The Oil Drum: Europe
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

ODAC Newsletter, Wednesday 17 October

Posted by Doug Low on October 17, 2007 - 8:00pm in The Oil Drum: Europe
Topic: Miscellaneous
Tags: a crude awakening, aspo6 conference, coal prices, economics, food prices, lng, peak oil, qatar, south africa, united kingdom [list all tags]

Topics include:

ASPO-6 DVDs / Presentations; Oil Supplies / Prices; Food Prices; Natural Gas / LNG - Qatar; Economics - UK; Coal Prices; Film Review - A Crude Awakening; Peak Oil - South Africa

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Missing items are from TOD, no point in replicating here.

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2a/ ASPO-6 DVD Set Now Available to Order (ASPO Ireland, Sun 14 Oct)

> We've captured the entire ASPO6 Conference on a 5 DVD boxset.
>
> Each session is captured on a single DVD.
>
> The fifth DVD contains bonus interviews with the conference speakers carried out during the conference.
>
> You can watch a short trailer of the conference DVD: http://www.youtube.com/watch?v=1Ia-sk1OqHk&eurl=http%3A%2F%2Fwww%2Easpo%...
>
> Order: http://www.aspo-ireland.org/index.cfm/page/shop

2b/ ASPO-6 Presentations Now Available Online (ASPO Ireland, Sun 14 Oct)

http://www.aspo-ireland.org/index.cfm/page/presentations

3a/ Platts Economist Sees Tighter Oil Supplies Ahead (CNN News [DOW JONES NEWSWIRES], Mon 15 Oct)

http://money.cnn.com/news/newsfeeds/articles/djf500/200710151050DOWJONES...

Comment: This forecast from Platts is consistent with the IEA and Chris Skrebowski's MegaProjects data.

> Platts Chief Economist Larry Chorn Monday said he expects a tighter supply and demand balance in oil within three years, based on the amount of spending on oil field development in 2005.
>
> "The fact that the industry fell behind in 2005 investment, the most recent year that complete data is available, means there will likely be a continued tight supply demand balance in and beyond 2010, in spite of a 70% percent investment increase in 2005 over 2000," Chorn said.
>
> The Platts study shows that the shortfall in 2005 could lead to an 800,000- barrel-a-day reduction in anticipated spare capacity within three years. This shortfall could grow to 4 million barrels a day in 2011 as existing fields continue to decline and demand rises.

3b/ Crude oil jumps to all-time high above $86 amid fears on supplies (Financial Times, Tue 16 Oct) http://search.ft.com/nonFtArticle?id=071016000003&ct=0

> Crude oil prices yesterday jumped to an all-time high above $86 a barrel amid warnings of tight supplies ahead of the winter peak in demand for energy.
>
> The threat of a Turkish military operation against Kurdish guerrillas in northern Iraq helped spur the crude rally yesterday but traders said the main factors driving prices higher were low inventories, relatively strong demand and only a timid boost to production from the Organisation of the Petroleum Exporting Countries.
>
> Francisco Blanch, chief commodities strategist at Merrill Lynch, said an early winter cold snap or a serious geopolitical problem in the Middle East "could drive oil prices even to $100 a barrel". Doug Leggate, of Citigroup in New York, added: "A run to $90 is now seen as reasonable."
>
> In New York, West Texas Intermediate crude oil prices surged to a record intra-day high of $86.22 a barrel. It later traded up $2.44 to close at $86.13 a barrel.
>
> Robust demand from developing countries, led by China, and low non-Opec production triggered a decline in inventories in the third quarter, according to the International Energy Agency.
>
> That has left the market "running a lofty deficit" ahead of a peak in consumption during the northern hemisphere winter, said Kevin Norrish of Barclays Capital.
>
> ... Julian Lee, of the Centre for Global Energy Studies, said that the cartel should take action immediately to increase further its production without waiting for its December meeting.
>
> Traders are braced for further geopolitical tension as the Turkish parliament is expected to approve tomorrow a motion that gives Ankara permission to launch an attack on Kurdish separatists in northern Iraq.
>
> The US opposes such a move, fearing the instability that it could cause.

3c/ Oil to soar above $90 next year says expert (Gulf Daily News, Tue 09 Oct)

http://www.gulf-daily-news.com/Story.asp?Article=196201&Sn=BUSI&IssueID=...

