The Oil Drum: Europe
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

ODAC Newsletter, Wednesday 21 November

Posted by Doug Low on November 21, 2007 - 7:50pm in The Oil Drum: Europe
Topic: Miscellaneous

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1a/ Oil Officials See Limit Looming on Production (The Wall Street Journal, Mon 19 Nov)

http://online.wsj.com/article/SB119543677899797558.html?mod=googlenews_wsj WSJ link. You need to login to view article.

http://www.rigzone.com/news/article.asp?a_id=53040 Rigzone. Dow Jones Newswires summary of the full article.

http://www.energybulletin.net/37382.html Energy Bulletin, with commentary from Bart Anderson of Energy Bulletin, and a few others from the Peak Oil community.

Comment: This article was on the WSJ front page, lengthy, now pay-to-view. See Rigzone version. Perhaps now that the WSJ has tackled Peak Oil head on, other media outlets might follow. One of the first suggestions of the article is that the 'traditional' Peak Oil community does not know what it is talking about: "Traditional peak-oil theorists, many of whom are industry outsiders or retired geologists, have argued that global oil production will soon peak and enter an irreversible decline because nearly half the available oil in the world has been pumped. They've been proved wrong so often that their theory has become debased." But the 'new adherents' do know what they are talking about. In fact, both groups are saying exactly the same thing – global oil production is close to peaking/plateauing. The whys and wherefores are irrelevant (above ground factors, below ground factors etc). Perhaps the WSJ feels it cannot be seen positively reporting on / identifying with a group it has until now written off as a less than respectable segment of society? Why do the mainstream articles typically have to quote Daniel Yergin, or as in this case, Michael Lynch? Still, on the whole a pro-Peak Oil article, which quotes Matt Simmons a lot – difficult to tell if the authors think Matt is a traditional or new adherent PO theorist? Ditto Randy Udall of ASPO-USA.

> [From the Rigzone version of the article]
>
> A growing number of oil-industry chieftains are endorsing an idea long deemed fringe: The world is approaching a practical limit to the number of barrels of crude oil that can be pumped every day.
>
> Some predict that, despite the world's fast-growing thirst for oil, producers could hit that ceiling as soon as 2012. This rough limit -- which two senior industry officials recently pegged at about 100 million barrels a day -- is well short of global demand projections over the next few decades. Current production is about 85 million barrels a day.
>
> The world certainly won't run out of oil anytime soon. And plenty of energy experts expect sky-high prices to hasten the development of alternative fuels and improve energy efficiency. But evidence is mounting that crude-oil production may plateau before those innovations arrive on a large scale. That could set the stage for a period marked by energy shortages, high prices and bare-knuckled competition for fuel.

The current debate represents a significant twist on an older, often-derided notion known as the peak-oil theory. Traditional peak-oil theorists, many of whom are industry outsiders or retired geologists, have argued that global oil production will soon peak and enter an irreversible decline because nearly half the available oil in the world has been pumped. They've been proved wrong so often that their theory has become debased.

The new adherents -- who range from senior Western oil-company executives to current and former officials of the major world exporting countries -- don't believe the global oil tank is at the half-empty point. But they share the belief that a global production ceiling is coming for other reasons: restricted access to oil fields, spiraling costs and increasingly complex oil-field geology. This will create a global production plateau, not a peak, they contend, with oil output remaining relatively constant rather than rising or falling.

... On Oct. 31, Christophe de Margerie, the chief executive of French oil company Total SA, jolted attendees at a London conference by openly labeling production forecasts of the International Energy Agency, the sober-minded energy watchdog for industrialized nations, as unrealistic. The IEA projects production will grow to between 102.3 million and 120 million barrels a day by 2030. Mr. de Margerie said production by 2030 of even 100 million barrels a day will be "difficult."

... Earlier this month, James Mulva, the chief executive of ConocoPhillips, echoed those conclusions in a speech at a Wall Street conference: "I don't think we are going to see the supply going over 100 million barrels a day. . . . Where is all that going to come from?" He questioned whether the industry has enough support services and people to execute projects to add that much oil production.

... Sadad Ibrahim Al Husseini, a former head of exploration and production at Saudi Arabia's national oil company, has also gone public with doubts. He said in London last month that he didn't believe there were enough engineers or equipment to ramp up production fast enough to keep up with the thirsty global economy. What's more, he said, new discoveries are tending to be smaller and more complex to develop.

... Randy Udall, co-founder of the U.S. chapter of the Association for the Study of Peak Oil and Gas, has written that these unconventional oil supplies are like having $100 million in the bank, but "being forbidden to withdraw more than $100,000 per year. You are rich, sort of."

