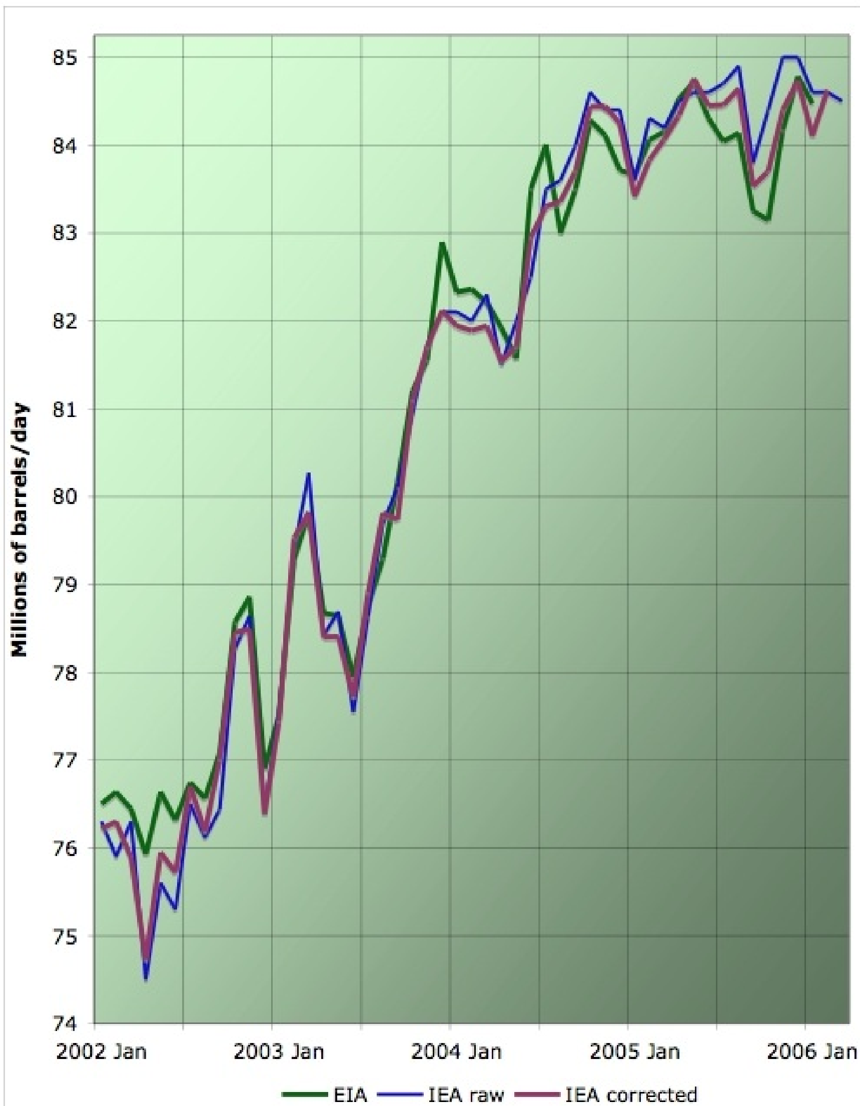
The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

Plateau continues, aided by outages...

Posted by Stuart Staniford on April 15, 2006 - 6:05pm
Topic: Supply/Production
Tags: peak oil, plateau [list all tags]

Update [2006-4-15 18:5:35 by Stuart Staniford]: I have added a revised analysis of what proportion of the plateau is due to outages, and what to underlying supply trends.



Average daily oil production, by month, from various estimates. Click to enlarge. Believed to be all liquids. Graph is not zero-scaled. Source: IEA, and EIA. The IEA raw line is what they initially state each month. The IEA corrected line is calculated from the month-on-month production change quoted the following month.

The latest IEA Oil Market Report is out.