Comment: The importance of this article is not so much what it says, but who is saying it. A contact in the Middle East writes: “This is the first time I have ever come across any Gulf National who seems to understand the topic [Peak Oil] and its implications AND more importantly prepared to speak out about it.” What is also different is that a Middle East media outlet is prepared to publish such direct comments. Previous articles on Peak Oil have usually been cloaked in phrases that allow an alternative, rosy interpretation. The author also suggests what would probably be one of the most important steps in various oil exporting countries preparing for Peak – phasing out fuel subsidies, or at least reducing them, but this is probably easier said than done.

> Oil prices will soar above $90 per barrel next year, a Bahraini economist has predicted.
>
> Bahrain Economic Society senior economist Mohammed Habib Ali told the GDN that a combination of the growth of economies such as China and India, continuing global

population increases and rising consumption within top oil-producing nations will push the price of crude to record levels next year.

He also said it was time GCC countries used their high surpluses to fund renewable energy projects and begin moves to end fuel subsidies in the region. "Oil will reach above $90 next year and the problem is not politics or economics as much as it is geology," he said. "Oil by many estimates has reached its peak and both production and the number of new oilfields found are decreasing - but at the same time world population is growing and is estimated to reach its peak around 2030.

"Therefore we can only gather that we will witness prices continue to shoot up in the next few decades to come unless the world economy goes through a tough economic depression or a breakthrough in some competitive alternative energy is found leading to immediate and sudden adopting of its usage - something which at the moment you would say appears very unlikely," he added.

... The economist warned that the top five net oil exporters - Saudi Arabia, Russia, Norway, Iran and the UAE - registered a 3.7pc increase in their own consumption from 2000 to 2005, a trend that is set to continue and one which will put further pressure on fuel prices.

"Net exports are decreasing due to major exporting countries consuming more of their own oil, hence the need to abolish subsidies and think of innovative ways to conserve energy within those countries. People in these countries continue to consume more of it because they are consuming it for cheaper relative to all other commodities that are rising in price. People are just going to abuse this more and more," he said. That's why countries such as Bahrain should look to abandon fuel subsidies, he explained.

"I am not for abolishing it all at once, but I believe there should be a gradual letting go. You cannot let go of anything suddenly - that would just shock the economy and that is not the right thing to go with anything. They should do something with the subsidy money such as invest more into renewable energy. This money should go into something very much constructive and productive."

The consequences of higher oil prices for countries like Bahrain could be serious, he added...

3d/ OPEC Basket Crude Price Surpasses $80 a Barrel for First Time (Bloomberg, Wed 17 Oct)

http://www.bloomberg.com/apps/news?pid=20601072&sid=aAKJbC6Z4lL8&refer=e...

The benchmark crude oil price for the Organization of Petroleum Exporting Countries, whose members supply more than 40 percent of the world's oil, rose above $80 a barrel for the first time.

The so-called OPEC Basket price rose to $80.82 a barrel yesterday from $78.76 the day before, OPEC's Vienna-based secretariat said by e-mail today. The price is a weighted average of one export crude oil from each of OPEC's 12 members.

3 e / OECD Oil Inventories Stay Flat As Winter Approaches (Energy Intelligence [Energy Intelligence Briefing], Wed 17 Oct)

No link, from newsletter.

> OECD commercial stocks ended the third quarter flat compared with the second quarter, which, with winter approaching, signals that tanks are somewhat malnourished, especially when it comes to products, says EIB sister publication Oil Market Intelligence. Though the cushion is still very close to the five-year average, the trend is that the buffer is getting thinner instead of fatter, with September preliminarily seen shedding both crude and product volumes.

3f/ LEADER: A world of dear oil (Financial Times, Wed 17 Oct)

http://search.ft.com/nonFtArticle?id=071017000301&ct=0

Comment: One of the editorials in today's FT. Could have been written by a Peak Oiler, alludes to peaking but avoids any direct reference: "The International Energy Agency warned during the summer of a tight oil market during the next five years as consumption accelerates and output falls in mature areas." And rounds up by bringing in the sub-prime crisis and falling value of the US dollar to conclude that the current high oil prices are probably going to hurt the US economy: "Add the subprime crisis and the IMF's view, expressed this week, that the US dollar could depreciate further and it is difficult to see higher oil prices leaving the US unscathed."