As these uncertainties mount, there is growing hope that Saudi Arabia, which has about 20% of the world's oil reserves, would ride to the rescue if needed. Saudi Aramco, the national oil company, has embarked on an ambitious plan to increase its daily production by 30%, or three million barrels, early next decade, and thus reclaim the title of top producer from Russia. But Mr. Al Husseini, the former Saudi oil executive, now an independent consultant, said others aren't doing as much, leaving the world entirely dependent on Saudi Arabia to provide extra capacity.

"Everyone thinks that Saudi Arabia will pull us out of this mess. Saudi Arabia is doing all it can," he says in an interview. "But what it is doing, in the long run, won't be enough."

1b/ After peak oil (Tehran Times, Mon 19 Nov)

http://www.tehrantimes.com/index_View.asp?code=157345

Comment: Another good Peak Oil summary from Gwynne Dyer, but as with some of his other articles, it is not the content that is particularly noteworthy but where the article has been published. London-based Gwynne has focused on the effects of Peak Oil on the USA in this article, and paints a rather gloomy picture, paraphrasing James Howard Kunstler's vision of suburban America – the most likely way to get a Peak Oil article published in Iran. Gwynne finishes on a more positive note.

> ... The most pessimistic of these Cassandras, like American writer James Howard Kunstler, predict nothing less than the wholesale collapse of industrial civilization. In his 2005 best-seller The Long Emergency, Kunstler envisaged a future in which the survivors of the oil peak catastrophe eke out a living in an 18th-century-style economy: the great cities are abandoned, almost all production is for local consumption, and the higher technologies have mostly been lost.
>
> Kunstler's great hate is the suburbs, which are mainly an artifact of the cheap-oil era, and one gets the feeling that he would secretly welcome any catastrophe that destroyed them. You do not have to be a Cassandra, driving past the preposterously far-flung suburbs that have sprung up around North American cities in the past few decades, to see them as the neo-slums of the post-peak-oil future, but their demise does not necessarily imply the collapse of an entire civilization.
>
> ... Certainly they can, provided they continue to cooperate internationally and don't panic. Moreover, the technologies they need to wean themselves from their excessive dependence on oil are precisely the ones they need to get their carbon emissions down and ward off the threat of runaway global warming.
>
> If peak oil is here, we can deal with it. And if it isn't here yet, we should still be acting as if it were. The sooner we start adapting our economies to a future in which oil is increasingly scarce and expensive, the less pain and risk we will face when it does arrive.

1c/ The End of Days? (The Emirates Center for Strategic Studies and Research, Tue 06 Nov)

http://www.ecssr.ac.ae/CDA/en/FeaturedTopics/DisplayTopic/0,1670,716-0-6...

Comment: Introduction from an ODAC contact: "This from an Abu Dhabi [UAE] Gov funded 'Think Tank'. Considering previous hostility to Peak Oil I find this quite encouraging."

An excellent article, especially considering its roots in a Middle East think-tank.

> On October 22nd, 2007, the German Energy Watch Group (EWG) released a new report. This report comes after a series of high-profile environmental awareness campaigns, including that of former US Vice President Al Gore's An Inconvenient Truth, makes for disturbing reading. It is one thing to say that our consumption of fossil fuels is choking us to death and poisoning our planet; it is, however, quite another matter to say that we are running out of the most important of these fuels—oil. But this is exactly what the EWG's report states.
>
> ... Central to EWG claims is that global oil production peaked last year and every year from 2006, oil production will drop by an average of 7 percent per year until 2030. The organisation's evidence for this is based on current industry and government exploration and extraction figures. These figures are conservative and deliberately steer clear of suggesting that some great undiscovered oil field lies waiting to be found to save our fossil fuel based economies. The cited figures argue that contemporary explorations

have found only small fields in the Middle East, Latin America, the Arctic, Africa, Central Asia and the Asia-Pacific, with a potential out-take way below the estimated need to meet existing and future demand. As a consequence, as oil becomes scarcer, its price will more than likely increase to a point where the market simply cannot comfortably absorb the upward spiral.

... In the short term, while OPEC and non-OPEC oil producing states might well rejoice over the guaranteed windfall coming from a drop in oil output, monies gained from the sale of oil have not and are not being re-invested in diversifying national energy sources or on research and development projects designed to reduce world oil consumption on a scale that would allow for an easy transition away from oil-based industries. Instead, money is being spent on weaponry, war and other frivolous enterprises that will alter our future in very negative ways. While we might all be addicted to oil, we are equally addicted to short-term thinking, stubbornness and individual gratification. Altruism, compassion and a sense of collective responsibility for the state of the world is lacking internationally at the political and corporate levels.

