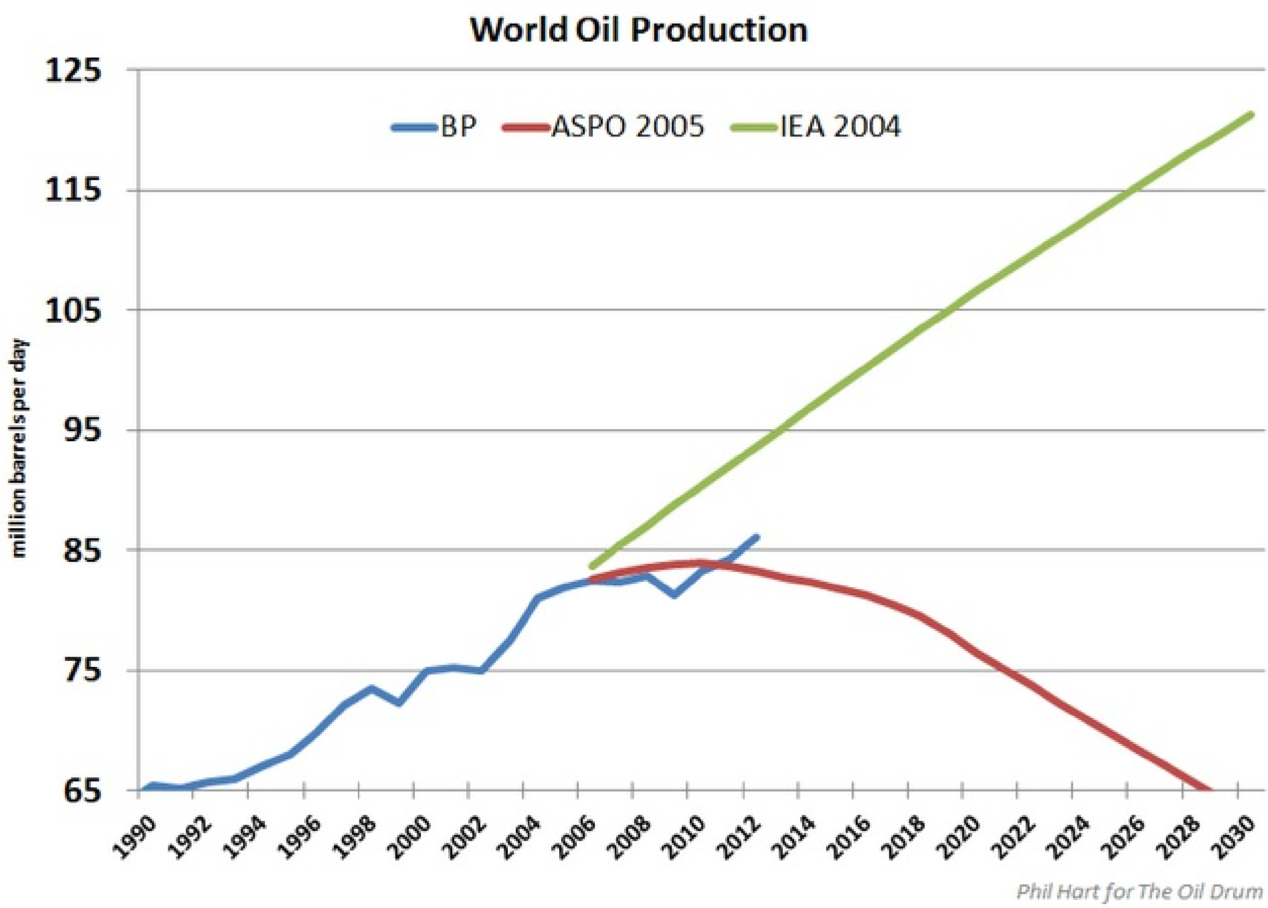
The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

We Don't Think in Straight Lines Anymore

Posted by Phil Hart on August 9, 2013 - 5:22am



When Straight Lines Were Everything

In the early years of this site and my forays into peak oil analysis, it amazed me that the primary OECD energy forecasting agencies worked out their oil supply forecasts by simply extrapolating demand forward, working out what the Non-OPEC world could produce (with an optimistic set of assumptions) and then blatantly and explicitly assuming that OPEC would make up the difference. Working out this 'call on OPEC' was the crux of oil market forecasting in 2004.

