrahim Kasita
New Vision
31 January 2011

UGANDA has agreed to partner with the East Africa regional states and foreign investors to construct a $2b refinery. The move is aimed at processing petroleum products to meet the regional energy needs.

Fred Kabagambe, the energy ministry permanent secretary, said the refinery would process a wide range of products, including diesel, petrol, kerosene and aviation fuel.

"We shall start with the first phase of 20,000 barrels daily to meet local demands. We shall then upgrade the facility in the second phase to produce 60,000 barrels a day. Later, we shall have a bigger one processing more that 120,000 barrels a day," he said.

Kabagambe explained that the refinery would be located in Kabale. The ministry was in the process of searching for a consultant to carry out studies for a pipeline that would transport petroleum products from the Lake Albert region, he added.

Kabagambe said the feasibility study on refining of crude oil had been undertaken, indicating "profitability and high returns on investment between 20 and 30%".

The announcement comes after Uganda, Kenya and the Democratic Republic of Congo signed a memorandum of understanding aimed at co-ordinating oil exploration and development in the Lake Albert basin, located along the Uganda-Congo border.

Uganda and Kenya also talked about building the Kampala-Eldoret pipeline, which would continue to Kigali in Rwanda.

Claude Nsengiyumva, the East African Community (EAC) deputy secretary-general, said the decision to have the refinery built in Uganda was part of the region's natural resource policy and objectives.

"This oil belongs to both Ugandans and the East African people. We want to share resources and be able to reach where they are located," he said during a media briefing yesterday.

The brief was held to discuss the upcoming 5th East Africa Petroleum conference and Exhibition, which will held at Kampala Serena Hotel starting today and ending on Friday.

Uganda is hosting the conference for the second time. It is held every two years in the member states on a rotational basis.

The conference focuses on the potential and investment opportunities in the oil and gas sector in East Africa.

Over 800 participants, including government leaders from the EAC member states, international oil companies, together with researchers and investors are expected to attend.

Simon D'Ujanga, the energy state minister, said this year's theme is "harnessing East Africa's oil and gas potential and utilising the resources to create lasting values".

"This is the time the EAC is moving towards creating a common market. This will promote full exploitation of the market and investment opportunities created by the community," he said.

"Secondly, Uganda is moving towards commercial petroleum production. This, therefore, offers an opportunity for Uganda to show the world her progress in the oil and gas sector."

Last year, the EAC launched its own common market, where free movement of goods, labour and capital within the region was endorsed.

The minister said the meeting would provide participants with an opportunity to assess their development in the petroleum sector and also explore varied attraction in the region.

----

20. CHINA ALLOCATES 1.5 BLN YUAN TO VEGETABLE SUPPLY FOR NORTHERN CITIES

BEIJING, Feb. 1 (Xinhua) -- China's central government has allocated 1.5 billion yuan (227.96 million U.S. dollars) to support vegetable supplies for key northern cities, the Ministry of Finance (MOF) said Tuesday.

The fund will be used to subsidize producers and suppliers to ensure winter vegetable supplies, the MOF said in a statement on its website.

Vegetable shortages usually occur in the north due to bottlenecks in supply and transport. With plentiful supply resources this year,transportation was the key bottleneck, said Chen Yu, an official with the agricultural department in Zhanjiang, Guangdong Province.

Vegetables mostly are transported by road from the south, but this is vulnerable to icy weather, which can cause traffic deadlocks, resulting in rotten vegetables and losses.

The MOF said the fund allocation aimed to support the State Council's requirements of city governments to underpin the "vegetable basket project" and to "ensure supply and stabilize prices."

The Ministry of Agriculture initiated the "vegetable basket project" in 1988 in a bid to improve production and marketing of vegetables and foodstuffs.

Under the project, about 4,000 wholesale agricultural produce markets were established across the country. [The State Council proposed a new "vegetable basket project" in March this year and put forward a five-year plan.

City mayors were to assume responsibility for the project to ease pressures on the supply of vegetables and foodstuffs, said a statement from the State Council in August last year.

----

21. AVOID MEGA PROJ IN COAL-RICH BELTS TO AVOID FUEL SHORTAGE: GOVT

The Economic Times

NEW DELHI: The Centre today advised states not to build mega projects in coal-bearing areas, afraid that such a move would "sterilise" at least 20 billion tonnes of the dry-fuel reserves and aggravate coal shortage in the country.

"We have asked Chief Ministers of coal-bearing states to not to allow large super structures or expansion projects on coal-bearing areas, as this would steelies at least 20 billion tonnes of reserves," Coal Minister Sriprakash Jaishwal said.

The country is already facing coal shortage and any such step could hamper production of 400 million tonnes per annum, further widening the demand-supply gap in the country, Jaiswal said.

"Discreet steps are needed to ensure that coal-bearing areas in the country are left unencumbered and accessible for exploitation at a future date," Jaiswal said.

"I have written to Chief Ministers of Jharkhand, Orissa, Chhattisgarh, Madhya Pradesh, West Bengal, Maharashtra, Andhra Pradesh and Uttar Pradesh to take immediate necessary steps in this regard, as the coal requirement for expansion of thermal power generation is very high," Jaiswal added.

The Coal Ministry is against approval to NTPC's proposed 1,980-MW North Karanpura thermal power project in Jharkhand and has been pressing for relocation of the project, arguing the site is situated above an estimated 6 billion tonnes of coal reserves.

The foundation stone for Rs 8,000 crore project in Chatra district of Jharkhand was laid in 2001 and it was planned to be implemented during the Eleventh Five-Year Plan (2007-12).

The other such projects for which the Ministry has registered its protests include a power plant at Korba and a sports complex at Mand-Raigarh, both of which are located in Chhattisgarh, said a person privy to the development.

Besides, the Ministry is also against approval to about half-a-dozen projects in West Bengal including one which proposes construction of a helipad over a coal-bearing area.

The country faces a shortfall of 83 MT coal this fiscal which is set to go up further to 200 MT by 2013-14. India's coal production is projected at 630 MT in 2011-12 against a demand of 713 MT.

The coal deficit being faced by power utilities alone is expected to double to 104 million tonnes in the next fiscal, because of rapid increase in demand from the sector.