It is still too easy to dismiss reports like those published by the EWG and other such organisations as simply more 'alarmist fodder'. As such, the EWG findings, while prominent in the news cycle at the time of launch, were not the lead story. Other international matters such as Benazir Bhutto's return to Pakistan or Turkish sabre-rattling against the PKK in northern Iraq, took the headlines. Then there is the oil industry's own interest in not unduly panicking the markets and so for every oil analyst who predicts the decline of oil production, there are others who will publicly refute such predictions as 'scare-mongering'.

... Of course such a gloomy forecast does not have to occur especially if some of the massive profits forecast from near-term oil wealth are re-invested in alternative energy sources in a systematic and organised fashion. Only then can there be a basis for long-term political and consumer confidence. Scientific breakthroughs and inspired political leadership can change the future if they are encouraged and nurtured.

1d/ Dubai will be underwater in 50 years, alerts Branson (Arabian Business, Sun 18 Nov)

http://www.arabianbusiness.com/index.php?option=com_content&view=article...

Comment: Although the article focuses on a Richard Branson speech last weekend on the potential consequences of climate change (flooding of Dubai), he makes a comment that hints he is Peak Oil aware, but his suggested solution to the problem of declining oil production for other Gulf countries does not make sense – follow Dubai's example and develop tourism. As mentioned before, Dubai has spent over one trillion dollars on its tourism infrastructure, much of it borrowed money, and has severe energy problems now (mainly electricity supplies), which will get much worse over the coming years. Oil-dependent tourism is hardly likely to be a growth industry post-Peak.

The Palm and the World projects in Dubai will disappear underwater in 50 years if the issue of climate change fails to be addressed by governments, Sir Richard Branson has warned delegates at day one of Leaders in Dubai.

... Asked whether running an airline and a space tourism company was hypocritical while at the same time championing the need to reverse climate change, Branson said: "We can either sell our planes to British Airways or Emirates and watch their shareholders reap in the profits or we can carry on and take 100% of our profits and put them into trying to develop a fuel that will change the environment."

In June 2008 Virgin will launch the world's first biofuel run Boeing 747 plane with 20% of the plane's fuel will be made up of biofuels.

Sir Richard warned other Gulf countries by saying that oil reserves were fast depleting and that they should follow the example set by Dubai. "In five years time Dubai will run out of oil, but it has diversified its assets and interests enough with 95% of its income derived from tourism, property and music shops," he joked. "Other countries in the region should learn from what Dubai has done and they should beware that conventional fuel will begin to decline in the next five to 10 years."

... Sir Richard added that his Virgin Galactic space flights, that are scheduled to launch either in late 2008 or early 2009, would fly from Dubai to Sydney in 30 minutes in 10 to 20 years. "We will fly you out and back into the atmosphere using energy efficient fuel easily beating NASA's current effort of wasting two weeks energy supply of New York City each time it launches a Space Shuttle."...

2/ Oil closes on $100 as Asia drops over US fears (The Times, Wed 21 Nov)

http://business.timesonline.co.uk/tol/business/markets/article2912816.ece

Oil prices nudged $100 a barrel today after surging to a record high as Asian markets plunged on the back of the weakening dollar and the deteriorating American economy.

US light crude rose to $99.29 a barrel, a 39 per cent rise in the price of fuel since the end of August, while London Brent crude rose 50 cents to $95.99 as traders reacted to the prospect of tightening oil supplies in colder weather.

... The American sub-prime mortgage crisis spread to more companies yesterday.

Freddie Mac, America's second-largest home loan buyer, revealing a fourfold increase in third-quarter losses to $2 billion while annual housebuilding figures slumped by 6.6 per cent to a 14-year low of 1.178 million in October.

3a/ House price growth to collapse next year (The Times, Fri 16 Nov)

http://business.timesonline.co.uk/tol/business/economics/article2879650.ece

Nationwide forecasts that house prices will fall in real terms as the 2008 growth rate slumps from 9.7% to zero

The property market is due to suffer its worst year since the mid-1990s as houses fall in value across the country, Britain's biggest building society gives warning today.

Nationwide said that house price inflation would collapse from 9.7 per cent at present to precisely 0 per cent next year - below the expected inflation rate of around 2 per cent, meaning that prices will fall in real terms...

3b/ Credit squeeze forces rate rise (BBC News, Fri 16 Nov) http://news.bbc.co.uk/1/hi/business/7098037.stm

> Borrowers have been warned that they could face higher mortgage rates amid signs that lenders are feeling the effects of the global credit crunch.
>
> Standard Life is the first mainstream lender to increase its mortgage rates despite the Bank of England leaving interest rates unchanged this month.
>
> Standard Life said its standard variable rate (SVR) will rise by 0.15 percentage points to 7.46% on Monday.
>
> Other lenders could now follow suit, analysts said...

3c/ Paragon warns of collapse as financing woes hit share price (The Times, Wed 21 Nov)

http://business.timesonline.co.uk/tol/business/industry_sectors/banking_...

