

The Oil Drum: Europe

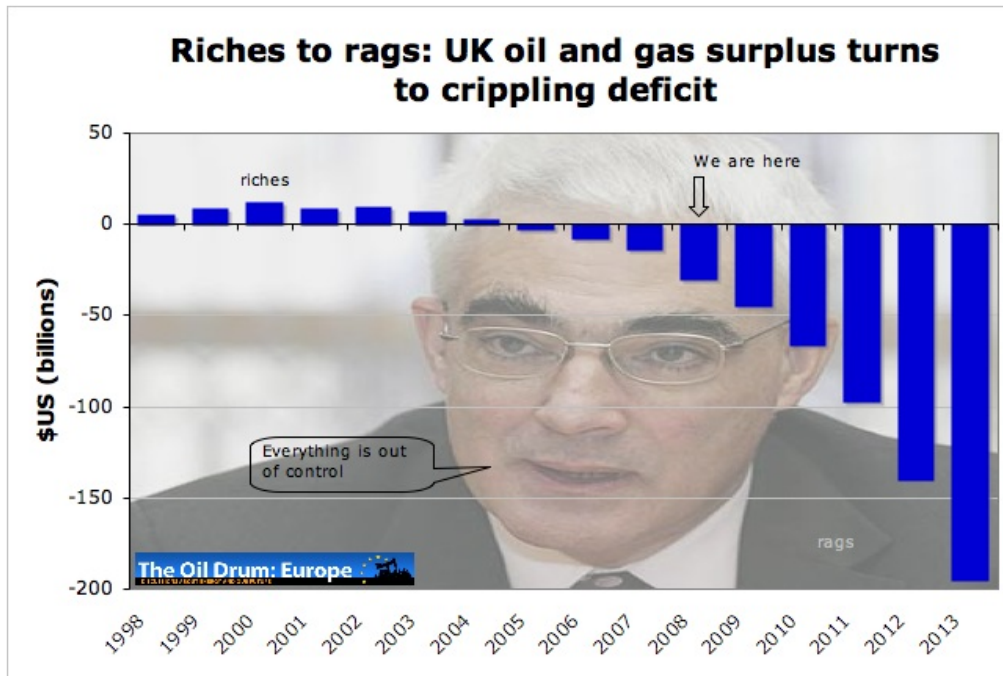
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

A State of Emergency

Posted by [Euan Mearns](#) on June 25, 2008 - 9:55am in [The Oil Drum: Europe](#)

Topic: [Policy/Politics](#)

Tags: [alastair darling](#), [balance of trade](#), [bank of england](#), [gordon brown](#), [mervyn king](#), [original](#), [peak gas](#), [peak oil](#), [united kingdom](#) [[list all tags](#)]



Click all charts to enlarge, without call out.

[This BERR assessment](#) (960 kb pdf, 58 slides) of oil and gas production on the UK continental shelf arrived in my mail box last week. It is one of the best summaries I've seen and should be read by all with an interest in the future of UK and European energy security. The chart above is based upon the BERR forecast for UK oil and gas production. It is time for Alistair Darling and Mervyn King to explain to the British people why they see current problems with energy prices and associated inflation as a transient blip when the UK seems to be in a terminal dive towards insolvency.

63
diggs

[digg it](#)