The deficit at present is being met through coal imports. Of the total installed power capacity of 159,398 MW in India, almost 50 per cent is based on coal. Moreover, in the 11th Five Year Plan (2007-12), of the over 60,000 MW capacity planned, 50,570 MW has been proposed to be coal-based.

----

22. US LAWMAKERS BUILD SUPPORT FOR ANTI-REGULATORY LEGISLATION

Washington Platts
31Jan2011

The Republican-controlled US House of Representatives is lining up behind a bill that would make it much more difficult for the Obama administration to issue federal regulations that would impose new costs on electric utilities, oil and natural producers and other energy-related industries.

The bill, dubbed the "Regulations from the Executive In Need of Scrutiny" act, would require both the House and the Senate to vote on and pass "major" executive branch rules -- defined as those with an annual economic impact of at least $100 million -- before they take effect. The bill would also set up a "disapproval procedure" that Congress could use to rescind "nonmajor" rules.

As of Monday, the so-called REINS act (H.R. 10) had 115 cosponsors, including key lawmakers such as Representative Fred Upton of Michigan, the chairman of the Energy and Natural Resources Committee.

The measure is expected to advance to the House floor in the coming months because it is a top priority of House Speaker John Boehner, an Ohio Republican who argues that Obama administration rules on air quality and other matters are hurting the economy.

"By requiring a vote in Congress, the REINS Act will result in more carefully drafted and detailed legislation, an improved regulatory process and a legislative branch that is truly accountable to the American people for the laws imposed upon them," the legislation says.

Current law allows Congress to block executive branch rules once they are finalized, but the procedure is rarely used and is seldom successful. By requiring both chambers of Congress to hold up-or-down votes on major regulation, the REINS act would give lawmakers much greater power to block such initiatives.

The Obama administration currently has several "major" energy-related rules in the pipeline that would fall under the scope of the REINS act, including pending air-quality standards for coal and natural gas-fired boilers used by municipal electric utilities and hundreds of other industrial facilities across the US.

The act would also require Congress to vote on energy-efficiency standards for central air conditioners and heat pumps that the US Department of Energy is expected to finalize later in 2011.

Representative Geoff Davis, a Kentucky Republican, is the bill's lead sponsor in the House. Senator Jim DeMint, a South Carolina Republican, is expected to introduce identical legislation in the Senate.

The bill is expected to pass the Republican-controlled House, since that chamber allows the majority party to pass legislation over the objections of the minority.

But the measure will have a tougher time in the Senate, which is controlled by Democrats who generally back Obama's regulatory efforts. Still, there are a number of centrist Democrats in that chamber who might break ranks and support the bill if Republicans can find a way to bring it to the floor.

----

23. MIDEAST UNREST COULD HURT RECOVERY

By Sudeep Reddy
WSJ

The U.S. economy can absorb the hit from the past week's rise in oil prices, but could stumble anew if continuing Mideast turmoil pushes crude prices significantly higher.

Benchmark crude-oil prices in the U.S. have jumped about $6.50 since Thursday to more than $92 a barrel Monday, their highest point since October 2008.

If prices stay around that level they will likely exert a drag on growth by crimping household spending, damping consumer confidence and squeezing business profits. The economy would likely continue to expand at a solid pace, but not fast enough to bring down unemployment much, forecasters said.

If oil prices jump a further $10.70 a barrel, an accompanying 25-cent-a-gallon increase in gasoline prices would sap U.S. economic output by 0.4% in the first year, economists at IHS Global Insight estimated. That jump in fuel costs would cost about 270,000 jobs over a year, the analysts said.

If oil prices were to surge an additional $40 a barrel, all bets would be off. The hit to consumers' wallets would easily erase the income boost from the payroll-tax cut that took effect in January. Retailers that have avoided raising prices due to weak demand would either pass on higher energy costs through raising prices or accept lower revenue, possibly resulting in more job cuts.

Such an increase would bring crude-oil prices near their July 2008 intraday peak of $147.27 a barrel. That surge strained Americans' disposable incomes soon after the U.S. had fallen into recession, intensifying the economic shock when the financial crisis struck a few months later.

Today, the U.S. economy is much stronger. It has expanded for 18 months, and at an accelerating pace in the second half of 2010. Consumer spending has picked up. Industrial production is increasing. Job growth has revived, although not enough to bring down the unemployment rate significantly.

"The increase in oil prices we've seen largely reflects better global growth," said James O'Sullivan, chief economist at MF Global. "Even if oil prices rise $10 or $15 because of this crisis, it's not going to make or break overall growth."

Oil prices increased in recent months as demand firmed around the world. Regular unleaded gasoline averaged $3.10 a gallon nationwide Monday, up 43 cents from a year earlier, though still well below the July 2008 peak of $4.11, according to AAA.

Now Mideast unrest is threatening to push prices much higher and could act as a brake on growth. Rising oil prices also threaten the growth of U.S. trading partners.

Europe overall is growing modestly, finally regaining its footing after fiscal crises hit Ireland and Greece last year. Emerging markets are grappling with rising inflation rates as a result of rapid growth and climbing commodity prices.

Meanwhile, the U.K. economy, which contracted in the fourth quarter of last year, is particularly vulnerable to an oil-price surge.

"Because growth is so weak in the U.K. and the euro zone, any kind of blip like this grinds down the growth rate," said Nariman Behravesh, chief economist at IHS Global Insight.

----

24. CNOOC BIDS HIGH TO EXTEND U.S. SHALE FOOTPRINT

CNOOC Ltd.
1/31/2011

Chesapeake and CNOOC announced the execution of an agreement whereby CNOOC International Limited, a wholly-owned subsidiary of CNOOC Limited, will purchase 33.3% undivided interest in Chesapeake's 800,000 net oil and natural gas leasehold acres in the Denver-Julesburg (DJ) and Powder River Basins in northeast Colorado and southeast Wyoming. The consideration for the transaction will be $570 million in cash at closing. In addition, CNOOC Limited has agreed to fund 66.7% of Chesapeake's share of drilling and completion costs until an additional $697 million has been paid, which Chesapeake expects to occur by year-end 2014. Closing of the transaction is anticipated in the first quarter of 2011.