> One of Britain’s biggest buy-to-let lenders warned shareholders yesterday that it could collapse if it failed to raise an extra £280 million, prompting fears of a knock-on blow to the housing market.
>
> Trading in Paragon shares was suspended yesterday morning after they plummeted by more than 50 per cent to 100p on the news that the lender needed to raise cash via a rights issue after the credit crunch had made borrowing from other banks too expensive.
>
> The stock closed down almost 39 per cent to 125p.
>
> If the rights issue does not go ahead and it cannot raise money elsewhere, Paragon said that there was “significant doubt” about the company’s ability to continue as a going concern...

4a/ Credit losses 'may reach $400bn' (BBC News, Fri 16 Nov)

http://news.bbc.co.uk/1/hi/business/7098368.stm

> Financial companies' losses due to the US sub-prime crisis could be as much as $400bn (£190bn), US investment bank Goldman Sachs has said.
>
> The estimate by Goldman's chief economist Jan Hatzius is higher than that of the Federal Reserve but in line with some recent independent forecasts.
>
> Mr Hatzius predicts leveraged investors may have to reduce their lending by $2 trillion as a result.
>
> "The macroeconomic consequences could be quite dramatic," Mr Hatzius said.
>
> He said the development could lead to a "substantial recession" if it happened over a year, or to a prolonged period of weak economic growth if it occurred over up to four years...

4b/ Risk of Full Blown Financial Crisis - Technicals at a Critical Juncture (The Market Oracle, Sat 10 Nov)

http://www.marketoracle.co.uk/index.php?name=News&file=article&sid=2723

Comment: A technical article full of graphs by Brian Bloom, the interesting bit is at the end, quoted below. The author suggests that "An unholy alliance between the Banking Industry, the Fossil Fuel Industries, Big Business and the Politicians" just do not understand the seriousness of the problem we have, and the links between energy and economy. Neither, come to think of it, do economists, with a few exceptions of course. Do not read if you do not want to know how bad the current financial mess can get.

> ... My “gut feel” (unsubstantiated) is that if the Dow breaks down, the ratio of Gold:$Indu will break up and, if that happens, the Euro price of gold will rise to new highs.
>
> Under those circumstances, we will likely experience a full blown crisis of confidence in the financial markets.
>
> Probabilities of that happening? Subjectively and unsubstantiated, 60:40
>
> This is no longer an intellectual game. It's real. This is not business as usual. If the markets collapse, the entire infrastructure of society will likely come under threat because, for example, we have passed ‘peak oil'. If investment confidence goes, how will we adapt to that particular problem? Guys, it's not about making money this time around. It's about survival.
>
> I for one do not want to witness a full blown crisis of confidence. We absolutely need to hold it all together in order to allow time for a migration to new energy paradigms.
>
> ... Author's comment - It appears that the authorities have not yet come to understand the subtleties and/or the nuances of the statement that “energy drives the world economy”. An unholy alliance between the Banking Industry, the Fossil Fuel Industries, Big Business and the Politicians has given rise to a life-threatening accident that is now waiting to happen...

5a/ We face a crude awakening over oil prices (The Telegraph, Mon 19 Nov)

http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/11/18/ccliam...

Comment: By Liam Halligan, Economics Editor. Good to see the Economics editor of the Telegraph tackle the often repeated myth by economists that the world economy is now immune to high oil prices. As with probably most mainstream articles that discuss high oil prices, rather than discuss Peak Oil / oil depletion (which would indicate permanent oil supply problems), Liam points out (correctly) that demand is rocketing while supply is not. But still comes to the right conclusion – demand outstripping supply is leading to higher oil prices.

“But we are now approaching a crunch point for the global economy - with crude costs about to become a very major problem.”

> .. The "given" reason for this latest [oil] rise was Opec's positioning ahead of this

weekend's meeting in Riyadh.

... Unlike the price shocks of the 1970s, though, the more gradual oil-cost escalation of recent years cannot be blamed on Opec. Between 1999 and 2006, crude prices rose from $10 to $60. Since then, of course, they've risen more than 50 per cent again.

Oil is reaching near-historic highs not due to politically motivated supply constraints but because the world has changed structurally. On the demand-side, the rapidly-industrializing "emerging giants" of the East are using crude like billyo.

... Faced with such rampant demand, supply isn't keeping up. Between 1985 and 1995, net global oil reserves increased by 3 per cent a year, as new fields were discovered to replace crude that was being used. Last year, reserves grew by a mere 0.55 per cent, despite sky-high oil prices and a desperate search for new oil. Many experts, in fact, contest this latest number, saying net reserves actually fell.

Escalating demand and static supply are combining to generate high oil prices. Add in the sub-prime crisis, which has seen investors seeking refuge in commodities, and crude has surely not yet peaked.

