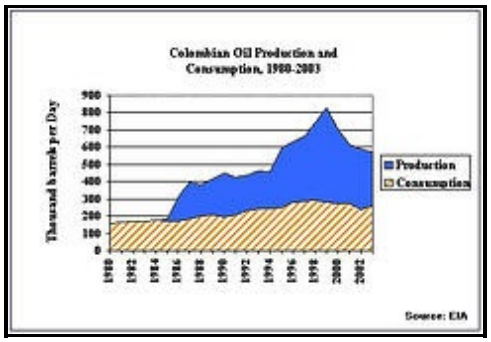
The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

Keeping the home fires burning.

Posted by Heading Out on June 14, 2005 - 2:30am
Topic: Alternative energy

The graph that is attached is taken from the EIA evaluation of Colombian oil production until 2003. Until recently the United States obtained about 260,000 bd of its imports from there. But, as you can see, as production declined and new exploration failed to find new resources, the amount available is falling away. Colombia was the third largest South American producer, and one of the top ten suppliers to the United States. Now production is continuing to decline, and as soon as three years from now Colombia may be importing fuel. But it is not that curve that I want to discuss but the other, the rising domestic use of fuel and how this, in turn, reduces the amount that will be exported.



Colombian oil production (EIA)
Originally uploaded by Heading Out.

For many countries, such as Colombia, oil provides a desperately needed revenue stream that underpins the national economy. But it also provides power to the country, and, through local industries that it supports, it also creates more jobs and an economy that can, under a wise government, sustain itself after the oil runs out (see some of the Gulf States for example).

This is important to recognize because of one of the points that Matt Simmons mentioned in the book *Twilight in the Desert*. Back in 1970 Saudi Arabia had only six million people, of whom a third were only there as temporary workers. It now has almost twenty-two million people (about half the population of the United Kingdom). To provide an economic underpinning to the population, the state must increasingly provide additional industry that will create employment and support outside of the oil industry itself. Thus an increasing amount of oil and power must remain in country if it is to drive that industry and provide the energy and raw material needed to make it run.

After the recent announcements that the Kingdom would increase its investment in oil production, it was interesting to note that the amounts actually designated that would lead to increased crude oil export were not that much more than had previously been committed, whereas additional monies were being set aside for petrochemical activities. A new pair of press releases have been released today describing how Saudi Arabia is opening the opportunity to invest in these assets to others. The first:

> Saudi Arabia has confirmed plans to float shares in its petrochemical and mining companies, that may be worth as much as SR22.5 billion [U.S.$6 billion]. Oil minister Ali Al-Naimi stated yesterday that the first step would be an offering to Saudi investors of SR10 billion [$2.67 billion], to be made following approval by the Capital Markets Authority. A number of new projects are being established, for the manufacture of

> petrochemicals such as polyethylene, propylene polypropylene, polystyrene, glycol ethylene, methanol, and butane.

And the second :

> As a means to promote investment opportunities in Saudi Arabia, the Saudi Committee for the Development of International Trade, in cooperation with the U.S. Departments of Commerce and Energy and the National Association of Manufacturers, has organized a series of workshops to introduce $623 billion in new investment opportunities in the Kingdom through 2020; that is in addition to more than $800 billion in privatization opportunities expected in the next ten years.

However increasing supplies of oil for domestic use will have to come from the amount of oil that Saudi Arabia will produce, and thus will reduce the amount that is available for export.

A similar diversion of energy produced to internal use is likely to reduce exports from Russia, and other countries struggling to bring their own economies forward, even as they sell oil abroad to support their growth. And where nations neglect this need, as the current situation in Bolivia has shown, they do so at their own peril.

The arithmetic game that is now being played to try and divide potential growth in oil supplies among the nations quite often neglects this subtraction, in much the same way that it neglects depletion. Unfortunately both subtractions leave a shrinking pie of exportable oil, that too many nations are going to be chasing after.

And in response to Prof G's reiteration of balogh's challenge; "yes," he shamefacedly confesses, "it took until tonight, but I now have replaced the bulbs in five rooms. Can I go now? Facing this corner is awfully lonely!"

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