> For most of the past 35 years, reports of the oil price touching record highs would have politicians hitting the panic button and journalists cranking out tales of crisis.
>
> But although oil prices were nudging $88 a barrel yesterday, it was difficult to detect any great sense of foreboding. Stock markets traded lower, but not dramatically so. In continental Europe, the UK and Japan, plenty of reasons besides the oil price were advanced to explain share price falls.
>
> Today, the International Monetary Fund unveils its latest forecast for world growth next year. Leaks suggest forecast growth will be revised down from 5.2 per cent previously, but remain solid.
>
> Yet $88 a barrel for oil is not a trivial sum. In real, inflation-adjusted terms, the oil price has been closing on the all-time highs recorded in 1980 after the Islamic Revolution in Iran. Then, high oil prices helped inflict a noxious brew of stagnation and inflation on the industrialised world. If, as some suggest, oil continues strengthening to $100 a barrel, previous records will be broken in real terms.
>
> And the world would do well to expect firm oil prices in the future. The latest upsurge has been linked to fears of Turkey pursuing Kurdish rebels into Iraq and disrupting supplies. Perhaps more worrying are falling crude oil and product inventories in the industrialised countries and the rapid growth of Chinese demand for oil to fuel a national fleet of cars and trucks growing at a spectacular rate. The International Energy Agency warned during the summer of a tight oil market during the next five years as consumption accelerates and output falls in mature areas.
>
> Admittedly, the pricing of oil in US dollars gives a very imperfect picture of its true cost in many parts of the world. Priced in euros, sterling or renminbi, oil has still to reach highs recorded in July and August last year.
>
> In dollar terms, however, the oil price has touched new highs. This should encourage a

less profligate use of energy in the US. On the other hand, strains could surface, especially among US households.

The US Department of Energy this month forecast rising heating bills for US households this winter, ranging from 10 per cent more for households using natural gas to 22 per cent more for those using heating oil.

The DoE expects some oil price fall, but not below $70 a barrel. Add the subprime crisis and the IMF's view, expressed this week, that the US dollar could depreciate further and it is difficult to see higher oil prices leaving the US unscathed.

4/ Food prices to treble in five years: CBH (Stock Journal [Australia], Fri 12 Oct)

http://sj.farmonline.com.au/news_daily.asp?ag_id=46138

Comment: CBH "Who We Are" (http://www.cbh.com.au/index.html) : "The Western Australian based CBH Group stores, handles and markets grain. The WA harvest averages ten million tonnes annually, of which 95 per cent is exported, and represents up to 40 per cent of the nation's average annual production. The CBH Group is a leading grains industry organisation, marketing grain to over 20 export destinations and with a total storage capacity in excess of 19 million tonnes."

Food prices will treble in the next three to five years as world grain stocks decline to their lowest levels in history, CBH chief executive, Imre Mencshelyi, has warned.

Mr Mencshelyi says world grain stocks are starting to run out while supplies are shrinking, creating the greatest crisis in 50 years and threatening to curtail the emerging biofuels industry.

"On the one hand you've got the biofuels industry pushing grain prices higher, but on the other, questions are being asked about where the focus should be — energy or feeding the populations?" he said.

"There is evidence in North America that there will be reduced corn plantings for biofuels to be replaced by mainstream food crops.

"But the questions need answering because declining food stocks and higher prices also will affect meat and dairy."

While consumers might be aghast at food price rises, it was CBH's view that the world was feeding itself too cheaply, Mr Mencshelyi said.

"Higher feed prices for producers should translate to higher prices for consumers," he said.

"Either producers get the right price or, for example, consumers don't get milk.

"Bread and meat also are so cheap and I think that by Christmas this year they will cost more."

SOURCE: Extract from Farm Weekly, WA, October 11 issue.

5a/ Concern rises over health of Qatari gas reserves (Financial Times, Tue 16 Oct) http://search.ft.com/nonFtArticle?id=071016000114&ct=0

Comment: An excellent and timely review of the state of natural gas reserves / liquefied natural gas exports from Qatar. Qatar in 2005 stopped all new LNG projects, and mothballed any that were not contractually committed, because of concerns that the North Field (the world's largest gas field by far) contained less gas/ was less homogenous than originally thought. This article hints that there will be no more new LNG projects in Qatar, beyond those already under construction, and that Qatar has under-invested in local supplies of natural gas – an endemic problem in the Middle East, ironically. Qatar's total exports of LNG by 2011 will be 77m tonnes/year, which is about 105 billion cubic metres/year natural gas, and coincidentally is the same as the peak in UK net natural gas production of 105 bcm in 2000. The two sources net out, except that Qatar's LNG supplies will reach 105 bcm/year by 2011 and ideally stay at that level for decades, while UK gas production will not reach zero until, probably, post-2020.

