Electricity Export
Brazil says it will start sending electricity to Argentina to help meet demand as the Southern Hemisphere winter approaches. The Energy Ministry said Brazil will begin shipping 300 megawatts and increase the amount in coming weeks.

Venezuela, China In Joint Venture

The venture between Petroleos de Venezuela SA and China National Petroleum Corp. will pump oil from an area called Junin 4.

Venezuela agreed with China, the world's fastest-growing major economy, to form a joint venture that will produce oil in Venezuela's Orinoco Belt to supply a new 400,000 barrel-a-day refinery they will build in China.

The venture between Petroleos de Venezuela SA and China National Petroleum Corp. will pump oil from an area called Junin 4, where CNPC has quantified reserves, President Hugo Chavez said at a signing ceremony in Caracas on May 9, Bloomberg said.

China is securing long-term energy supply deals around the world to satisfy its growing needs. Chinese oil consumption will rise 5.3 percent this year, the International Energy Agency said Jan. 16. Demand rose 6.6 percent in 2006, according to the most recent BP Statistical Review.

"This isn't about an immediate advantage," said Pedro Benitez, a professor of political economy at Central University of Venezuela and oil consultant."It's more about the political economy of China. It's to maintain a commercial relationship."

Zhou Jiping, vice president of CNPC, and Venezuelan Energy and Oil Minister Rafael Ramirez, who is also president of the state energy company known as PDVSA, signed the agreement. Chinese Vice Premier Hui Liangyu attended the signing as part of a tour of South America.

China also has supply contracts with Iran and Sudan as it pursues a strategy of bilateral deals in return for development funds rather than purchases on the open market, Thomas O'Donnell, a US Fulbright scholar studying Chinese oil deals at the Central University of Venezuela, said in an interview.

PDVSA and PetroChina, the biggest oil producer in China, also agreed to begin studies on the 400,000-barrel-a-day refinery in southern China. Venezuela will be able to supply all of the refinery's needs by the time it opens in 2013, said Eulogio del Pino, a board member and head of joint ventures at PDVSA. The PDVSA-CNPC venture will extract and improve tar-like oil from the Orinoco and export it to China.

China last year promised $4 billion to a Venezuelan development fund. The money is to be repaid in fuel oil. Projects in line for the cash include a factory to make drill pipe for the oil industry, a new steel mill, agricultural projects and the construction of 10 universities, Chavez said.

Venezuela is diversifying its energy markets. The country sends 300,000 barrels a day to China, Chavez said. Venezuela sent 12,300 barrels a day in 2004, before President Hugo Chavez said it was a priority to increase sales to the Asian nation.

Two company board members said the new refinery won't use Orimulsion, the boiler fuel that Venezuela used to sell at a price much cheaper than its usual price for oil. Days earlier, a PetroChina Co. executive said it would use the low-cost oil.

"Orimulsion is dead," del Pino said. Asdrubal Chavez, head of refining, commercialization and supply for the state oil company, said the same thing when asked if Venezuela was restarting shipments, which halted at the end of 2006. He said that while Venezuela intends to ship an average 400,000 barrels a day to China this year, none will be the low-cost oil.

France's EDF Makes Offer for UK Generator

The French power group EDF on May 9 submitted a firm all-cash offer to buy British Energy, emerging as the sole bidder for Britain's main nuclear power producer.

The state-owned group is believed to have offered closer to 600p than the 700p a share originally talked of, the Guardian reported.

On May 9, EDF also confirmed it had bought land next to two nuclear power plants in Britain--a move seen in France as preparing for a defeat in the BE bidding. It wants to build up to four of the possible 10 new nuclear plants sought by the government. The group said, "EDF has been exploring possibilities at Hinkley Point and at Wylfa for more than a year. As a result, EDF has purchased land next to the existing sites at both locations."

EDF is expected to face rival bids for BE from other European utilities in the coming weeks. Spanish group Iberdrola, owner of ScottishPower, has yet to make a bid, according to industry sources, but it still in talks with Centrica, owner of British Gas, about a potential joint bid.

It is understood that Germany's second-largest utility, RWE, believed yesterday to have withdrawn an indicative 700p a share offer, could re-enter the fray next week. Franco-Belgian group Suez continues to consider an offer. With market sources saying a sole bidder made a mockery of the auction process run by investment bank Rothschild for the government, people close to the bidding process said a firm decision on BE's buyer was unlikely to emerge until June.

The government had set yesterday as the deadline for bids for its 35.8 percent BE stake but players said this was never meaningful. Rothschild is understood to be continuing discussions with would-be bidders.

Banking sources said the bidders' clear aim was to force down BE's price. It had reached 785p in late April but closed at 701p yesterday, valuing the company at just over £11bn. EDF, which refused to comment, is believed to have offered substantially less, with sources close to the bidding process refusing to divulge its offer.