Optimists say the world economy is now immune to high oil prices. After all, since 1999, global commerce has boomed despite the ever-growing cost of crude. The Western world is less energy-intensive, they say, given our increasing reliance on service industries.

I'm not so sure. For one thing, global economic prospects are now heavily contingent on the performance of the energy-hungry emerging giants - whose cost bases are, in turn, heavily dependent on oil.

... To say that "oil no longer matters" is, in truth, a convenient nostrum. It helps certain Western politicians to deny that much of their foreign policy is explained by concerns about energy supplies. It helps stockbrokers soothe the nerves of worried investors who have watched crude prices rise and rise.

But we are now approaching a crunch point for the global economy - with crude costs about to become a very major problem. Until quite recently, the world has managed to keep on growing despite expensive oil. The advent of cheap Chinese goods helped keep inflation at bay.

But the inflationary impact of China's thirst for energy is now easily outstripping the "deflation" it exports via low-price goods. And, around the world now, as oil prices rise, inflationary dangers loom.

... In America, the Federal Reserve faces the same thorny problem, but its oil-induced dilemma is even worse. Because US petrol is lightly taxed, crude costs feed directly into prices on the forecourt. Tens of millions of American homes are heated by oil. And the US is, of course, a huge country - so haulage costs are a large proportion of the price of goods in the shops.

For all these reasons, America is uniquely vulnerable to high oil prices. Last week, we learnt that US inflation hit 3.5 per cent in October - a 14-month high. There's much worse to come. As the latest crude rises feed into gasoline, heating oil and other retail costs, US inflation could soon hit 5 per cent...

5b/ How should I prepare for life without oil? (The Observer, Sun 18 Nov) http://observer.guardian.co.uk/magazine/story/0,,2210342,00.html

Comment: This article was in last Sunday's Observer magazine. The Observer is one of the UK's top three Sunday 'quality' newspapers, along with the Sunday versions of the Times and Telegraph. Hopefully enough councillors / local govt employees will read these Peak Oil articles, even skim over them, so that when they receive a copy of ODAC's Preparing for Peak Oil (http://www.odac-info.org//welcome/documents/PFPO_Final.pdf, 528 Kb), they will read it, and the penny drops.

> With claims that we've passed the peak of oil production, it's not enough just to say no to plastic bags, warns Lucy Siegle
>
> We aren't very good at envisaging a post-fossil fuel lifestyle. Although we happily talk about the price of organic vegetables or even the true cost of fish, the soaring price of oil remains anathema in lifestyle circles. Odd because there's nothing that threatens our hydrocarbon-dependent lifestyles more.
>
> Unnervingly, many commentators claim we've passed the peak of oil production. According to Richard Heinberg, we sailed passed it in May 2005 (Heinberg will give the Soil Association's lecture on 22 November: What will we eat when the oil runs out? soilassociation.org). He suggests, in his new book Peak Everything: Waking up to the Century of Declines, that we need to wean ourselves off it. Fast.
>
> It would, however, be dispiriting to wake up to this decline alone, concentrating only on your own petro-calories. Because while you can decide to say no to plastic bags (some 5 trillion are used globally annually and it takes 430,000 gallons of oil to produce 100m) or decide to run your car on biofuel to 'future proof' your own life (although Heinberg says biofuel production also peaked last year), cutting dependency on the black stuff needs to be a community-based project. For that reason, you can sign up to the burgeoning Transition Town movement (transitiontowns.org), the epicentre of which is Totnes, south Devon, which just happens to be my home town. You will join 176 UK communities signing up to the challenge of life after oil.
>
> There is a blueprint: the Kinsale Energy Descent Action Plan (transitionculture.org). Through the prism of transition thinking, everyone is invited to take a fresh look at modern life in the light of peak oil. And it's refreshing. The relocalisation of energy, food supplies, building materials and even clothing is central, crushing the 'monoculture of the supermarkets', placing the emphasis on local food partnerships and procurement, and cutting down on all forms of food miles. A 7 per cent rise in urban transport last year was recently attributed by Defra to the need to shop increasingly far afield - distinctly non-transition behaviour.
>
> To enable low-impact living on this scale requires a low-input but high-yield agricultural system, provided by permaculture - a design system that works in harmony with nature. Ultimately, the community is 'reskilled', learning to grow produce and fend for itself to increase its resilience.
>
> Everyone's a winner in a town that loses its dependency on oil...

5c/ Economic View: Running on empty: peak oil production is in sight, global supplies will dwindle - and the US, for one, is ill-prepared (The Independent on Sunday, Sun 11 Nov)

http://news.independent.co.uk/business/comment/article3149928.ece

Comment: Independent on Sunday columnist Hamish McRae tackles Peak Oil.