> Concerns are growing in industry circles that Qatar, the world's largest exporter of liquefied natural gas (LNG), may not be able to increase its levels of daily gas exports beyond 2011.
>
> The tiny Gulf kingdom expects to more than double its exports to 77m tonnes per year by 2011 on the back of multi-billion dollar projects awaiting completion. Such increases are vital to meet the surging global demand for LNG, which will increase in importance in the overall gas market in the coming years.
>
> But the government placed a moratorium on further expansion of LNG and other gas products in 2005 when it became clear that the North Field, Qatar's giant offshore gas field, was not as geologically sound as initially assumed. A decision on whether to lift the moratorium will only be taken in 2010 once a geological assessment of the North Field is completed, says Ibrahim Ibrahim, an economic adviser to Qatar's emir.
>
> However, industry officials are expressing reservations now about whether the North Field could sustain additional LNG phases, or "trains", beyond those already commissioned.
>
> ... Industry analysts point out that Qatar's current plans mean that the North Field's 900 trillion cubic feet of gas reserves will be exhausted in 97 years, slightly lower than the 100-year plan set out by the country's energy minister. If the moratorium is lifted and new production commissioned, Qatar would have to reduce its long-term reserve life estimate of the North Field even further.
>
> ... As such it has fallen to Qatar, which holds the world's third largest gas reserves after Russia and Iran, to buoy supplies.
>
> "There is a powerful message for global LNG. If the growth does not come from Qatar beyond 2011 where else is it going to come from?" asks Robert Kessler, an analyst at Simmons and Co, the oil and gas consultancy. There are also signs that strong domestic economic growth in Qatar is causing a conflict of gas allocations between domestic and export-orientated projects.
>
> Qatar is pursuing an aggressive campaign to build up gas-fired power generation capacity and therefore needs to divert additional gas to supply these projects.
>
> Pat Davies, chief executive of the South African energy company Sasol, says this has contributed to gas supply issues for Sasol's gas-to-liquids project with Qatar Petroleum, which uses a different technology to LNG. "The truth is that gas supply has become

> tighter in Qatar," he says.
>
> The tight supply conditions demonstrate there is relatively little room for manoeuvre if the assessment of the North Field confirms suspicions that the reservoir is not as prolific as once assumed...

b/ Dolphin Project Exporting Over 1Bn CFD, Seen At 2Bn CFD By End-March (MEES, Mon 08 Oct)

No link, from newsletter

Comment: Last week, MEES (Middle East Economic Survey) reported that the Dolphin project (natural gas exports from Qatar to UAE by pipeline) is progressing well. Dubai, one of the seven emirates of the UAE, suffers from chronic natural gas / electricity shortages. While the Dolphin project looks like it might solve the Dubai energy supply problems, ODAC asked a Middle East contact “Will this [the Dolphin project] go a long way to solving Dubai’s energy problems?”:

Answer is "NO". Dubai is scheduled to only get either 10% or 20% of Dolphin output, depending on which newspaper report you believe, i.e. 200M to 400M cubic feet / day (cf/d). That's not a lot of natural gas for a population expected to be 10,000,000 in a few years time. 10 to 20 cf/d per resident may boil a couple of kettles for tea/coffee but will not run all the large air conditioning systems.

> The Dolphin project is delivering over 1bn cfd of gas for export from Qatar to the UAE and is on schedule to ramp up exports to 2bn cfd by the end of March 2008, MEES understands. The process of ramping up gas output through the Ras Laffan processing plant’s Stream One units – comprising two of the four gas processing trains – has been steady, with production at 800mn cfd in September and 600mn cfd in August. Dolphin announced on 25 June it had started feeding first gas from the North Field to the plant at Ras Laffan for testing and commissioning (MEES, 2 July) and subsequently that it had started gas exports to the UAE on 10 July (MEES, 16 July). Dolphin sources indicate the project is running according to its long-established schedule with all production wells completed and the link-up of some umbilicals being finalized. Processing plant contractor JGC continues to iron out teething problems but these are understood to be minor and normal for this size of mega-project – including recalibration of some of the process equipment, including the slug catchers. The resolution of all outstanding snags by the end of the year will allow Stream Two, comprising the third and fourth processing trains, to come on-stream on schedule from late January to March.