As the operator of the project, Chesapeake will conduct all leasing, drilling, completion, operations and marketing activities for the project. Chesapeake is currently operating 16 producing wells in the DJ and Powder River Basins that have reached initial production rates of up to 1,000 barrels of oil and 3.0 million cubic feet of natural gas per day. Over the next several decades, the companies plan to develop net unrisked unproved resource potential up to 5.0 billion barrels of oil equivalent (after deducting an assumed average royalty burden of 20%). Chesapeake is currently utilizing five operated rigs to develop its DJ and Powder River Basins leasehold and with the additional capital investment from CNOOC Limited, anticipates increasing its drilling activities to approximately 10 rigs by year-end 2011 and 20 rigs by year-end 2012.

CNOOC Limited will have the option to acquire a 33.3% share of any additional acreage acquired by Chesapeake in the area and the option to participate with Chesapeake for a 33.3% interest in midstream infrastructure related to production generated from the assets.

Aubrey K. McClendon, Chesapeake's Chief Executive Officer, commented, "We are very pleased to announce our sixth industry development agreement and our second transaction with CNOOC Limited, China's largest producer of offshore oil and natural gas and one of the largest independent oil and gas companies in the world. This transaction will provide the capital necessary to accelerate drilling of this large domestic oil and natural gas resource, resulting in a reduction of our country's oil imports over time, the creation of thousands of high-paying jobs in the U.S. and in the payment of very significant local, state and federal taxes. In addition, Chesapeake's embedded safety culture and integrated environmental protection strategies will be adopted to safeguard personnel and the surface and subsurface environment. Moreover, this project will advance the efforts of both the U.S. and China to reduce greenhouse gas emissions and accelerate commercial opportunities for the development of shale gas resources in China, furthering the objectives of the U.S. - China Shale Gas Resource Initiative announced by the White House on November 17, 2009."

Fu Chengyu, Chairman of CNOOC Limited, stated, "It is a great pleasure to establish further cooperation with Chesapeake in shale oil and gas development. The project highlights the joint interests of energy companies in both US and China to accelerate the development of shale oil and gas, increase energy supply and reduce greenhouse gas emissions. We believe this project is meant to be mutually beneficial to both parties as well as for both Sino-US energy industries."

Yang Hua, Vice Chairman and Chief Executive Officer of CNOOC Limited, said, "This second transaction with Chesapeake represents another success in our overseas development as we implement a value-driven M&A strategy. I am confident the project will not only strengthen our solid resource and production base in overseas but create value to the shareholders in the long term."

Chesapeake's advisor on the transaction was Jefferies & Company, Inc., and CNOOC Limited's advisor was Tudor, Pickering, Holt & Co. Securities, Inc.

----

25. BP EXECUTIVE: US REFINERY SALE SEEN FETCHING OVER $3.7 BLN

LONDON (Dow Jones)--BP PLC (BP) expects the sale of its Texas City and Carson refineries in the U.S. to fetch in excess of $3.7 billion, the company's refining head Iain Conn said Tuesday.

A recent refining deal between Petrochina and Ineos set the benchmark of $5,000 a thousand barrels of refining capacity, Conn told reporters in London.

The two BP refineries, with a combined capacity of 740,000 barrels a day, are among the most highly upgraded facilities in the world and are expected to fetch a higher price, he said.

BP has already talked to potential buyers for Texas City, but hasn't yet opened discussions for buyers of the Carson plant in California.

----

26. NEW ELECTRICITY METERS STIR FEARS

By Felicity Barringer
The New York Times

INVERNESS PARK, Calif. - Pacific Gas and Electric's campaign to introduce wireless smart meters in Northern California is facing fierce opposition from an eclectic mix of Tea Party conservatives and left-leaning individualists who say the meters threaten their liberties and their health.

In the San Francisco Bay Area, "Stop Smart Meters" signs and bumper stickers have been multiplying on front lawns and cars. Four protesters have been arrested for blocking trucks seeking to deliver the meters.

Since 2006, PG&E has installed more than seven million of the devices, which transmit real-time data on customers' use of electricity.

But in Santa Cruz County, south of San Jose, the Board of Supervisors recently extended a yearlong moratorium on installations. Officials in Marin County, north of San Francisco, approved a ban this month on meters in unincorporated, largely rural areas, where about a quarter of its population lives.

The meters are a crucial building block for what the Obama administration and the industry envision as an efficient "green grid." The goals are to help utilities allocate power more smoothly and to give people more information on how they consume energy and incentives to use less.

At first, the backlash against PG&E focused on the notion that the meters were giving artificially high readings, but that died down afterstudies confirmed their overall accuracy.

The new wave of protests comes from conservatives and individualists who view the monitoring of home appliances as a breach of privacy, as well as from a cadre of environmental health campaigners who see the meters' radio-frequency radiation - like emissions from cellphones and other common devices - as a health threat.

Hypervigilance on health questions has long been typical of Bay Area residents; some local schools ban cupcakes or other sugared treats for classroom birthday celebrations in favor of more nutritious treats like crunchy seaweed snacks, for example.

The health concerns about the smart meters focus on the phenomenon known as "electromagnetic hypersensitivity," or E.H.S., in which people claim that radiation from cellphones, WiFi systems or smart meters causes them to suffer dizziness, fatigue, headaches, sleeplessness or heart palpitations. (At a recent Public Utilities Commission hearing on smart meters, an audience member requested that all cellphones be turned off as a gesture to the electrosensitive people in the audience.)

The two most recent government reviews of available research found no link between health problems and common levels of electromagnetic radiation. Both reports indicated that more research would be welcome; on that basis, opponents say the meters should not be installed until they are proved safe.

Although there is scientific data on the health concerns, the privacy worries can be answered only by assurances from the utility. And the groups most concerned about privacy - like the local Tea Party affiliate, the North Bay Patriots - tend to have little faith in corporate assurances.

At a meeting of the North Bay Patriots this month, Jed Gladstein, a 64-year-old lawyer, called the devices "the sharp end of a very long spear pointed at your freedoms." Others have raised concern about how the utility would use the information about individuals' home appliance use.

David K. Owens, the executive vice president for business operations at the Edison Electric Institute, the national association of utilities, has tried to allay such concerns. "We've always gotten information about customers' usage and always kept it confidential," he said, adding, "We're going to honor their privacy."

Protests related to health and privacy concerns have also blossomed elsewhere in the country. In Maine, for example, residents have waged e-mail campaigns and some towns have adopted moratoriums on installations.

