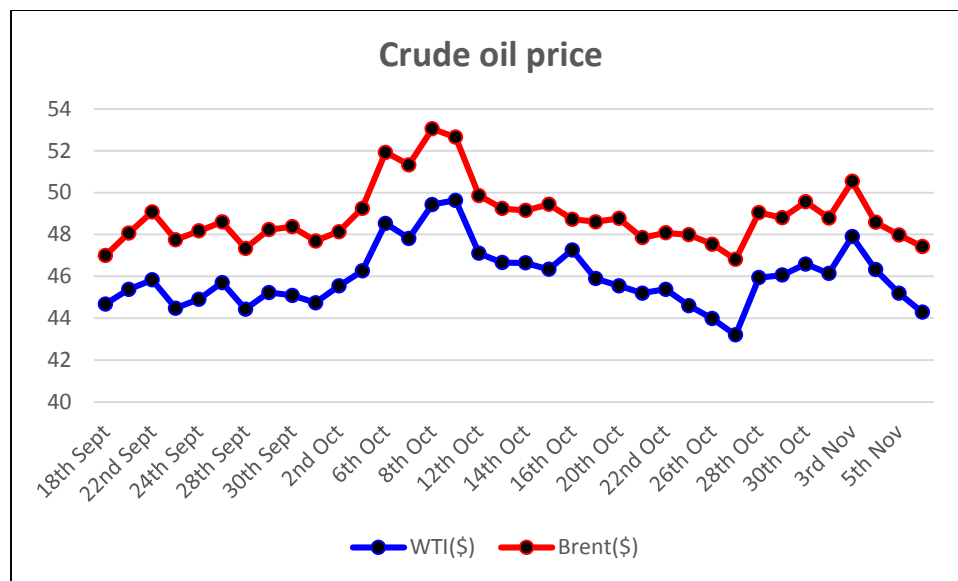


Post 7th November, 2015

The crude oil prices declined during the last week as seen on the graph below.



This happened due to a number of reasons:

1. The Chinese factory data made available caused concerns about the energy demand in the country, which is not likely to increase.
2. Record high Russian crude production in October is expected to further add to the oil glut in the market, rather than easing it out.
3. Apparently, the job market in the US has shown signs of growth in October, which is expected to trigger a raise in the interest rate by the US Federal Reserve, but is being interpreted as weakness for oil. A rise in the interest rate by the US would bump up the exchange rate for the US dollar, and that would make the oil imports more expensive for some countries.
4. The gradual reduction in the US rig count and its oil production down from 9.6 mb/d in April 2015 to 9.1 mb/d in October, is not enough to cause any significant reduction in the market glut, which has over 1 mb/d of surplus.

Meanwhile, several companies are engaged in reorganization of their operations attempted at cost cuttings and gearing up for 'prolonged downturn' and 'lower for longer' oil prices that are expected to go well into 2016.

Shell had announced its decision recently to cease exploration activity offshore Alaska as well as abandon the Cameron Creek heavy oil project in northern Alberta, and is engaged in reorganization internally to weather the prolonged downturn.

Statoil is reducing its investments in the North Sea. It has cancelled contracts spanning over 4 years of drilling, and this has happened in the last 18 months. Statoil is responsible for 70% of the oil and gas production in the North Sea. Thus many rigs will soon be idle in there.

ConocoPhillips has decided to exit out of the deep-water exploration due to the low oil prices.

All these announcements are not sounding good for our industry.

For the *lighter side*:

On November 3rd, as per the Daylight Saving Time (DST) practice, the clocks were made to go back an hour in North America, and I am sure some other countries around the world. As per the DST, the clocks are changed twice a year (made to go back in the fall and go ahead in the winter), such that there is an extra hour of more daylight in the evenings. For countries near the equator, the day and night are nearly the same (12 hours), but for other countries, there is more daylight in the summer than the winter. With an extra hour of daylight, people can do more in the evenings, and it also leads to energy conservation, as less electricity is used for lighting or other appliances. Besides, an extra hour of daylight encourages people to go out and shop, which in turn spurs economic growth. DST promotes healthy lifestyle and also reduces traffic accidents.

Historically, the idea of DST was first conceived in 1784 by Benjamin Franklin, the great American inventor, when he was on a sojourn in Paris. Though the idea was considered as pointless by many at the time, during World War I, it was introduced by the Germans as an austerity measure to save on coal. It was adopted by the British in 1916, and then the US in 1918. Since then it has continued to be implemented, though not by all the countries. Even in the same country, DST may not be implemented. For example, Saskatchewan province in Canada, and Arizona and Hawaii, and some other States in the US do not accept the change.

While many people support the implementation of the DST, there are others who feel it is not required, citing arguments against some of the advantages mentioned above. For example:

1. The reduced artificial lighting in the evenings is offset by increased use of electricity in the mornings, as it is still dark for the early risers.
2. The electricity consumption results in 1 to 2 % reduction, which is miniscule.
3. DST disturbs the biological clock for people, and can cause ill effects on their health, and is socially disruptive.

In fact every year when the DST is effected, a debate also begins over its benefits and drawbacks. Perhaps this debate will continue.

So much for this week!

Till the next post, stay safe and happy!