7a/ Third of mortgage applications denied (Telegraph, Tue 16 Oct)

http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2007/10/16/nmgage11...

Comment: Still no obvious sign of a fall in UK property prices (although they are now apparently falling in Aberdeen, where they increased by an average of 30% last year). But give it time.

> Almost one in three mortgage applicants have been rejected by lenders in the past six months as the credit crunch takes its toll on home buyers.
>
> Banks and building societies are not only increasing the rates they charge home buyers,

they are also tightening their lending, as they try to recover lost profits from the fall-out of the turmoil in the financial markets.

In the latest sign that the credit crunch is hitting ordinary consumers and not only City bankers, an estimated 372,000 of the 1.2 million people applying for a mortgage or re-mortgage in the past six months have been rejected.

This is a sharp increase on the estimated 230,000 people – or one in five applicants – that had their requests for a loan turned down in the six months to March, says research by Moneyexpert, a website that compares financial products.

Official data has shown for some time that the number of mortgage approvals has been slowing, but most experts suggested this was because fewer buyers were able to get on the property ladder.

The Moneyexpert research suggests it is also because 60 per cent more people are being rejected for mortgages by nervous banks.

... The lack of choice and tighter terms comes as more homeowners feel the effects of five interest rate rises since August last year, as their generous fixed-rate deals taken out two years ago come to an end...

7b/ This bear is not capitulating (The Telegraph, Tue 16 Oct)

http://blogs.telegraph.co.uk/business/ambroseevanspritchard/oct07/thisbea...

Comment: Ambrose Evans-Pritchard, the Telegraph's leading economics commentator. The comments following Ambrose's articles are usually worth a read, and usually indicate that if Telegraph readers are anything to go by, the UK is in for a big fall in house prices over the next year or two. Many of the comments seem well-informed, suggesting people that work in the City or real estate/banking business.

A chorus of banks and City gurus now inform me with almost triumphal self-confidence in their daily notes that fears of economic contagion from the credit crunch have been discredited as "unfounded" or "overblown" or plain "hokum".

Well, Fed rescues are nice if you can get them. Although, with Producer Price Inflation running at 4.4pc and the US dollar index breaking through support to all-time lows, I should have thought that the Fed's room for manoeuvre was getting tight.

... The share price of the German steel trading firm Kloeckner plunged by a quarter last week after warning of a "slump" in the steel market. It said prices for cold-rolled stainless steel had fallen 35pc over the last six months.

A reader sent me these quotes from Bill Zolars, head of the trucking company YRC Worldwide. The $10bn group has operations in 80 countries.

"The economy is driven by people making and shipping stuff. They are not making and shipping as much right now, and we see that every day," he said.

... Well, let me go one up. I suspect the US already is in recession.

Japan is not so hot either. Japanese housing starts fell 23.4pc in July and 43.4pc in August as new laws came into effect. That comes after an outright contraction in GDP of

0.3pc in the second quarter.

Germany is faltering, again. Indeed, it seems to suffer from the Japanese disease of perennial disappointment – evidence of what can happen when the working population starts to shrink.

The latest OECD trade data shows that German exports fell 1.6pc in the second quarter, even before the credit crunch. This is revealing. Germany is still the world's biggest exporter by far, easily surpassing China.

Elga Bartsch, Morgan Stanley's German economist, says the country is far less robust than people realize. Manufacturing orders contracted 0.9pc over the third quarter, although Berlin has yet to wake up to the full danger. "The risk is that politicians are operating with their eyes firmly on the rear-view mirror, not realizing that the next downturn is already in making," she said. Car sales have fallen below the level of 2001.

Don't let me even start on the impending troubles in Spain, Ireland, France, and Italy as the housing booms deflate...

7c/ 'UK banks have little buffer for a downturn' (The Independent, Wed 17 Oct)

http://news.independent.co.uk/business/news/article3067254.ece

Britain's housing market faces a more serious slowdown than many expect if the buy-to-let market dries up and sub-prime repossessions mount, Credit Suisse analysts warned yesterday.

Buy-to-let investors and sub-prime buyers have lapped up about 20 per cent of new mortgage lending in recent years, but those markets are now under stress, the analysts said.

Credit Suisse said investment buyers would sit out the market as price rises tail off, and the drying up of wholesale funding that nearly wiped out Northern Rock could force Bradford & Bingley and Paragon, two of the biggest buy-to-let lenders, to rein in their lending. This scenario would take many buyers out of the market.