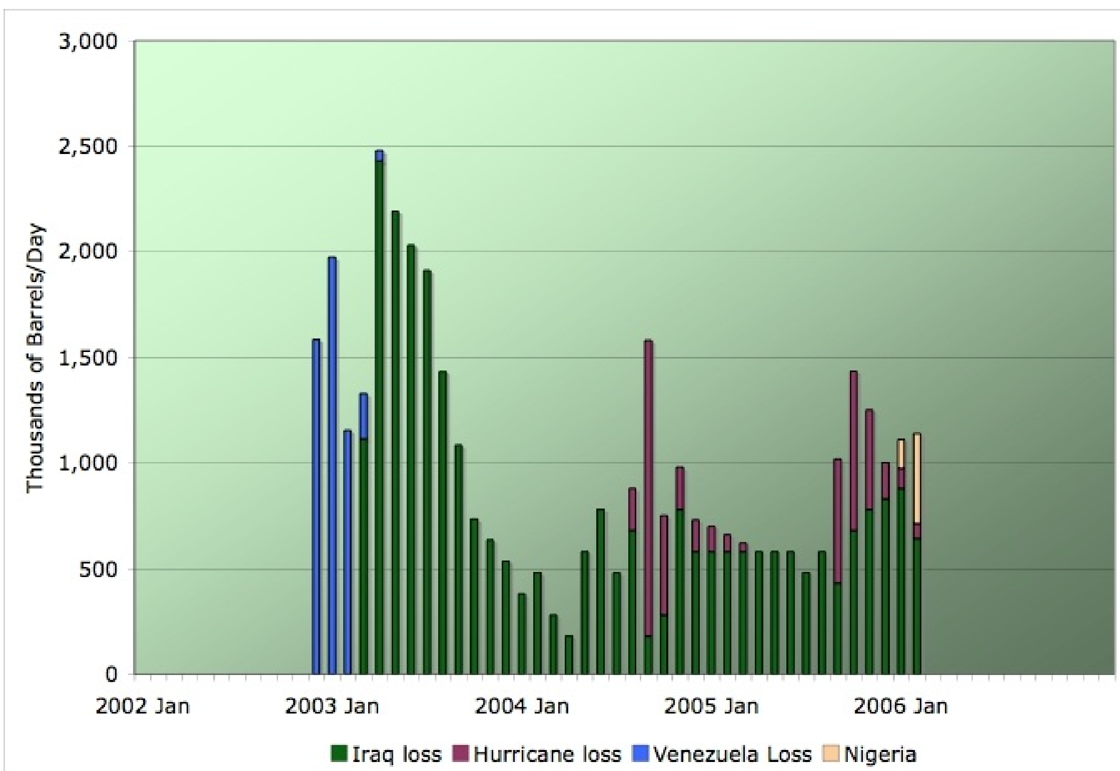
> World oil supply fell 125 kb/d in March to 84.5 mb/d. OPEC, North American and North Sea production outages outstripped higher non OECD production.

> March OPEC supply fell by 215 kb/d to 29.7 mb/d on Nigerian outages and lower Iranian and Iraqi exports. Damage to Iraq's northern pipeline suggests exports to Ceyhan are unlikely for some time. Cold weather and supply outages lifted the 1Q 'call on OPEC crude and stock change' 700 kb/d above OPEC supply, pointing to a draw in 1Q global balances.

As you can see in the graph above, we remain more or less flat below the all-time highs so far of May and December 2005. But something interesting is emerging.

Recall that some time ago, following debate with Freddy Hutter, I analyzed whether Acts of God and Bush could explain the plateau. At that time, the answer was clearly no. Following debate with Robert Rapier, I updated that analysis and the picture has changed somewhat.