In Northern California, the visceral reaction against the meters and the instant bonding of "electromagnetically sensitive" people also reflects the reality that green solutions often involve new technologies. From genetically engineered seeds to solar tower arrays in the desert, those technologies elicit distrust here.

"It's not all about saving money - it's about control," said Deborah Tavares, 61, a Republican who was arrested this month with other protesters who blocked the driveway of the dispatch center for meter installation trucks in Rohnert Park, south of Santa Rosa.

Her words echoed those of a staunch Democrat who was arrested in nearby Marin County. "It's another example of corporate control if they are going to roll over our concerns and not listen to us," said Katharina Sandizell, 41, who helped block installation trucks here in Inverness Park, a hamlet in the environmentally sensitive precincts of Marin County.

As she chatted on a recent day outside a deli on Sir Francis Drake Boulevard, she and fellow protesters held up signs urging passing drivers to "Refuse PG&E." Perhaps one driver in 10 honked in support, and one woman pulled over to ask how she could get a lawn sign.

Heeding his constituents' worries about electromagnetic frequencies, a state assemblyman from Marin County, Jared Huffman, has introduced a bill to require the utility to offer customers the option of hard-wired smart meters. "It's not that I personally believe that smart meters are harmful," he said in an interview. "I have one in my house."

"But it's reasonable to let people opt out of a wireless device," he said. "There's fiber optic, phone line, Internet - there's any number of ways to get this information."

Jeff Smith, a spokesman for PG&E, said the utility was considering the hard-wire option. "We do understand that some of our customers have concerns," he said, even though "the evidence shows overwhelmingly" that no link to health effects has been established.

The two most recent government reviews of the relevant health studies on electromagnetic hypersensitivity were conducted by health experts drafted by the Maine Public Utilities Commission and by a California technical panel. Neither found a link between such health problems and levels of radiation associated with a smart meter.

"The majority of studies indicated that people who described themselves as suffering from such sensitivity could not detect whether they were being exposed to an electromagnetic field in experiments any more accurately than non-E.H.S. individuals," said the Maine review, issued in November.

The largest relevant scientific study, a 10-year, $24 million effort dealing with exposure to cellphone radio-frequency radiation, showed a correlation between heavy cellphone use and an increase in brain cancer rates but did not establish that one caused the other. Both sides in the debate quote the study to bolster their arguments.

"No one who's been affected by this is willing to wait for the science to catch up with the causal link," said Elisa Baker-Cook, 40, a former journalist from Scarborough, Me., who is leading protests against Central Maine Power's meters. "When someone is sensitive to wireless, they don't need a causal link. Our bodies' reaction is the causal link, and we learn to trust that."

Dave DeSante, 68, an ornithologist who lives in Marin County, has tried for six weeks to get PG&E to remove a smart meter in his home. His son, Forest, a college student whose skull was severely damaged two years ago, now has a network of titanium filigree in his forehead.

Forest DeSante, who had been unaware that a smart meter was installed in the house just after Thanksgiving, began having severe headaches when he sat near it, his father said.

Dave DeSante said PG&E had promised to look into the problem but had not yet done so.

"The concerns and opposition to this are not going away," said Mr. Huffman, the assemblyman. "If anything, they're growing."

----

27. BP PROFIT LAG TAKES SHINE OFF DIVIDEND

By Tom Bergin

(Reuters) - BP Plc failed to dispel doubts about its future on Tuesday as its long-awaited return to a dividend payout was tainted by weaker than expected profits and a new charge for the Gulf of Mexico oil spill.

The shares dropped 1.9 percent to 476 pence by 0921 GMT, putting it among the biggest losers in the blue-chip FTSE 100 index.

BP held out the prospect of long-term growth via new exploration partnerships and a fresh focus on getting oil and gas out of the ground, but this was overshadowed by a court hearing due later on Tuesday at which the company's partners in TNK-BP will seek an injunction to block BP's planned Arctic exploration joint venture with Russian state-controlled Rosneft.

"The company has clearly pinned its hopes on Russia, but the new JV has already gone wrong, antagonizing the TNK-BP partners ... There remains substantial uncertainty surrounding the company," said Dougie Youngson, analyst at Arbuthnot Securities.

BP said it would pay a fourth-quarter dividend of 7 cents per share and 42 cents per American depositary share -- in line with analysts' expectations, but only half of what it was paying before the spill disaster.

"The re-introduction of the dividend is good news for investors (even at its much lower level), but it is likely to prove inflammatory to U.S. Gulf Coast senators whose communities are still being impacted by the spill," Youngson said.

HIGHER TAX RATE

BP said fourth-quarter replacement cost (RC) net income was $4.61 billion, as a big rise in oil prices outweighed a 9 percent drop in oil and gas production.

Excluding one-off items of $250 million, RC net income came in at $4.36 billion, behind the $5.09 billion average forecast given by nine analysts polled by Reuters.

RC net income excludes gains or losses related to changes in the value of oil inventories and as such is comparable with U.S. net income.

BP said the weaker than expected results were partly due to a higher than expected tax rate.

The company also flagged that the pain from the oil spill continued to be felt, adding another $1 billion to its earlier $40 billion estimate of the total bill. Analysts had recently started to cut their estimates of the oil spill bill.

Offering a pointer to future growth, BP said it would sell two refineries in the United States, halving its capacity there, and invest more in oil and gas exploration.

It said it would increase significantly its investment in exploration and would seek new partnership opportunities.

It said it was on track to meet its target of up to $30 billion of divestments by the end of 2011.

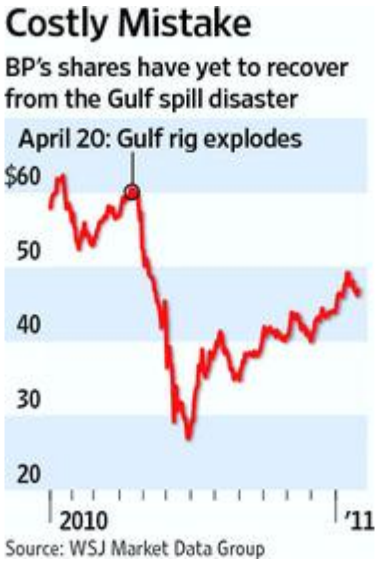
----

28. BP'S SAFETY DRIVE FACES ROUGH ROAD

By Guy Chazan
WSJ

Bob Dudley, the new chief executive of BP PLC, has vowed to change the safety culture of the accident-prone oil giant in the wake of the deadly explosion and spill at one of its wells in the Gulf of Mexico last year. But the story of a little-known BP safety official on the desolate North Slope of Alaska offers some cautions about just how difficult a job that will be.