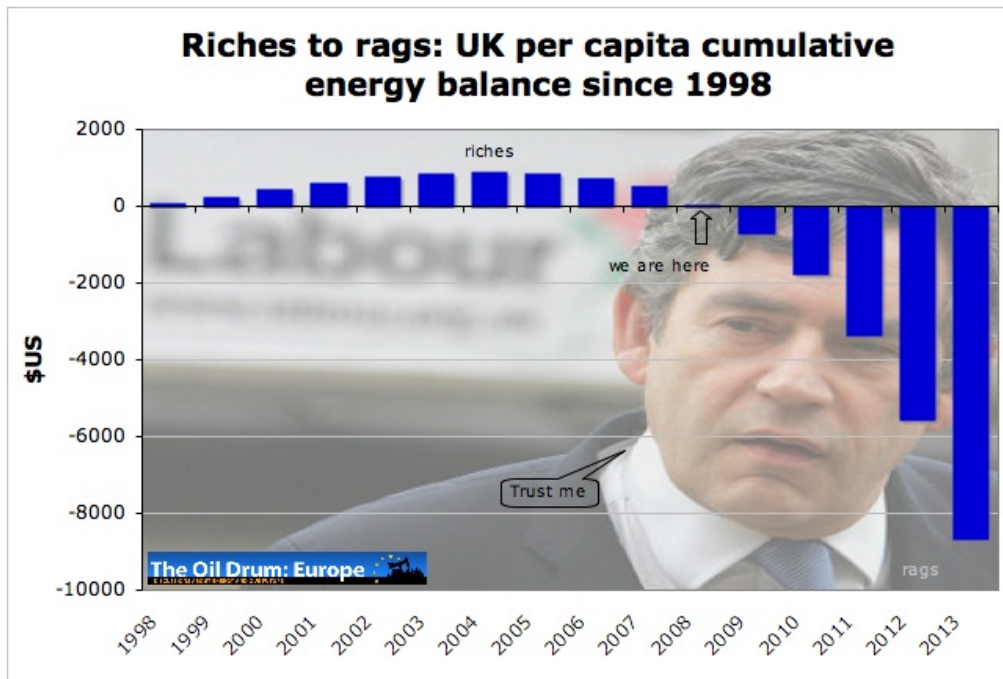
Methodology

The bar-charts are prepared from the BERR forecast shown below (slide 57 of the presentation). United Kingdom continental shelf (UKCS) production of oil and natural gas are forecast to continue their decline from their respective production peaks in 1999 and 2000. The decline rate is not given, but it appears to be around 8% which seems about right.

whilst the poor will just have to go without - personal transport, heat, light and power.

The charts below show the gross cumulative and per capita cumulative surplus / deficit from 1998 which is when the BERR chart begins, which coincides roughly with when the New Labour government (Blair - Brown) came to power. We are currently at the fulcrum of surplus turning to deficit. By 2013, the UK may well run up a cumulative deficit in oil and gas imports in excess of \$500 billion - if we can find countries that will sell us oil and gas on credit. This equates to an energy debt over \$8000 for every man, woman and child in 5 short years. This is in addition to the already dreadful debts we have run up as a country importing consumer goods on credit (see below).

Mervyn King, Governor of the "independent" Bank of England;-)



Gordon Brown, the most confused man in the world? On his way to Saudi Arabia to beg for more oil to combat global warming whilst promising a green energy revolution at home founded on nuclear power.

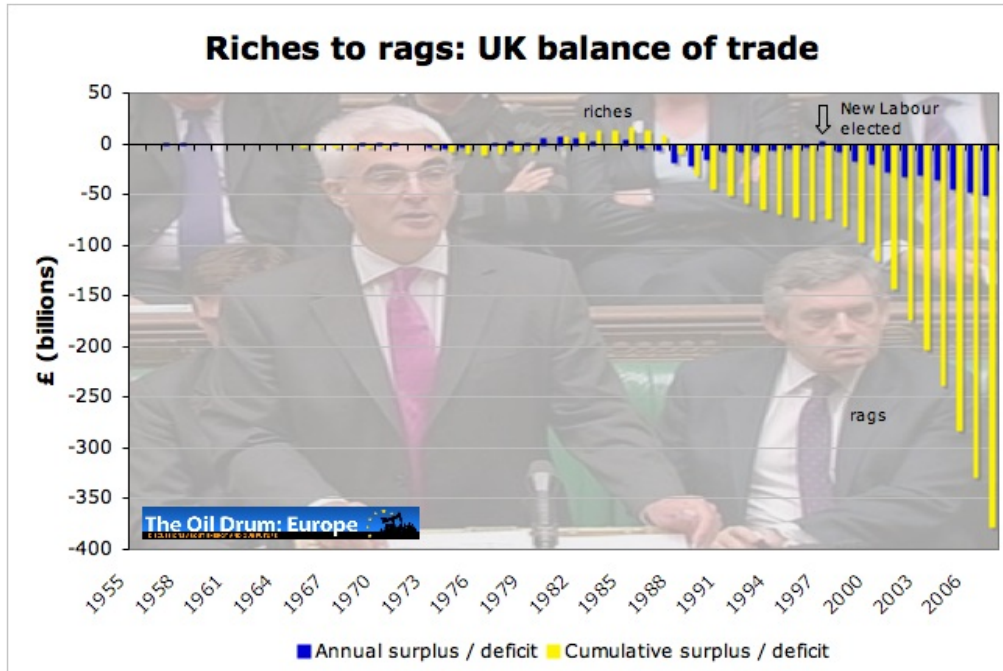
Population data from [The United Nations](#).

A state of emergency

We should hopefully by now have reached a point where all stake holders in UK, European and Global energy are able to grasp the simple fact that we are now in the early stages of a full blown global energy crisis. The focus is currently on oil but this will soon turn to concerns over natural gas and coal supplies.

