



## Back to the Drawing Board in the UK

Posted by [Heading Out](#) on June 17, 2005 - 6:25am

The news that oil production from the North Sea had dropped by 17% could not have come as a pleasant distraction to the current British Government. They were well aware that production was declining, and had anticipated getting all their additional needs for gas from Norway as their own domestic production declined. But where to get the additional crude oil needed for transportation?

The recent Energy White Paper from the Department of Trade and Industry (DTI), (pdf [here](#)) although focused on a low carbon economy, also points to the anticipated source of increased energy supplies to the UK.

"We will also need to look for supplies from elsewhere, eg from Russia, the Middle East, North Africa and Latin America."

Well let us go through those options in somewhat brief review.

Russia, as we have recently learned, has apparently peaked for a second time, and now, despite [an upbeat note](#) from their Government, by the time the UK needs the oil, Russian growth in production would appear likely to be over, with a return to a declining future.

Latin America is similarly entangled. Mexico has announced that it cannot increase production (and in fact is anticipating that with the [decline at Cantarell](#) it will go into significant decline this year). The growing production from Brazil (where a number of current major projects are being carried out) has yet to bring production there up to meeting domestic demand. Perhaps we should be kind and limit our remarks on Venezuela for now to the reminder that they also are in a mode of declining production. And in that vein we should also quietly tiptoe away from places such as Bolivia. In fact, being realistic, let us forget about Latin America.

North Africa can be easily winnowed down to Libya, and Algeria. Algeria is currently producing around 1.25 mbd of crude oil and [anticipates](#) raising this to 1.5 mbd by the end of this year, with a target of 2 mbd by the end of the decade. However most of that goes to Italy, France and Germany, and with relations with the EU being what they are this week, I can't see any of them being keen to slip the UK the odd additional 100 kbd. (On the other hand the largest producer is Anadarko at 530 kbd so maybe if they had a word . . .) However BHP Billiton has a field that should bring in 80,000 bd by the end of the year. Let's call that the most likely and move on.

Libya was producing around 1.6 mbd in 2004, but again almost all of that was going into Italy, Germany, France and Spain. (Not to mention that interloper from across the Atlantic with 66,000 bd now being shipped to the US). Short term, they would like to get production back up to 2 mbd by 2008, with an anticipated rise in output this year of 300,000 bd. But as [Ianqui pointed out](#) it may be hard for the UK to make any inroads here.

Which leaves the Middle East. And perhaps you are getting tired of hearing this, but Saudi Arabia has [listed their projects](#), and declines aside, they are only looking to increase production some 300,000 bd, and then by 500,000 bd a year in the immediate future. Unfortunately, unless they get their act together, this will be just about all offset by the declines in Saudi Arabia, Iraq and Iran. (not a misprint).

This means that the situation is getting a little more urgent than the more relaxed tone of the British document would convey. Certainly they have been willing to commit to larger investments in alternate energy more easily in the last weeks, with a new wind farm announced today, and a second planned to come on line in 2010. And it would explain the recent headline in [the Energy Bulletin](#) on a certain lack of scruples that is beginning to be apparent.

Europe in general is now waking up to the concern, and reports have recently come from France, Germany and Holland beginning to bring the subject to the attention of the general public.

In the United States, of course, things are still somewhat different. From [today's New York Times](#), for example.

The Senate also rejected, by 53-to-47 vote, a proposal to set a goal in the bill of cutting oil imports by 40 percent within 20 years. . . . .

The Republicans were also dismissive of the amendment to curb oil imports, calling it a pie-in-the-sky plan that would upend the nation's transportation system. "I envisioned everybody this summer or next year traveling with their little Segways - two or three piled on each one - going out to the Nationals' games," the Senate majority leader, Bill Frist, Republican of Tennessee, said on Wednesday.

But then, were we still credulous of economists, we would realize that we are worrying about the wrong thing. From [Morgan Stanley](#), for example:

The oil market may be quickly headed for a massive crash as global economic growth slackens, alternative energy gains ground and financial traders sense a price peak, an economist with Morgan Stanley said on Thursday.

But Morgan's Xie said increased efficiency and conservation measures and the viability of alternatives like oil sands and liquefied gas and coal was already undercutting demand for oil.

"As energy producers step up production from alternative energy sources...oil prices could stay depressed for many years when the current economic cycle turns down," he said.

If only this were an academic exercise, some of these quotes would be humorous, as it is it just tends to obfuscate the issue from a public not yet educated to learn who they should trust, and who they should not.

On a small personal note, this is where my blogging will get light for a couple of weeks, as I head out to pastures new on vacation. There may be the odd photo blog, but other than that I

confidently leave you in the hands of my colleagues, and raise my celebratory glass of wine (A Peter Franus Zinfandel) in thanks to them and to J and his contributions. (And it also celebrates that the Engineer passed his orals today - hola, indeed!)

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