The sub-prime market could be a bigger problem as the credit crunch forces banks to pull products and ask for higher deposits. Repossessions would then rise as customers coming off cheap deals faced huge rises in borrowing costs.

"We think UK banks... have very little buffer for any downturn," Credit Suisse's Jonathan Pierce said in a note.

The analysts believe more than £300bn of mortgage balances have a loan-to-value of more than 70 per cent. They said lenders were exposed to losses on sales forced by repossessions, which would be at about a 30 per cent discount to market value.

Banks could need an extra £500m of bad-debt provisions based on current conditions; but, if house prices fell 10 per cent and arrears doubled, provisions would need to be £3bn. If things got as bad as in the early 1990s, provisions could rocket to more than £8bn, though the analysts said this was unlikely.

8/ Coal for Europe Delivery Next-Year Reaches Record Before Talks (Bloomberg, Tue 16 Oct) http://www.bloomberg.com/apps/news?pid=20601072&sid=a3ZSy2m.LyD0&refer=e...

> Coal for delivery to Europe in 2008 advanced the most in more than a year on expectations mining companies will demand record prices in negotiations with utilities at a conference next week.
>
> The futures rose to an all-time high today on speculation power companies bought the contract to lock in prices before talks at Coaltrans in Rome on Oct. 21-24. Representatives from Rio Tinto Group, the third-largest mining company, and Enel SpA, Italy's biggest power company, will attend the conference.
>
> ... Prices are up 55 percent this year.
>
> ... Prices have risen as suppliers struggle to meet demand from Asia. China, the world's biggest coal producer, became a net importer this year, leading to bottlenecks at Australian ports. As a result, Indian and South Korean companies have switched to buying coal from Richards Bay, South Africa...

10/ Waking up to the truths of oil's past, present and future (Lloyd's List, Fri 12 Oct)

http://lloydslist.com/ll/news/viewArticle.htm?articleId=1191760903152

Comment: This is the second Peak Oil review article from Lloyd's List ("The leading maritime & transport portal") in the last four months, here reviewing the film "A Crude Awakening" (the previous article reviewed David Strahan's "The Last Oil Shock", http://lloydslist.com/ll/news/viewArticle.htm?articleId=1183553733285). And this review covers the most dire warnings from the film, the sort that editors of mainstream newspapers tend to avoid, no matter how sympathetic they are.

> THE makers of A Crude Awakening mince their words only slightly, describing their investigation of the peak oil phenomenon as "a naïve quest to examine the world's dependency on fossil fuels" and the results as "a bit of a downer".
>
> ... Most professionals in energy shipping will be aware of the concept of peak oil and the flurry of books forecasting the twilight of civilisation that will follow the end of the era of hydrocarbons.
>
> Gelpke and McCormack's film adds a little more to the pot of knowledge about the past and present and hints at the doom-laden scenario to come. But this is an admirably intelligent film — more An Inconvenient Truth than Fahrenheit 9/11, lighter on the polemic, longer on information, albeit with an ear for soundbite.
>
> ... It's not as if Americans shouldn't be aware — mass oil consumption is a product of the American century and the green revolution that allowed increasing food production to feed an increased population. But the US is not the only territory with the ghost of an oil industry. Baku fed the modernisation of Soviet Russia and is now a rusting, toxic wasteland. Lake Maracaibo in Venezuela looks little better.
>
> ... So have the warning signs been ignored? Experts including consultant Colin Campbell, former Opec secretary general Fadhil Chalabi and Matt Simmons, suggest that the inflation of reserves by the main producer countries is to blame, since high reserves

mean a bigger Opec quota. But it also means that those countries have become prisoners of their budgets.

... This leads in two directions — the hunt for alternatives and securing access to the remainder.

The outlook for the former is not good and the latter is little better. The hydrogen economy promises much, but currently consumes more energy than it produces. Ethanol, thanks to its inefficiency, is no better. Replacing hydrocarbon power generation with nuclear might require the equivalent of 10,000 power stations, exhausting global uranium deposits in 20 years. Solar and tidal power appear the only alternatives, but depend on huge advances in technology to generate power consistently.

McCormack suggests that "the foremost thing we can do is increase energy efficiency in certain parts of the world — the US in particular. We can do an awful lot more", he says.

... If the viewer hasn't experienced a downer yet, then the closing predictions might: the end of oil will cause a seizing of the global economy so severe as to create a depression at least as serious as that in the US in the 1930s, but on a global scale, potentially cutting the global population to 1.5bn-2bn.