> The oil price will go through $100 a barrel at some stage in the next few months, maybe in the next few days. One consequence, petrol at £1 a litre, is already with us. The climb is surprising, at least to the oil companies, who a couple of years ago were still expecting an oil price of below $50 a barrel, and doing all their planning on that basis. But, in a way, it is more surprising that the world economy has managed to carry on growing strongly despite this rise. For the oil price affects not only energy prices; oil also is the feedstock for plastics and other products we use every day.
>
> ... The fundamental availability of mineral oil in the world has not changed much in recent years. No big new discoveries have been made, though a steady stream of smaller ones has been seen and interest in non-conventional sources of oil, including tar-sands, is rising. What has changed is the awareness of the pressure. The principal organisation warning of a lack of supply, the Association for the Study of Peak Oil, was seen by the main oil producers as maverick and wrong four years ago; now its views are seriously debated, even if most geologists feel they are too pessimistic. ASPO is talking of peak production being reached within the next five years.
>
> ... This shift in power is immediately evident in the size of the cash balances that have become available for investment: the rise of the Sovereign Wealth Funds. If oil supplies remain tight far into the future, which they will, these balances will grow and grow. That changes investment perceptions. Countries that have cash will want to deploy that cash to their national advantage.
>
> ... The present climb in the oil price has coincided with rising demand from China. Put it this way: China used about three-quarters of the additional supply of oil in the world last year. The economic team at ING Bank notes that China may account for all the additional production this year. If China is to go on using all the additional oil that is available, or more, the rest of the world will have to get by with less. This makes the present surge in the oil price different from all previous oil shocks: it is caused by rising demand rather than restricted supply...

6a/ Big Oil CEOs Point To Constraints On Supply Growth (Dow Jones / Energy Bulletin, Thu 08 Nov)

http://www.energybulletin.net/36976.html (Summary on Energy Bulletin, third item down. Original article no longer available.)

Comment: Tony Hayward, CEO of BP, apparently said "about half" the world's oil has been recovered, which implies Peak is near but won't mean much to the average reader. James Mulva, CEO of ConocoPhillips, seems to be following in the footsteps of Total's CEO Christophe de Margerie in saying that global oil production will never exceed 100 Mb/d, which also implies Peak is near.

> Pointing to a variety of political and technological constraints on energy investment, chief executives at two oil giants Thursday highlighted systemic limitations on the growth of the supply of oil, implying that there will be high oil prices for at least the medium term.
>
> BP PLC (BP) Chief Executive Tony Hayward predicted that medium-term oil prices will

be in the $60-$80 range. "For the medium term, it's very clear the era of cheap energy is behind us," the recently installed CEO said in Houston, adding that it isn't clear how long the medium term will last.

ConocoPhillips (COP) Chief Executive James Mulva had earlier told a New York financial conference that he doubted that world oil producers would be able to meet forecast long-term energy demand growth. The International Energy Agency, the energy watchdog for western economies, has projected 2030 world oil demand of 116 million barrels a day. But Mulva said he doesn't believe oil supply will ever exceed 100 million barrels a day. He didn't offer a price forecast.

"Demand will be going up, but it will be constrained by supply," Mulva said. " I don't think we are going to see the supply going over 100 million barrels a day and the reason is: Where is all that going to come from?"

...Overall, Hayward said "about half" the world's oil has been recovered, but he implied that significant improvement is possible on a broader scale.

6b/ Transcript: Interview with IEA chief economist (Financial Times, Wed 07 Nov)

http://www.ft.com/cms/s/0/3c8940ca-8d46-11dc-a398-0000779fd2ac.html?ncli...

Fatih Birol, chief economist of the International Energy Agency, interviewed by Ed Crooks and Javier Blas of the FT

Ed Crooks questions to Fatih Birol:

There was a phrase in your report that leapt out at me: “Rising global energy demand poses a real and growing threat to the world’s energy security.” Is that your most important message today?

That’s a very powerful phrase: “The wheels may fall off.” What do you mean by that?

The gap of that size emerges by when?

When you say, very, very high, what does that mean? That means, a price that is high enough to choke off demand? What price would then bring supply and demand into balance?

So, what sort of price increase might we see?

When oil was at $110 real terms at the beginning of the 1980s, we had a very serious global recession. Is that a real risk again?

I think you quote a figure, is it a 3.7 per cent average global decline rate, is that right?

OK, I now understand that distinction. What I’m wondering is, are both the natural and observed decline rates going to be significantly higher in the non-Opec countries?

[Last question, and answer]
EC: And, we really need that action right away?

FB: Exactly, right away and in a bold manner.

7a/ WEC [World Energy Congress]: Saudi Aramco chief dismisses peak oil fears (Oil and Gas Journal, Wed 14 Nov)

http://www.ogj.com/articles/article_display.cfm?Section=ONART&C=GenIn&AR...