The day after the Gulf well blew out last April, killing 11 rig workers, Phil Dziubinski was suspended from his job and escorted out of his office in Alaska. The company said he was let go as part of a broad management overhaul. In a five-month skirmish, two government agencies rejected Mr. Dziubinski's claims that he was fired as retribution for warning of safety risks. His back-and-forth with the British oil giant, though, sheds light on what Mr. Dudley is up against.



Mr. Dudley has created a new global safety division at BP, a company that also suffered a 15-fatality refinery explosion in Texas five years before the lethal Gulf accident. He has given the division power to intervene in or shut down any operation seen as too hazardous.

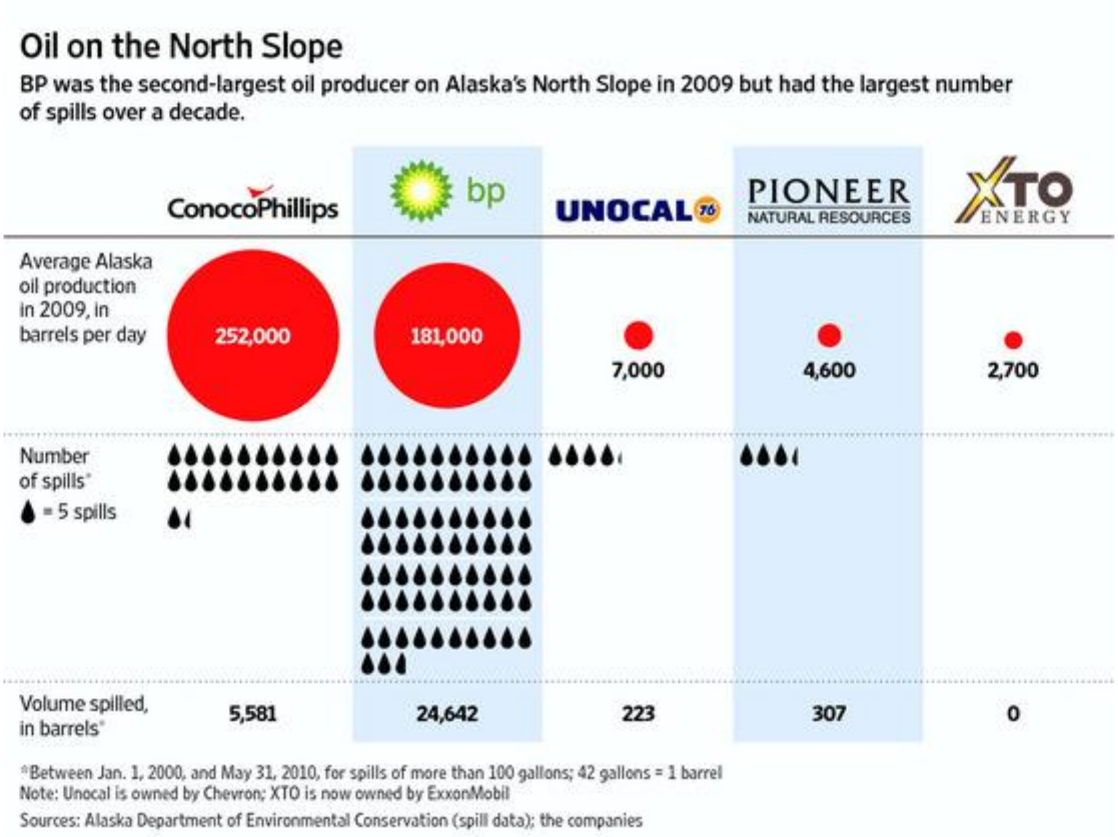
The safety issue goes to the heart of BP's corporate culture, say some critics, who contend that compared with its Big Oil rivals, the company has historically been focused more on deal-making and less on safety and operational excellence. "Other companies were less aggressive on growth and more focused on their safety-management systems," says John Hofmeister, a former president of Shell Oil Co. "Changing the culture is hard."

One area where safety concerns have loomed large is Alaska's North Slope, home to BP-operated Prudhoe Bay, the largest oil field in North America. Workers at the field, which opened in 1977, have long complained of aging infrastructure and a lengthy backlog of needed maintenance work.

In addition, as thousands of Alaska oil workers retired in recent years, overtime has piled up, and some workers have complained of fatigue. This is an issue Mr. Dziubinski repeatedly raised with his bosses, once referring to it in an email as an "imminent safety risk." BP technicians on the North Slope work 14 days straight and it isn't uncommon for them to put in shifts lasting 16 or 18 hours, sometimes on successive days.

BP says it has taken steps to reduce Alaskan workers' maximum hours and won't operate any facilities unless it is sure it can do so safely.

As Mr. Dudley tackles the BP safety culture, he will be under pressure, not least from U.S. authorities, to show improvements. A U.S. presidential commission's report last month on the Gulf disaster said decision-making processes by BP and its contractors "did not adequately ensure that personnel fully considered the risks created by time- and money-saving decisions." BP says the report supports its own view that the accident was "the result of multiple causes, involving multiple companies."



BP "is working with regulators and the industry to ensure that the lessons learned from [the Gulf well] lead to improvements in operations and contractor services in deep-water drilling," the company said. Even before the report, BP said, it was taking steps such as changing its pay structure to better reward safety performance and risk management. BP reports fourth-quarter financial results on Tuesday.

Mr. Dziubinski became BP's ethics and compliance leader for Alaska operations in mid-2006, shortly after the company suffered a 4,000-barrel oil spill on the North Slope. That happened a year after the refinery explosion in Texas City, Texas, an accident that led a federal agency called the Chemical Safety Board to suggest BP managers didn't listen enough to what workers were telling them.

"Reporting bad news was not encouraged," the report said, "and often Texas City managers did not effectively investigate incidents or take appropriate corrective action."

Promising change, BP in 2006 appointed an ombudsman, retired federal judge Stanley Sporkin, to receive and act on concerns raised by workers throughout the company. For BP Alaska, the company set up a program to allow employees and contractors to raise issues without fear of retribution, placing Mr. Dziubinski, a veteran safety official, in charge.