That's how they came up with the green line in the chart above, $20 a barrel all the way. In 2004, everybody believed it and we were building roads, cars and airports to match.

Now you can make a weather forecast that is reasonably accurate on average by simply stating that tomorrow's weather will be much the same as today's. But of course the value in weather forecasts is providing advance notice of when conditions are going to change. Peak oil analysts, myself included, may not have got everything right, for which we can in part blame a lack of pretty basic data, which is still a concern. But we did anticipate an historic transition in oil production and the oil market. And while the energy agencies and other conventional economists forecast growth in oil supply to resume and prices to settle, we correctly saw that the problem was chronic.

Even greater economic heresy was committed by those who predicted the eventual failure of the credit driven economy, which eventually buckled as it had to under the weight of $140 oil. Yet despite our dire economic situation and the ongoing joy of credit deleveraging, we have become largely desensitized to triple digit oil prices, a phenomena that was unthinkable to most just ten years ago.

While it pains me to see others making mileage out of the decision to pull down the shutters on The Oil Drum, not even the most delighted and irrational of our detractors still believe that oil supplies are headed on up the ever increasing green line to the sky. There are mutterings about this being a 'demand driven peak' due to price, but of course that's how a resource peak has to play out. The debate has moved on a long way from where we were in 2004 and I'm proud of the little I contributed to The Oil Drum's role in that.

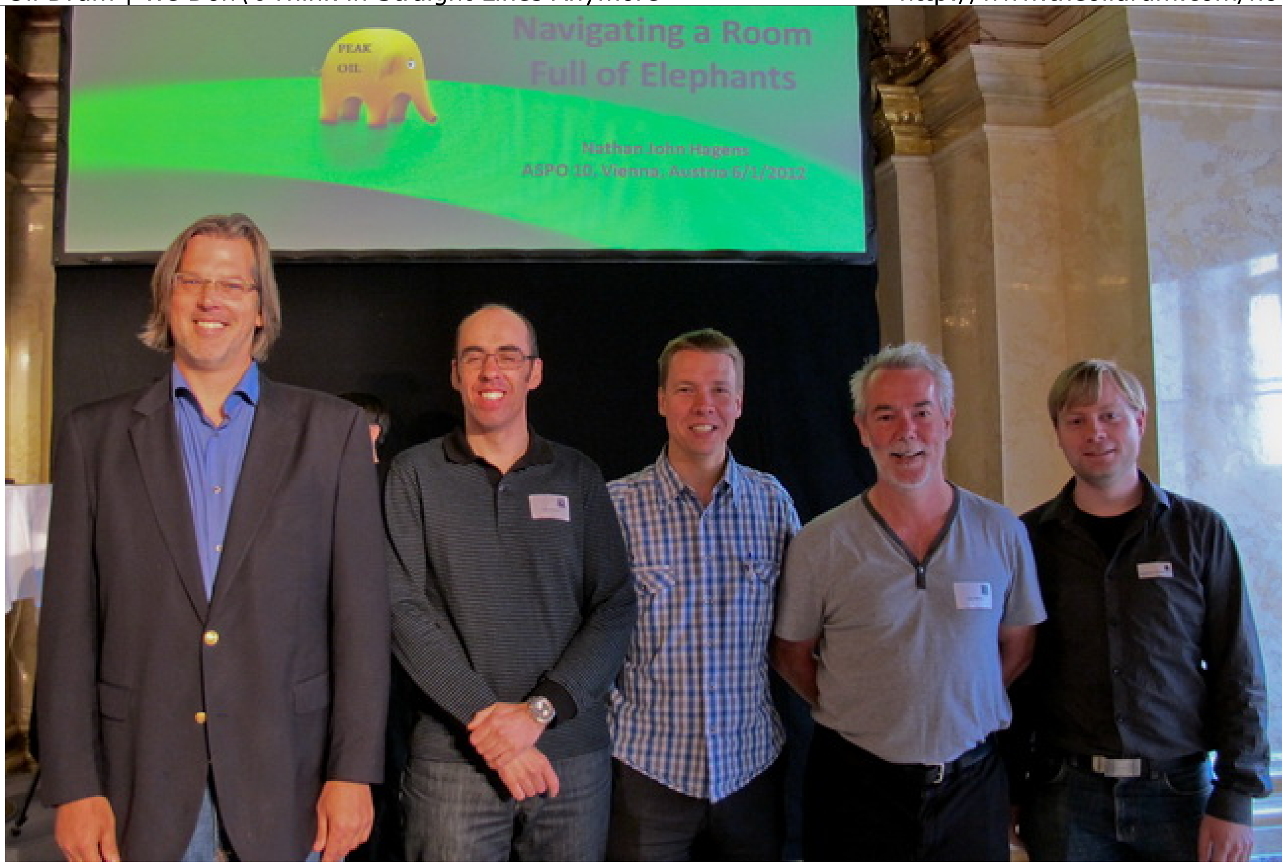
In terms of summarizing the situation as I see it now, I don't have a lot to add to my post Looking in the Rear View Mirror from 2011. Compared to our fears of how peak oil might unfold back in 2005, there are two fairly key explanations of why production is still holding up:

- Decline rates for existing fields are not as high as we feared.
- We under-estimated the extent to which unconventional oil would be extracted, and the price that we were willing to pay in local and global environmental impacts to get it.

I think the ASPO 2005 forecast in the top chart now represents a low case for future oil production (assuming hypothetically strong demand all the way). While the bumpy plateau may continue for awhile, even the International Energy Agency has come to accept that production is not likely to grow significantly beyond current levels. That leaves a pretty narrow range of dispute compared to our respective positions ten years ago. Without a sudden switch to greater data transparency across OPEC and other National Oil Companies, there's not really much more that can be said. Which is why I am both sad to see The Oil Drum come to a close but also symptomatic of not having any new analysis to bring to an audience that in the main now has other concerns.

A Motley Bunch with an Exit Strategy

While I may miss the heady days of the peak oil debate, I applaud the current stalwarts of The Oil Drum and the Institute for the Study of Energy and Our Future (ISEOF) for adapting to changing circumstances and continuing to adjust how The Oil Drum has been managed and delivered. A graceful exit is not an easy choice to make.



A few of The Oil Drum at ASPO 2012 in Vienna
Nate Hagens, Luís de Sousa, Phil Hart, Euan Mearns, Rembrandt Koppelaar

I've learned a lot from my colleagues at The Oil Drum, many of whom I've never met. In any setting, I value diversity, and that has certainly been true here and to my benefit. But it concerns me that as a group of ostensibly objective analysts without any significant financial or corporate influence (that I know of!), we couldn't even come close to agreement on some pretty fundamental topics; climate change and the role for renewable energy being just two that are close to my heart. Of course this is characteristic of many peak oil groups, not just at The Oil Drum. While an amicable agreement not to promote discussion and solutions where we held strongly diverging views (primarily climate change) was a reasonable compromise, without the strong unity of purpose which The Oil Drum once had, the days of keeping the venture afloat were always limited.

Personally I strongly support the solutions focussed work now done by groups such as Beyond Zero Emissions in Australia, for example on their 'Stationary Energy Plan'. But since we at The Oil Drum, a tribe with much in common, couldn't come to agreement on these issues, I fear for the ability of the vastly more complex world to find the right answers, whatever they are. Until then, the momentum of the system and its embedded power structures will carry us forward on the path of least resistance, however adverse that choice may be.

Farewell and thanks for reading!

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