Comment: Article will be pay-to-view shortly. The content of the article is a bit suspicious in as much as Aramco Pres. and Chief Executive Abdallah Jum'ah talks entirely about oil reserves and resources, nothing about future rates of production which you might expect in an article about Peak Oil (maybe he did and the OGJ did not report it, but unlikely).

> The global oil industry should aim to produce at least 3 trillion bbl from conventional recoverable resources in known fields and discoveries over the next several decades, according to the head of Saudi Aramco.
>
> Aramco Pres. and Chief Executive Abdallah Jum'ah said at the World Energy Congress in Rome that this production figure was achievable from proved reserves, growth in existing fields, and discoveries. Usual estimates of recoverable resources are about 1.7 trillion bbl.
>
> Jum'ah said the world "seems to have over 3 trillion bbl of recoverable conventional and nonconventional liquid fuel resources if we opt for extra-conservative assumptions and about 6 trillion bbl if we adopt the target scenario."
>
> Research and development will be crucial for improved oil recovery, and more technological work needs to be done to boost economic efficiency and use of oil in an environmentally sensitive manner, he said. Oil recovery stands at an average of 35% of oil in place around the world. Around 1 trillion bbl of additional reserves from known fields could be produced with pioneering technology and aggressive targets. At the conservative end, at least 200 billion bbl could be produced from conventionally recoverable oil resources in known fields, he said.
>
> Peak oil
>
> Jum'ah said past theories of peaking oil production had failed as more reserves had been found over time, and evolving technology meant that companies had tapped fields previously thought to be unworkable.
>
> "Based on total global reserves of both conventional and nonconventional oil and the world's current demand for oil of some 86 million b/d, we still have almost a century's worth of oil under the conservative scenario...and nearly 200 years' worth under the target scenario," he stressed.
>
> ... Estimates of conventional oil in place around the world vary between 6 trillion bbl and 8 trillion bbl depending on whether figures are conservative or at the higher end of the spectrum...

7b/ Oil prices too high, Saudi minister says (Globe and Mail, Tue 13 Nov)

http://www.theglobeandmail.com/servlet/Page/document/v5/content/subscrib...

Comment: An ODAC contact writes: “One of topics [name removed] mentioned to me on a bus trip following Cork [ASPO-6] was that ASPO could get blamed for high oil prices. He was spot on as this is exactly what Saudi Oil Minister is currently doing.”

Full article pay-to-view.

> The world's biggest oil producer thinks the price of crude should be closer to $60 (U.S.) a barrel than $100, pointing specifically to the cost of production in Alberta's oil sands as a likely long-term benchmark for the commodity.
>
> “The price today really has no relation whatsoever with the fundamentals. The fundamentals do not support the current price,” Ali al-Naimi, Saudi's Arabia's powerful Oil Minister, said Tuesday.
>
> Mr. al-Naimi's expansive thoughts on the volatile oil market – for which he blamed “pessimists,” “gurus” and “experts” preaching Peak Oil that are “agitating the speculators” – were one of several factors that sent oil tumbling $3.45 or 3.6 per cent to $91.17 Tuesday after nearly hitting $100 last week...

8a/ WEC [World Energy Congress]: Eni's Scaroni says Europe runs risk of gas shortage (Oil and Gas Journal, Tue 13 Nov)

http://www.ogj.com/articles/article_display.cfm?Section=ONART&C=GenIn&AR...

Comment: Login required.

> Paolo Scaroni, chief executive of ENI, called for a reduction of natural gas in Europe's energy mix to ensure that Europe does not suffer a shortage.
>
> Scaroni's recommendation, made during a formal address at the World Energy Congress, would mean building nuclear capacity of about 115 Gw by 2020 and a push for renewable energy sources, especially solar power.
>
> Gas accounts for a quarter of all the energy used in Europe, and 60% of that is imported. Scaroni said cutting Europe's reliance on gas combined with energy efficiency and gas supply diversity would position Europe to compete with other countries for energy supplies. "These are not alternative options. We need to do all three to avoid a gas shortage."
>
> ... Gas imports in Europe are expected to double by 2030, but European gas production is expected to halve by 2020. With power generation set to be the key driver behind the growth of gas, "Europe's total gas demand in 2020 could be 40% higher than it is today," Scaroni said.
>
> ... Scaroni admitted that the outlook for renewable sources is "bleak" because Europe would have to install up to 15,000 wind turbines and solar panels covering the space of 50,000 football fields every year if it is to meet incremental electricity demand. "It seems clear that alternative energy sources will not really be able to cover even just Europe's incremental electricity demand from here to 2020. Much of this growth will inevitably be satisfied by gas." ...