At first, workers were skeptical. "I thought, 'Here's another supervisor from Anchorage...I'm going to have to be on guard with this guy,'" says Marc Kovac, a steward of United Steelworkers' Alaska Local 4959.

Suspicions faded, and employees soon began turning to Mr. Dziubinski with their grievances. Mark McCarty, a technician who sat on a BP health, safety and environment committee, says, "Phil was a bulldog in terms of making sure our concerns were addressed."

In 2006, BP decided to survey its Alaska workers. It had done this several years earlier and heard concerns about equipment such as fire- and gas-detection systems in need of upgrading, and complaints that cuts in staffing and training had made operations less safe. So BP re-interviewed several hundred workers to see if these issues had been addressed.

The review team, consisting of Mr. Dziubinski, three other managers and a few workers, found progress on some things, like pipeline inspections, but concluded that other matters, such as staffing levels and upgrades to fire- and gas-detection systems, still "need work."

BP's plan was to share the detailed survey results with the work force, according to the USW. Instead, BP decided not to. It declined to say why or discuss the issue.

At a meeting in March 2007, Mr. Dziubinski disagreed with a supervisor's assessment that the company was on track to fix all safety issues. Mr. Dziubinski said that several problems flagged by workers in the past still hadn't been addressed, and that BP was taking too long to deal with workers' current concerns.

"We tend not to listen to the workers," Mr. Dziubinski said, according to notes of the meeting taken by the USW's Mr. Kovac, who was there.

Mr. Dziubinski also was frustrated that BP had decided against releasing the report, according to Mr. Kovac. "That was the beginning of the decline of Phil's relationship with upper management," he says.

In 2009, Mr. Dziubinski engaged his bosses about staffing levels and the length of work shifts. North Slope workers' normal schedule was two weeks of 12-hour days and seven-day weeks followed by two weeks off. But overtime was common, and some workers told their company safety committees that people were showing signs of fatigue. "You had walking zombies up here," says Mr. McCarty, the BP technician.

The USW asked BP in 2008 how much overtime had been logged over three years. It turned out to be double the industry average, according to Glenn Trimmer, a North Slope technician who is secretary-treasurer of the union's Alaska local.

BP added several dozen people to its work force of about 2,000 in Alaska and changed its rules so that for all shifts of longer than 16 hours, approval was needed from what is known as an area manager. Later, BP stiffened this requirement for managerial approval, following a complaint to its ombudsman that some technicians were working consecutive 18-hour shifts.

Mr. Dziubinski, who had access to overtime records, informed his bosses about situations that concerned him, including one employee who had worked 36 consecutive days without proper managerial approval and who had logged 320.5 hours of overtime in a single month.

He told his superiors that at three "gathering centers"—facilities that separate crude into oil, gas and water—some workers "have excessive overtime rates that may require leadership intervention to decrease a safety risk."

His emails to his bosses, which were contained in the OSHA complaint he later filed and have been reviewed by The Wall Street Journal, said the rule requiring area-manager approval for shifts of 16 hours or more was followed only about half of the time.

In an Oct. 30, 2009, email, Mr. Dziubinski described the overtime situation as "an imminent safety risk." Citing shift patterns, he wrote to his bosses that "allowing the continuation of the 16+ hour work shifts would be seen by internal and external stakeholders as putting production ahead of safety."

Asked about the overtime issue, a BP spokesman said it "is being managed at the highest levels" of the company's Alaska unit. "We have taken measurable steps to reduce the maximum allowable hours," the spokesman said, adding that the company will "not operate facilities unless we are sure we can do so safely."

A facility called the Lisburne Production Center suffered a small spill in autumn 2009, which Mr. Dziubinski came to regard as symptomatic of a larger malaise. A worker there emailed BP two months later with a long list of equipment the worker described as out of service or not working well. Mr. Dziubinski investigated and later told the USW's Mr. Kovac, "The maintenance condition of [that facility] is in a poor state and BP management was not paying attention to it."

After he started emailing his bosses about the overwork issue, some of his responsibilities were shifted to others, Mr. Dziubinski asserted in his later OSHA filing. He also said a website where employee concerns were logged was changed, and he no longer received email notification of new complaints.

BP disputed these claims. A company lawyer told OSHA that "no effort was made to preclude" Mr. Dziubinski from access to new complaints and that Mr. Dziubinski remained "the single point of contact for roughly 52% of all concerns filed between January 2009 and May of 2010."

By May he was gone. On March 15, 2010, BP told Mr. Dziubinski, then 59 years old, that he wouldn't have a position in the Alaska operation after it was reorganized.

On April 21, while Mr. Dziubinski was still coming to work at his Anchorage office, management accused him of trying to contact other staffers who were being let go. Security guards escorted him out.

His suspension came two months after BP's ombudsman, Mr. Sporkin, had written to BP Alaska saying "we are concerned that the contractor work force has not received adequate assurances of non-retaliation for raising concerns about BP's operations."

BP says that "we expect and encourage our employees to raise safety concerns" and "have a zero tolerance policy regarding retaliation." Mr. Sporkin declined to be interviewed.

The company, in denying to OSHA that Mr. Dziubinski had been dismissed because of his safety activism, said he was terminated as part of a wholesale reorganization of the U.S. business that would shed 200 managers in all, including 30 in Alaska. A BP lawyer told OSHA Mr. Dziubinski's job performance didn't "reflect the level of competency or effectiveness" BP sought for the new organization it was forming.

Mr. Dziubinski's lawyer countered that his client had several years of consistently positive job evaluations and had received a bonus in 2008 and pay increase in 2009. His 2009 performance review described the numerous appeals workers sent to him as "a testament to his reputation and expertise."

"Phil did a fantastic job during a tough time for the company" and "had [my] fullest confidence," says a former BP Alaska executive who supervised him.

In July, an OSHA investigator ruled in BP's favor, finding insufficient evidence for Mr. Dziubinski's claim he was punished for pushing the safety issue. The Alaska labor department declined to disturb the ruling.

Subsequently, as Mr. Dziubinski was preparing a wrongful-termination suit, in the midst of the furor over the Gulf spill, he and BP reached a settlement, which is confidential.