EDF generates most of the nuclear power that provides 80 percent of France's electricity. It could still team up with Centrica, other sources said. Centrica is negotiating with the French to take power from BE's existing plants for its industrial and commercial customers on long-term contracts. Both are would-be players in the government's program to build new-generation nuclear plants. Iberdrola is understood to remain open to opportunities in Britain and to be keen to take part in the government program.

Industry sources indicated that BE will not command the inflated offers of between 800p and 900p once suggested because of continuing technical problems with its ageing fleet of eight power stations. Interest in the group, which produces 18 percent of Britain's power needs, has soared because of ministers' plans for a new generation of nuclear plants to help combat global warming and boost security of supply.

EDF has emerged as a frontrunner to buy the group, which came close to bankruptcy in 2002 and was bailed out by the government, because of its nuclear expertise and close links with state-owned Areva, the plant manufacturer and designer. It is building a new-generation reactor on the Normandy coast. Areva is one of three overseas groups, with GE-Hitachi and Westinghouse, owned by Japan's Toshiba, to submit new designs for approval by British safety regulators.

In the News

Norway to Harness Wind

As Norway prepares for a future after oil, the gale-force potential of harvesting wind power off its long coastline has become an increasingly attractive proposition.

"Wind-mapping shows that ... Norway is among the (world's) most ideal locations for wind power, both on the coast and offshore," said Norwegian Deputy Petroleum and Energy Minister Liv Monica Stubholdt.

Yet the Scandinavian country, one of the world's leading oil and gas exporters, today lags far behind others in taking advantage of this natural resource, AFP said.

Norway has 15 wind parks, producing a little less than one percent of its electricity, and environmentalists and industry players complain Oslo has done little to encourage what is considered one of the "greenest" energy sources.

"The government should dare to spend much more to promote wind than they do," Ane Brunvoll, a renewable energy expert with Norwegian environmental group Bellona, told AFP.

There are signs of change, however, as concerns over falling oil reserves and global warming become more prominent, with some 150 new installations either authorized or are awaiting permits.

Companies too are racing to develop new technology making it possible to place monster wind turbines out at sea where winds are stronger and there are few people to complain about noise levels and obstructed views.

"The government's ambition is to become a net exporter of renewables and that cannot happen if we do not develop" strong wind-powered sources, Deputy Minister Stubholdt said, adding the government was exploring whether wind production "blocks" could be licensed off in much the same way as North Sea oil blocs are today.

> Powerful Potential

On the tiny, gusty island of Utsira, off Norway's southwestern coast, Mayor Jarle Nilsen says he is well aware of the powerful potential for wind power.

The island, measuring just six square kilometers and counting only 210 inhabitants, has become a virtual laboratory for innovative wind power technologies.

"We have wonderful wind conditions here, with a constant and very even breeze that allows for very high wind power output," he explained on an ironically calm day.

The island's two wind turbines, towering 40 meters (130 feet) in the air on a small hill overlooking several red-painted wooden houses, produce more energy than the small community can use.

The windmills, which are less than half the size of the largest models, are also part of the world's first full-scale system for converting wind power into hydrogen.

The hydrogen, created when the oxygen and hydrogen atoms that make up water are separated through electrolysis, is stored in a fuel cell that starts sending energy to 10 Utsira households participating in the trial as soon as the windmill's blades come to a standstill.

"This system allows us to deliver power with expected quality and reliability (and) the only emission is oxygen," said Halgeir Oeya, who heads up the hydrogen technology unit at Norwegian energy giant StatoilHydro, which is running the test project.

But the energy produced here remains very costly and it will take "a number of years" before the technology can be scaled up enough to actually make money, Oeya acknowledged.

> Financial Promise

Holding more financial promise are perhaps two deepwater floating wind turbine demonstration projects to be built near Utsira over the next two years using technology similar to that of floating oil and gas platforms.

"Offshore makes sense in a way. It is our area of competence," said Jan Fredrik Stadaas, the head of project development at StatoilHydro's New Energy Wind division, which is behind one of the demo projects.

The same sized wind turbine can produce double the amount of power out at sea as on land, he said, adding that the need for more robust technology to withstand maritime weather conditions however drove up costs.

StatoilHydro, which one day hopes to build a park of giant turbines capable of floating in depths of up to 170 meters and each capable of providing power for 1,000 homes, says such deepwater wind farms are still years off.

Both the industry and environmentalists say Norway's government should do more to help get the new projects up and running.

"This is a very capital intensive industry ... You need price and incentive schemes to make it profitable," Stadaas said.

Bellona's Brunvoll meanwhile described the government's investments so far as "farcical," pointing out that Norway, with its 2,500 kilometer-long coastline, held the theoretical potential to generate 14,000 terawatt hours (TWH) of wind energy a year. "Of course, we don't want to fill our entire coast with wind turbines but even a fraction of that would be good," she said. In comparison, Norway, the world's fifth largest oil and third largest gas exporter, only produces some 2,300 TWH annually from its petroleum industry, she said.

A major reason for the slow uptake is Norway's virtually unlimited access to renewable hydro power, which today covers about 99 percent of its domestic energy consumption, Deputy Minister Stubholdt explained.