

The Oil Drum: Europe

DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

Why oil costs over \$140 per barrel: the failure of leadership

Posted by [Euan Mearns](#) on July 7, 2008 - 1:37pm in [The Oil Drum: Europe](#)

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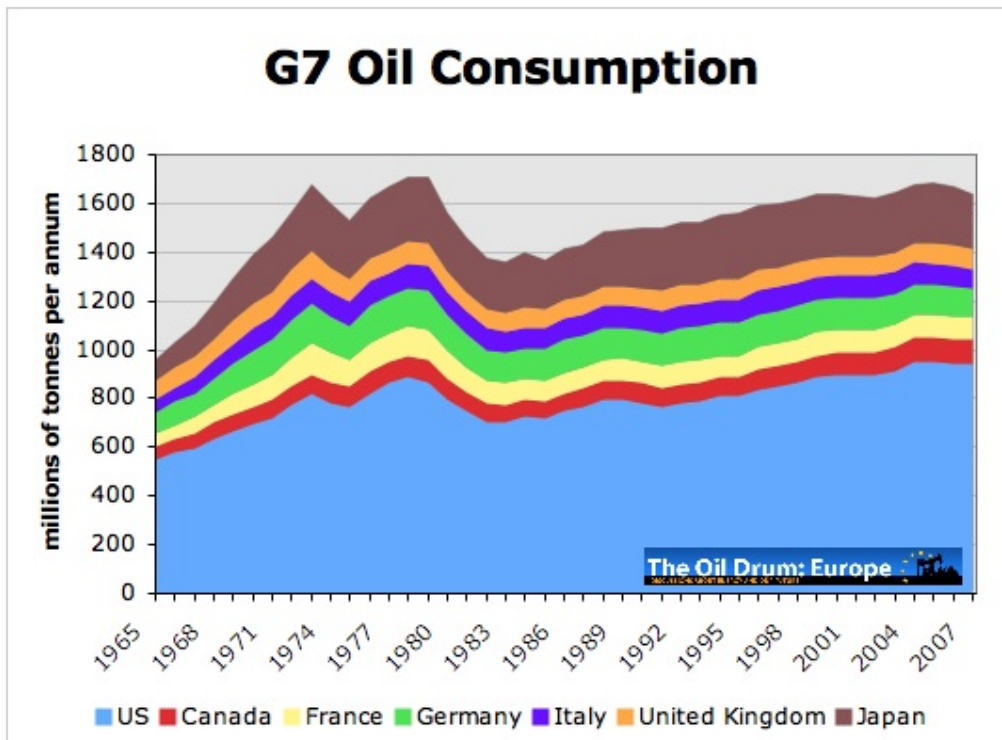
*Bush, Harper, Fukada, Brown, Merkel, Sarkozy and Berlusconi. **The leaders of the G7 (+Russia) will meet this week in Japan.** Their collective failure to reduce demand for oil, natural gas and coal within their respective economies is one of the main reasons energy prices are spiraling upwards out of control.*

High oil prices

The leaders of the G7 have been howling about high oil prices. They have been to Jeddah to beg OPEC to produce more oil. They have tried to blame speculators for bidding the price up. They **do** seem to understand that prices are high owing to a growing imbalance between **supply and demand** at the price they would like to pay. But they have done nothing to try and solve this unfolding crisis apart from fiddle while Rome burns.

The only part of this equation they can control is demand. It is therefore imperative that action is taken to curb demand for oil within the G7 - **now!**

But no. Rather than show any form of leadership the favored course of action by all is to allow the market, via price, to ration oil supplies between countries and within countries - and then quite amazingly to complain about the high price their common policy has produced.



The G7 policy of allowing the market and high oil prices to ration supplies is working. G7 oil consumption appears to have peaked at 1681 million tonnes in 2005. It is unlikely this figure will ever be surpassed (though it was exceeded in the 1970s and 1980s).

It is therefore the conscious decision of the G7 leaders to progressively deny poor people access to oil and to energy in general. The creation of a new impoverished underclass within and without the G7 / OECD will have dire consequences for our society. This is the outcome of G7 policy and the leaders must bear responsibility for these consequences as they unfold.

More equitable means of rationing oil supplies are available, but these options have thus far been spurned by the leaders of the G7.

Energy poverty

Many who have followed this debate for a number of years have wondered how the peak oil story may unfold. The early chapters are now written as electricity bills, natural gas bills, heating oil bills, gasoline bills and food bills all rise, the disposable income of lower income groups is being squeezed. For many I imagine this may already mean selling that car, turning down the heating, eating less meat. All this of course is sensible and good conservation.

But we are likely already in sight of many going cold and hungry in winter time. And we are already witnessing rioting by groups whose livelihood is threatened by rising fuel prices. I fully expect to see widespread strike action within the public service workers in Europe this year or next, where strong and reasoned Trade's Unions still exist. With the squeeze on discretionary spending comes pain for a number of business sectors - leisure, airlines, airports, pubs, restaurants and retail to name but a few. Unemployment will inevitably start to rise - and how will the newly unemployed cope with those rising energy bills?

This is just the beginning of a [Long Emergency](#) that the G7 leaders meeting this week in

Starving millions

There are a number of different reasons for food prices escalating around the world. But two of the most important ones are converting food to liquid fuel and high energy input prices to farming. The G7 leaders, the OECD and their affiliates are to blame for this. They alone have the power to change the policies that have led to this point.

The G7 (8) summit

The summit has three main themes:

The World economy
Environment and Climate Change
Development and Africa

Reading the Japanese guidance on how to solve these issues leaves me with a sense of despair.

Discussion will include the sustainable growth of world economy, trade and investment, protection of intellectual property rights and energy and natural resources. Japan aims to bring a specific outcome including the measures regarding rising oil prices and toward further liberalization of trade and investment.

It seems thinking is still very much focussed on growth and liberal markets. These objectives may well help Japan continue to secure their share of global resources but they certainly will not reduce energy prices and work towards a more equitable distribution of resources.

Solutions

There are no simple and painless solutions to the greatest crisis ever faced by industrial civilisation. The road to sustainability must start somewhere but I very much doubt that the path will start in Hokkaido. Here are a few pointers as to what I see as the urgent actions required to address the early years of this crisis:

- Recognise and publish the enormous problems associated with the future decline of fossil fuel production so that the population understands the reasons behind actions being taken (immediate)
- Introduce and enforce lower speed limits, uniform throughout the OECD (immediate)
- Introduce regulations on vehicle engine size and efficiency, uniform throughout the OECD (phased introduction from 2009)
- Ban the inefficient production of liquid fuel from food throughout the temperate latitudes of the OECD (effective 2009)
- Introduce regulations on the efficiency of electrical power generating plant (phased introduction from 2009)
- Abandon plans for carbon capture and storage unless this is in context of miscible gas flooding of old oil fields leading to enhanced oil recovery (EOR)
- Abandon all plans for expansion of fossil fuel based transportation and power generation.

This is a list of emergency actions required to reduce demand for oil and energy immediately. The voluntary reduction in demand should lower prices, reduce inflationary pressures and provide a few years breathing space. This must then give way to a structured long term plan for

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[Why oil costs over \\$130 per barrel: the decline of North Sea Oil](#)

[A State of Emergency](#)

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

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