8b/ Shell to Continue Saudi Gas Hunt Despite Dry Wells (Planet Ark [Reuters], Wed 14 Nov)

http://www.planetark.org/dailynewsstory.cfm?newsid=45306&newsdate=14-Nov...

Comment: Saudi Arabia is keen to find more natural gas, it is heading for potential shortages of supply in the not too distant future.

> Royal Dutch Shell plans to push on with drilling for gas in Saudi Arabia's vast empty quarter, despite finding nothing with its first three wells, a senior company executive told Reuters on Tuesday.
>
> "We will complete our plan to drill seven wells," Shell Saudi Arabia Country Chairman Robert Weener told Reuters at an oil exhibition in Riyadh. "This is an area the size of the UK. You can't just drill three wells and say there's no gas."
>
> Shell is part of a joint venture with Total and state oil giant Saudi Aramco called South Rub al-Khali (SRAK). SRAK had an exit option after three consecutive dry wells.
>
> None of the four consortia of European, Russian and Chinese firms exploring for gas in Saudi Arabia's vast Empty Quarter has found commercial quantities of gas, prompting speculation in the industry that companies may cut short their drilling programmes.
>
> The companies are hunting for gas fields that also hold high value condensates to compensate for the cheap domestic prices they would garner for dry gas. The companies were awarded gas exploration blocs in the Empty Quarter in 2003 and 2004.
>
> Saudi Arabia is the world's fifth-largest holder of natural gas reserves. It opened its gas fields to international firms to meet rising demand for gas from its growing population and expanding industrial and petrochemical sectors. The upstream oil sector remains off-limits.

9a/ No More German Biodiesel Plants Likely to be Built (Planet Ark [Reuters], Wed 14 Nov)

http://www.planetark.org/dailynewsstory.cfm?newsid=45319&newsdate=14-Nov...

> A new round of tax increases planned on German biofuels means no more biodiesel plants are likely to be built in the country, the chairman of German oilseeds industry association UFOP said on Tuesday.
>
> Many biodiesel producers are likely to find themselves in "severe financial trouble" if Germany's government goes ahead with plans to further increase biofuels taxes on January 1, UFOP chairman Klaus Kliem said.
>
> At a time when the European Union wants to increase biofuel use to stop global warming, Germany in late 2006 started taxing biodiesel as the government said it could not afford to lose the large tax revenue from fossil diesel.
>
> A second round of tax increases on biodiesel is on the statute book and scheduled to be imposed in January 2008. The government so far has refused calls to reconsider this...

9b/ Green Dreams (National Geographic, Oct 2007)

http://magma.nationalgeographic.com/ngm/2007-10/biofuels/biofuels.html

Comment: Lengthy article on biofuels.

> Producing fuel from corn and other crops could be good for the planet–if only the process didn't take a significant environmental toll. New breakthroughs could make a difference...

10/ After the Oil Crisis, a Food Crisis? (Time, Fri 16 Nov)

http://www.time.com/time/business/article/0,8599,1684910,00.html

Comment: A relatively short article, raises the issue of the evolving food crisis. The article concludes high oil prices are the main culprit. This of course is partly true, since high oil prices are encouraging crops-to-biofuels, but drought/floods and higher demand from China are just as important. The article says the rate of inflation for food prices is 10% for Russia – this is the average, government-reported rate of inflation. Friends in Russia say that the price of the basic foodstuffs, what most Russians largely depend on, have doubled in price this year. This is hurting the average Russian. No wonder Putin is trying to cap prices for a few months.

> Is the world headed for a food crisis? India, Mexico and Yemen have seen food riots this year. Argentines boycotted tomatoes during the country's recent presidential elections when the vegetable became more expensive than meat; and in Italy, shoppers organized a one-day boycott of pasta to protest rising prices. In late October, the Russian government, hoping to ease tensions ahead of parliamentary elections early next year, announced a price freeze for milk, bread and other foods through the end of January.
>
> What's the cause for these shortages and price hikes? Expensive oil, for the most part.
>
> ... What's more, worldwide food reserves are at their lowest in 35 years, so prices are likely to stay high for the foreseeable future. "Past shocks have quickly dissipated, but that's not likely to be the case this time," says Ghurkan. "Supply and demand have become unbalanced, and... can't be fixed quickly."
>
> ... Nearly every region of the world has experienced drastic food price inflation this year. Retail prices are up 18% in China, 17% in Sri Lanka and 10% or more throughout Latin America and Russia. Zimbabwe tops the chart with a more than a 25% increase. That inflation has been driven by double-digit price hikes for almost every basic foodstuff over the past 12 months. Dairy products are as much as 200% more expensive since last year in some countries. Maize prices hit a 10-year high in February. Wheat is up 50%, rice up 16% and poultry nearly 10%...