----

29. OIL, FOOD, AND THE WEALTH OF MENA COUNTRIES

POSTED BY STUART STANIFORD
Early Warning

This morning, I've been catching up on some reading about the protests in Egypt and Algeria, following on the Jasmine Revolution that is in process in Tunisia. Clearly, the reason for interest is wondering to what extent is there any risk of these events spreading into the big oil exporters, which could cause extremely large disruptions in the global economy. This is probably unlikely, but not so inconceivable that serious observers aren't starting to at least think about it. For example, Marc Lynch writes:

The end of the Tunisian story hasn't yet been written. We don't yet know whether the so-called Jasmine Revolution will produce fundamental change or a return to a cosmetically-modified status quo ante, democracy or a newly configured authoritarianism. But most of the policy community has long since moved on to ask whether the Tunisian protests will spread to other Arab countries -- Egypt, of course, but also Jordan, Yemen, Algeria, Libya, and almost every place else. Most experts on each individual country can offer powerful, well-reasoned explanations as to why their country won't be next. I'm skeptical too.

But I found it unsatisfying to settle for such skepticism as I watched the massive demonstrations unfold in Egypt on my Twitter feed while moderating a panel discussion on Tunisia yesterday (I plead guilty). As I've been arguing for the last month, something does seem to be happening at a regional level, exposing the crumbling foundations of Arab authoritarianism and empowering young populations who suddenly believe that change is possible. There are strong reasons to expect most of these regimes to survive, which we shouldn't ignore in a moment of enthusiasm. But we also shouldn't ignore this unmistakable new energy, the revelation of the crumbling foundations of Arab authoritarian regimes, or the continuing surprises which should keep all analysts humble about what might follow.

I recommend reading the whole piece.

I thought it would be helpful (at least to me) to put up some very basic statistics about all the Middle East and North African (MENA) countries. Firstly, from the IMF, we have the GDP/capita for twenty MENA countries (2009 figures, expressed in dollars at PPP).

I have circled Tunisia, which is already in the midst of a clearly irreversible political change of some kind, and Egypt and Algeria which are much in the news for protests. Clearly, these three are amongst the poorer countries. Egypt has a long history of protests, but experienced particularly large protests yesterday and today, apparentlyinspired by Tunisia:

After days of protests in the Arab world that have toppled one president and shaken many others, thousands of demonstrators calling for the ouster of President Hosni Mubarak poured from mosques across the Egyptian capital after noon prayers on Friday, clashing with police who fired tear gas, rubber bullets and water cannons.

Witnesses said a crowd of at least 10,000 people was moving east from Cairo's Mohandeseen neighborhood, trying to reach the central Tahrir Square that has been an epicenter of protest. But police lobbed tear-gas to try, blocking their access to a key bridge across the River Nile from the island of Zamalek. Some demonstrators stamped on photographs of the president and others chanted "Down, down with Mubarak."

Near Al Azhar mosque in old Cairo, thousands of people flooded onto the streets after noon prayers chanting "The people want to bring down the regime." Police fired tear-gas and protesters hurled rocks as they sought to break though police lines. From balconies above the street, residents threw water and lemon to protesters whose eyes were streaming with tear gas.

Similar demonstrations were also reported in the cities of Suez, Alexandria and several others, including Al Arish in northern Sinai.

Meanwhile, the food riots in Algeria have died down for now:

Algeria's President Abdelaziz Bouteflika is considering high-level cabinet changed in hope of showing a reformist bent after the country was shaken by riots, people familiar with the matter said.

There is no clear timing for the changes, but one scenario under consideration would include the promotion of Energy Minister Youcef Yousfi to be the new prime minister, replacing current Prime Minister Ahmed Ouyahia, they said. Such a move could be part of a broader reshuffle aimed at replacing officials with ties to political parties with technical experts whose reputations remain intact after the protests.

Mr. Yousfi, who became energy minister last year after a corruption probe shook Algeria's oil industry, has had a long career in the hydrocarbons sector as well as in diplomacy.

Mr. Ouyahia is the secretary general of the National Rally for Democracy, a member of the ruling coalition.

A presidential spokeswoman said she had no information about any potential cabinet reshuffle. Spokesmen for the energy minister and the prime minister's office couldn't be reached.

Riots over food prices this month, a similar unrest that led to regime change in neighboring Tunisia, and to protests in Egypt and Yemen. The occasionally violent demonstrations have highlighted concerns about political and economic stagnation in the oil-rich North African nation. Riots have died down since the government took measures to keep food prices under control, but there have been sporadic peaceful protests organized by political parties seeking change.

But essentially the population is being bought off with cheap food, and, in a very tight global food market, this is having an effect on prices:
The ultimate nightmare would be a sort of vicious feedback loop in which high food prices cause turmoil in oil exporting nations thus reducing oil production, causing an oil price spike, which in turn would feed back into even higher food prices as farmers had to raise prices to cover their input costs and biofuel production was rendered more profitable.

Thus it's good to be clear which MENA countries actually produce the oil. Here are the 2009 data from BP:

Tunisia is a minnow in the global oil market, Egypt slightly more important. Algeria, however, matters a lot as its oil production is probably close to total demonstrated OPEC spare capacity. Thus serious social instability in Algeria would have major effects on global oil prices. If instability spread to bigger oil producers than that (eg Kuwait or UAE), the effects could be very dramatic.

Presumably, the regimes in those countries are in a much better position to buy their populations off, being much wealthier. I must admit to feeling slightly dirty writing that sentence. Staring at this list of countries makes clear what we already know: about a third of global oil production comes from this array of nasty autocratic regimes, and thus the global economy is utterly dependent on their continued stability.

Next, here are unemployment rates (for those countries the IMF has stats for - most don't provide them).

The stats are high everywhere except Kuwait. Though, if the official figures are to be believed, comparable to the US currently. The countries currently experiencing unrest do not have obviously massively higher unemployment than other countries in the region, suggesting the potential for further unrest. For example, Saudi unemployment is apparently higher than Egypt's.

Finally, here are the IMF's estimates of inflation rates. In this case, I have taken 2008 figures, both because they are the last year for which actuals were available for all countries but Tunisia, but also because conditions in oil and food markets in 2008 seem like the best guide for events in the next few years.

As you can see, most of the MENA countries had high to very high inflation rates, with Egypt particularly standing out. Neither Tunisia or Algeria were amongst the worst cases.