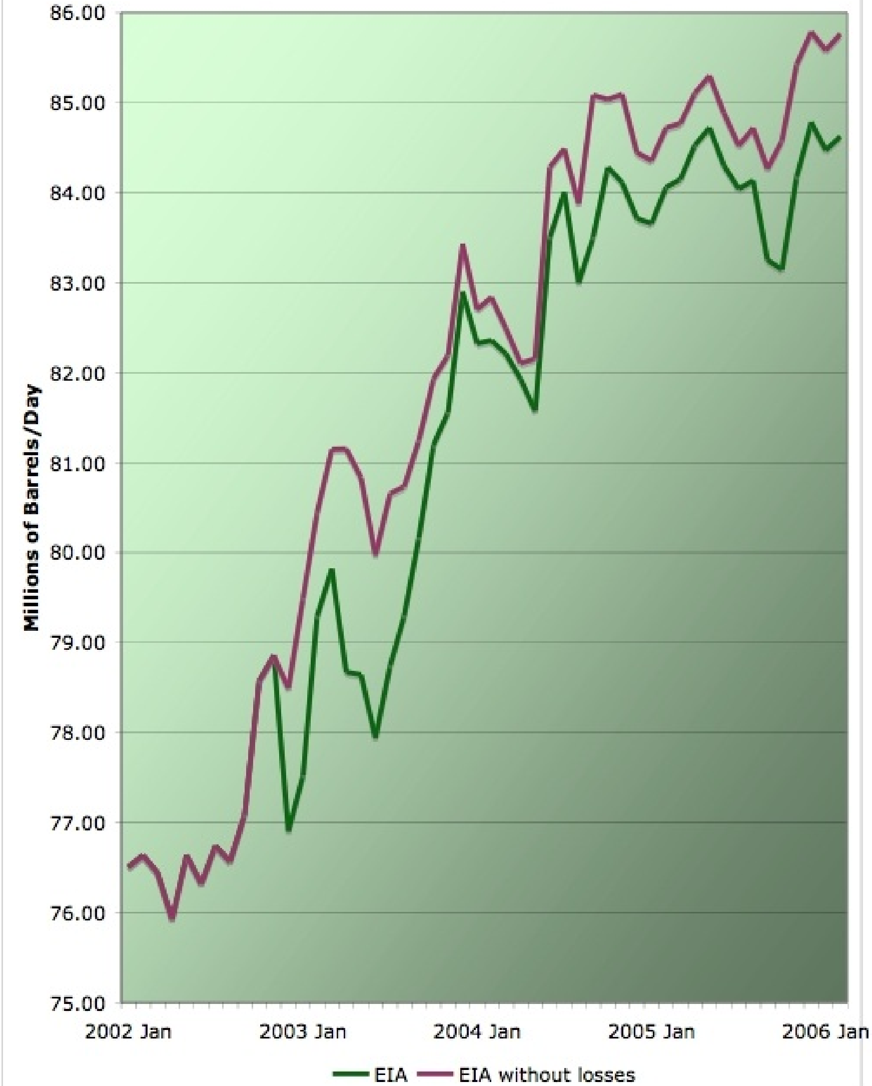
Here's my estimate of geopolitical and hurricane outages since Jan 2002. There are several slight changes from last time. One is that the EIA statistics for Iraqi production in November and December of 2005 were less depressed than figures in newspaper reports at the time. Last time I relied on the newspaper reports as the EIA numbers were not available yet, but now I use EIA numbers for consistency. Also, I have treated the 255mbpd of hurricane loss that will be out at the start of the next hurricane season as a permanent loss and written it off as of the date of the hurricanes (if anyone has a better estimate for what the permanent loss will be, let me know). I have also included an estimate of Nigerian outage.



Production losses due to Iraq (Source EIA table 1.1a with production subtracted from February 2003 level), Venezuela (Source EIA table 1.1a with production subtracted from average 2002 level), hurricanes (Source:

EIA hurricane losses archive. Shut in production at mid month. Frances and Ivan shut-in eyeball-estimated from graphs.), and Nigeria (Source EIA table 1.1a with production subtracted from December 2005 level). February 2006 statistics are from IEA OMR rather than from EIA.

If we add these back on the EIA average, we get



Average monthly oil production from EIA, and as corrected for geopolitical and hurricane losses. Click to enlarge. Believed to be all liquids. Graph is not zero-scaled. Source: EIA except February 2006 is from IEA OMR.

As you can see, while the plateau is still there, we would have had a modest 0.5mbpd breakout as of December 2005 if it wasn't for a resurgence in geopolitical factors. Whether this is a case for increased optimism about the future is tough to say as it's hard to see the geopolitical tax decreasing much soon, and there is significant risk of it worsening - both Nigeria and Iraq look increasingly unstable, and Iran and the US appear to be on a collision course. And as the Oil Minister of Chad reminds us today, we are in an era where every terrorist or dictator dissatisfied with the degree of world attention he is receiving has only to close a pipeline to change the situation. The temptation for them is going to remain high.

But it what it definitely means is that we need to revise estimates of 2005 decline rates.

Past coverage relevant to the plateau:

- Plateau Update
- Cigar Now?
- Missing Barrels
- Close, but no cigar
- November Statistics Updates
- IEA Monthly Report for December
- Refining the Plateau
- Can Acts of God and Bush Explain the Plateau?
- November IEA global production
- Happy Peak Oil Day?
- Where Supply Increases Come From

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- Miles Data Predicts Big Economic Slowdown
- Why Peak Oil is Probably About Now