



The world is changing, but do those who should, worry?

Posted by [Heading Out](#) on May 31, 2006 - 8:03pm

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Tags: [china](#), [kazakhstan](#), [oil acquisitions](#), [pork belly futures](#) [[list all tags](#)]

So, having made the trip from Durham to London, what is the first impression of the capital, since last time - it is one of lines of stationary taxi cabs waiting in a long queue for fares in a line that extends for a couple of hundred yards on the street, upstream of one of the two major train stations. I walk 20 minutes to my hotel past lines that seem, at time to be barely moving, and with cabs that, on average, contain a single passenger glancing worriedly at their wrist watch. It is definitely worse than New York.

The town is still lively, the restaurant where we had dinner (the one with wait staff in black kilts) had a full booking until late in the evening. The BBC show, and the topic in general did not engender any level of serious concern. The restaurant was interesting in that, for a while it was a relatively ethnic Scottish place where one could order haggis, neeps and tatties. Now, however, as it becomes more of a market presence, the flavor is moving toward the norm, that melange of food that, while good or excellent in quality is no longer so specifically tied to a region.

I had a dish made up, originally, from pork bellies. I can remember, from a movie that I cannot, the opportunities that pork belly futures once had. And so, tonight I ate some. The point is, I fear, a wee bit tenuous but is this. We can get quite excited about trading in the market, as some of the recent comments have shown, but when the day is over, somebody, somewhere will be eating that pork, or using that oil, and we reach a "rubber hits the metal" point where absolute supply meets absolute demand.

China is pushing [as hard as it can](#) to get the pipeline from Kazakhstan in production to help supply their Western provinces, They are active around the world in lining up future contracts to ensure that they can acquire as much oil as they will need. They are positively and pro-actively, looking into that future and getting prepared for it. Not so much on the stock market (though they are playing that game too) but also through long-term contracts that ensure that what will be needed will be there for them. At the same time they are cementing relations with [Russia](#) to ensure that nothing goes wrong with the supplies that they anticipate from that source.

The Europeans, on the other hand, don't seem to be quite as well situated

Alexander Medvedev, Gazprom's deputy chief executive, has rejected European Union demands for Russia's state-controlled gas monopoly to open its pipeline network to access by independent producers and other countries.

He also derided plans to bypass Russia with a gas pipeline from Kazakhstan to Europe as "unrealistic".

And the warnings that the Russians are issuing are not exactly obscure:

However, Mr Medvedev said Kazakhstan does not have enough gas to justify the planned pipeline, nor Europe enough demand.

"I'm rather sure that without Russian gas, no projects in new supply will fly," he said. "Today, due to the absence for the additional markets for this gas in Europe, it is absolutely unrealistic."

The EU gets a quarter of its gas from Russia, the country with the biggest reserves in the world. However, fears over its reliability as a supplier were prompted by an interruption on January 1 after a spat with Ukraine over gas prices.

Gazprom's chief executive, Alexei Miller, deepened concerns by warning EU ambassadors that if its European expansion plans were thwarted, Gazprom would respond by shifting its investment focus to new markets in Asia.

And, lest we forget, China is also [in the oil sands](#).

China has invested in two mining companies and a pipeline to move oil from Alberta to shipping ports on the Pacific.

And (though I guess I should hold this until Friday) the mining is taking another one of those "hiding to nothing" conditions, at least in the eye of some reporters. Consider the paragraph

The oil companies point to steady reductions in the amount of water and natural gas used to produce each barrel of oil, for example. But those efficiency gains have been wiped out by the rise in the number of barrels produced. Increasingly, environmental organizations are calling for a moratorium on the growth of the mines.

The world, in its current form, needs the oil that those mines will produce, the article admits that the companies are improving their act, but do they get much recognition for that? Mining is, by its nature, temporarily destructive of the environment. But as I have shown, in the odd picture, when the mining is done, the land can be returned to a quality at least equal if not, in many cases, better, than it was before. Yes, this requires that we maintain the regulations and, where necessary strengthen them, but to imply, as the reporter does, that this is something that should be doubted is going beyond reporting into editorializing.

(And a small technical quibble, the water carrying the residual sand into the tailings ponds is not black, it is a light brown, the color of the sand after the oil has been removed.)

Residing for a short while, in a country where the papers have a tradition of being more savage critics of the Government that is the case in the US, (and yes, I did order the Guardian for tomorrow - quivering sycophant that I am - grin), I remain bothered that the filters through which are news passes is becoming increasingly oriented toward what may be the wrong message.

On the other hand they are still being told that there is "no problem" by our trusty friends at [CERA](#).

The biggest impact so far has come from oil companies increasing the amount of oil they recover from existing reservoirs. On average, oil companies now recover little more than a third from their reservoirs. New technology holds the key.

According to Jackson, technological advances have already boosted recovery rates in the Norwegian sector of the North Sea from between 30 per cent and 35 per cent in the 1980s to between 60 and 65 per cent. He says that the "peakists" discount the additional amount of oil from such field upgrades.

"We estimate that there are at least 3 trillion barrels of conventional global reserves and resources, of which we have produced 1 trillion barrels. This estimate does not include unconventional oils such as oil from Canada's oil sands and oil shales in the USA and Australia," he says.

Bjorn Lomborg, author of *The Skeptical Environmentalist*, says that the world is seriously underestimating "our ability to alter our parameters". He points out that if you look at all the shale oil that's available, there is enough to last between 80 and 90 years - double previous predictions of between 40 and 45 years.

"The whole point is that we find other alternatives that are better and cheaper," he says.

Sigh!



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