----

30. 'THIS IS BIGGER THAN GLOBAL WARMING': EXPERT

By IAN ELLIOT
The Whig-Standard

An expert in the growing but still controversial area of peak oil came to Kingston warned Sunday that unless the world cuts back on its oil consumption, the global economy could collapse entirely.

David Hughes, who spent 32 years working for the federal government as a geoscientist, is on a 13-city tour speaking of the dangers of what has come to be known as peak oil -- the time when the supply of fossil fuels begins to run out.

It would have far-reaching implications for both individuals and the global economy, he said, because both are utterly dependent on petroleum and coal.

"This is bigger than climate change," Hughes told a small crowd that gathered in an auditorium at Queen's for the speech.

"This will affect our basic ability to maintain the lifestyle we have developed over the past 150 years."

Demand has been increasing almost exponentially since coal, oil and their byproducts began to be used in the 19th century. Petroleum continues to be the most-used source of energy on earth. Unlike nuclear or wind power, oil packs a lot of bang for the buck and is easily consumed and shipped.

"The average citizen of the world uses the same amount of coal per capita, as they did in 1910," Hughes told the crowd, "and each person consumes 8.5 times as much energy as people did in 1850."

Those who warn of the impacts of peak oil, however, are often criticized for assuming that the rate traditional fuels are used will continue to grow at more or less its current rate, even though as supplies shrink the price will inevitably rise.

Peak oil disciples are also criticized for focussing largely on existing oil fields in politically volatile OPEC countries rather than looking at still-untapped reserves around the world.

As the era of cheap oil ends, peak oil opponents say the price will rise sharply, which will not only curtail some use by itself, but that untapped oil reserves in North America -- notably the Alberta oil sands and undersea oil shale -- will gradually become cost-effective to extract.

There are billions of barrels locked in the ground in North America alone and the oil industry says it is enough to last the continent for more than 100 years.

Opponents also point to greener sources such as wind, solar, hydro-electric and nuclear sources.

Hughes said those technologies account for less than 2% of the energy needs of the world and that they come with their own shortcomings and environmental risks, leaving humans dangerously dependent on an uncertain source of fuel.

"We currently use 35 billion barrels of oil every year," he told the crowd.

"It's been a long time since we discovered an oil field of 35 billion barrels."

----

31. PEAK OIL AND CIVIL UNREST

Posted By Ron Beasley
International, Politics, Society.
JAN 31ST, 2011

As the demonstrations in Egypt continue for a seventh day what few are willing to admit is that the revolutionary demonstrations we are seeing around the world have little to do with politics, oppression or religion. They are instead the result of too many people, too few jobs and lack of affordable food. People who have a job that allows them to supply their families with the minimum required for survival are rarely revolutionary. They won't demonstrate against a tyrant or join al-Qaeda, they may be envious but they won't revolt when a small percentage of the population has most of the wealth.

We will see an increasing number of revolutionary demonstrations throughout the world because we are facing a food shortage crisis that is the result of the end of cheap oil and global climate change. Several billion of the worlds population depend on cheap fossil fuel for their food.

For most of the thousands of years since humans perfected agriculture food was the energy we produced. In good times we could create a surplus because it took less than one calorie of human and animal energy to produce one calorie of food. Cheap oil resulted in today's industrial agriculture - there are fewer of us working in food production but we pay a price. It now takes on the average seven calories of fossil fuel to produce a single calorie of food. Have you noticed that the price of beef follows the price of oil? There is a good reason for that - it takes 3/4 of a gallon of oil to produce a pound of beef. Does that Quarter Pounder with Cheese taste a little oily?

Norman Borlaug won the Nobel prize for feeding billions with his so called "Green Revolution." Unfortunately this revolution depended on cheap fossil fuel and in India fossil water as well. After 40 years the cheap fossil fuel is history and the ground water is nearly gone. Don't be surprised to see civil unrest in India within the next five or ten years as a result of food shortages.

In India, site of the Green Revolution's greatest putative triumph, the legacy is even more mixed.

Today in India's grain belt, less than 40 years after Borlaug's Nobel triumph, the water table has been nearly completely tapped out by massive irrigation projects, farmers are in severe economic crisis, and cancer rates, seemingly related to agrichemical use, are tragically high.

In other words, to generate the massive yield gains that won Borlaug his Nobel, the nation sacrificed its most productive farmland and a generation of farmers.

And don't think that western nations will be immune.

----

32. PEAK CHOCOLATE? WORLD'S SUPPLY OF SUSTAINABLE COCOA COULD RUN OUT BY 2014

The Daily Mail

The world faces a chocolate 'drought' over the next few years, an expert warned yesterday.

Political unrest in the Ivory Coast, where 40 per cent of the world's cocoa beans are grown, has 'significantly' depleted the number of certified fair trade cocoa farmers.

Many have fled the West African country, while fair trade training programmes have also come to a halt.

Fairtrade training programmes have ground to a halt because of the danger farmers face in rural areas.

The situation is already affecting chocolate manufacturers, who are facing the highest cocoa prices for over 30 years.

Prices jumped by 10 per cent this month alone. Analysts are predicting they could soon hit $3,720 per metric tonne - a level last seen in January 1979.

It follows a curb on international cocoa exports initiated earlier this week by the country's new president, Alassane Ouattara.

Angus Kennedy, the editor of Kennedy's Confection and a leading British chocolatier, said chocolate producers are facing 'one of the biggest challenges to hit the industry in recent history'.

'Supplies of sustainable cocoa are set to run out, it's that simple,' he said.

'The Ivory Coast is a complete no-go area for cocoa traders as it's too dangerous, so training new farmers and trying to cut problems in the region is now, mostly impossible.

'So in effect, its sustainability is not sustainable. Prices can't go up as it's reported because there basically isn't enough certified cocoa left to sell.'

Of the world's 5.5 million cocoa farmers, only 10 per cent have been trained and certified as sustainable fair-trade producers.

The certification is granted by specially-trained teachers, and the course runs for up to three years.

But the political turmoil in Ivory Coast means both the farmers and trainers are fleeing the country, leaving a severe shortage of certified cocoa beans.

Even if the political situation improves, it could take three years or more for the number of certified fair-trade farmers to reach its former level.

According to Mr Kennedy, manufacturers are now fighting for the rest of the world's sustainable cocoa bean stock.

'Things could get nasty now as producers start to fight over the last stocks,' he added.