This crisis has been turned into a state of emergency by the indifference of political leaders in the UK (and throughout the world), fluttering in the wind of poorly informed public opinion while they have prevaricated about expanding renewable energy resources and building new nuclear power stations. All warnings of this pending energy crisis have been ignored in favor of pursuing popular policies that created the illusion of prosperity whilst the fundamentals of our nations security and well being have been draining away.

The chart below shows the current state of the UK trade balance. This is the position at the end of the good times North Sea oil and gas have provided. The situation now is about to get a whole lot worse as our energy surplus turns into a crippling deficit with no plan on the horizon of returning the books to balance.



Data from [National Statistics Online](#), table 5050646091.csv, column ikbj.

I have not attempted a forecast since some major changes to UK trading status are to be expected. Higher food, fuel, domestic energy and bank interest bills will squeeze the disposable income of many individuals and families. Thus, instead of buying consumer goods and going to Spain on vacation, families will instead spend this money on food and energy. Thus we can expect the deficit in goods and tourism to reduce while the deficit in energy balloons.

The future

[The exchange last week](#) between Mervyn King (Governor of the Bank of England) and Alistair Darling (Chancellor of the Exchequer) suggests that they plan to do nothing about this presuming that the upwards tick in energy and food prices (that began in 2002) will drop out of the annual inflation statistics a year from now. True rabbits caught in the headlights. They have created a perilous situation for the UK economy that they seem not to understand let alone know how to fix.

Here are a few pointers to what I think we can expect in the next 18 months:

- Forever rising energy import bills will pressure Sterling which will continue to fall, pushing up the cost of energy, food and consumer goods even more.
- Public sector workers, no longer able to borrow to supplement income will begin to strike once they discover that 3% wage increases do not come close to covering the rise in the cost of living (the great inflation lie will be found out).
- Unemployment will begin a steady rise as financial services, banks, building sector, airlines, airports, leisure and retail come under severe pressure. They will be joined by public service workers as the government struggles to fund public services with falling tax receipts, spiraling debt and a falling pound. (already happening in Aberdeen with deep cuts in education spending across the city and teacher numbers being slashed).
- I won't go into the spiraling and compounding nature of this on the property market since

this is an article about energy.

- The elderly and poor will really struggle this winter to pay their energy and food bills. If the weather is cold, the grid might fail and the vulnerable will begin to die from cold and starvation.

Following that things will begin to get worse as the UK discovers that it is struggling to secure sufficient natural gas at any price, on the liberalised market they helped create. Society becomes more polarised into those who can still afford to drive an SUV, live in comfort and warmth and fill their bellies with prime Aberdeen Angus steak set against a new under class who struggle to feed and heat their families. Welcome to Britain in 2010.

The End

Further reading on UK energy on The Oil Drum

Chris Vernon March 2006

[UK Energy Gap](#)

Euan Mearns September 2006

[Oil export - import model for the UK](#)

Euan Mearns October 2006

[Lies, Damned Lies and Government Oil Production Forecasts?](#)

Euan Mearns November 2006

[The architecture of UK offshore oil production in relation to future production models](#)

Chris Vernon February 2007

[UK Energy Descent Continues](#)

Jerome a Paris June 2007

[The Anglo Disease - an introduction](#)

Euan Mearns July 2007

[UK Energy Security](#)

Jerome a Paris October 2007

[Energy: the fundamental unseriousness of Gordon Brown](#)

Euan Mearns December 2007

[The European Gas Market](#)

Euan Mearns December 2007

[Daddy, will the lights be on at Christmas?](#)

Chris Vernon January 2008

[Nuclear Britain](#)

Euan Mearns February 2008

[Energy Prices, Inflation and Denial](#)

Euan Mearns May 2008

[European Gas Security: The Future of Natural Gas](#)

Jerome a Paris June 2008

[Countdown to \\$200 oil meets Anglo Disease](#)

Guest post Bob Everett June 2008

[A Little History of the Affordability of Domestic Energy in Great Britain](#)

Guest post Rune Likvern June 2008

[Why UK Natural Gas Prices Will Move North of 100p/Therm This Winter](#)

I think it is fair to say that we have been beating this drum pretty hard and loud. While the press and television have begun to help of late they could do an awful lot more. I'd like to see Alistair Darling answer questions about the UK energy trade balance on prime time current affairs. And I believe it is time we had some televised debates about this energy issue that is vital to all of us.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).