Prices will rise to and stick at unheard of levels so that consumers will begin to see the conveniences of their modern lives replaced by the realties of the post-hydrocarbon economy.

For many, that seems a long way away. But Gelpke and McCormack leave me with two final thoughts — that the latest estimates predict a steeper fall-off from peak production than was previously thought and that the decline of the world's most important resource coincides with the industrialisation of the world's two most populous countries. Just the former would be bad enough, but the interdependence of the two creates a far greater long-term problem, and despite his upbeat approach Gelpke can't help admitting "that's what worries me most".

11/ Russian Oil - a Depletion Rate Model estimate of the future Russian oil production and export (Aram Mäkivierikko, Oct 2007)

http://www.tsl.uu.se/uhdsg/Publications/Aram_Thesis.pdf

Comment: A new diploma thesis from Aram Mäkivierikko on Russian Oil, Uppsala Hydrocarbon Depletion Study Group. 100 pages.

Oil is a heavily used natural resource with a limited supply. Russia is one of the largest oil producers and the second largest oil exporting country in the world. Many surrounding countries are dependent on Russian energy. Swedish oil import from Russia has grown from 5% to 35% during 2001-2005.

The fall of the Soviet Union in 1991 caused the Russian oil production to drop by 50%. The production is currently growing again – but how will it develop in the future?

This report studies different scenarios for Russian oil production and export based on three different estimates of how much oil Russia has left today (70, 120 or 170 Gb), combined with estimates about how fast Russia can produce the oil (a depletion rate of 3%, 4.5% or 6%).

> In the worst case, Russian oil production and also the oil export will peak very soon or has already done so in 2006. In the best case, a constant export can be held until 2036. It is not likely that the Russian production will increase more than 5-10% over today's level.

12a/ Facing the looming energy crisis (iafrica.com, Mon 15 Oct)

http://business.iafrica.com/transcripts/642900.htm

Comment: ASPO-South Africa is having some success in getting the message across in the South African media. Transcript from a brief interview with Simon Ratcliffe, ASPO-SA, on 702 Talk radio.

> It's not rocket science: we are nearing the point of peak oil production, the data suggests, and when that happens, oil will start running out. That's when oil prices will really soar...

12b/ Conference: Preparing Southern Africa for Global Oil Depletion, Johannesburg, South Africa, 8-9 November 2007

> The Universities of Cape Town and Fort Hare, together with the Department of Minerals and Energy, through the Vice-Chancellors and Minister, are hosting a conference in November 2007 that aims to raise awareness of the [Peak Oil] issue, create a space for debate around the key implications for South Africa and identify the actions to be undertaken by planning agencies, policy makers (government departments and municipalities) and researchers.
>
> This first conference will focus on oil supply in the near to medium term and the preparation required for a future in which oil will be more expensive and in declining supply. Sessions at the conference will address the current state of knowledge regarding global oil reserves, the expected slowing down in the production of conventional oil and the potential for unconventional oil to make up the gap between supply and demand. It will highlight the implications for the South African economy and society of oil supply constraints and initiate a process of research and planning across a range of affected sectors.
>
> The conference is to take place over two days from 8th – 9th November 2007, the primary input of contributed papers being on the afternoon of day one (Thursday 8th) and the morning of day two (Friday 9th). The structure of the proceedings during those times will be a number of parallel sessions each with its own theme. The themes will address the impact of the increasing oil price and depleting oil reserves on:
>
> 1. Transport and Mobility
> 2. Food and Agriculture
> 3. Cities and Planning
> 4. Geopolitics and Conflict
> 5. Economy and Finance
>
> Each of the themes will be dealt with in three sessions, addressing the following aspects:
>
> A. Understanding global oil: what does the peak of oil production mean and what are the

implications for South Africa?

B. Debating the alternatives: what is the range of measures that can be taken to mitigate the effects of an increasing price of oil and diminishing supply?

C. Planning the way ahead: what are the appropriate choices to make, how and when should they be implemented?

If you wish to attend the conference but will not be submitting a paper for presentation, please let us know your intention by e-mailing ebe-oilconference@uct.ac.za. This early indication of attendance will help us to plan the activities more optimally. If you have any questions about the conference please use the same email address.

Conference Flyer http://www.odac-info.org//events/documents/JBurg_8-9Nov.pdf (PDF, 111 Kb)