



Getting to Know Daniel Yergin

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[editor's note, by Dave Cohen] This is the 2nd and final installment of my miniseries on CERA and Daniel Yergin. The first was [Perception Management -- CERA and IHS Energy](#).

This Washington Post [It's Not the End Of the Oil Age](#) (July 2005) is vintage Daniel Yergin.

We're not running out of oil. Not yet...

But it is oil that gets most of the attention. Prices around \$60 a barrel, driven by high demand growth, are fueling the fear of imminent shortage -- that the world is going to begin running out of oil in five or 10 years. This shortage, it is argued, will be amplified by the substantial and growing demand from two giants: China and India.

Yet this fear is not borne out by the fundamentals of supply. Our new, field-by-field analysis of production capacity, led by my colleagues Peter Jackson and Robert Esser, is quite at odds with the current view and leads to a strikingly different conclusion: There will be a large, unprecedented buildup of oil supply in the next few years. Between 2004 and 2010, capacity to produce oil (not actual production) could grow by 16 million barrels a day -- from 85 million barrels per day to 101 million barrels a day -- a 20 percent increase. Such growth over the next few years would relieve the current pressure on supply and demand.

The social function of such text, aside from questions about the accuracy of the message, is to reassure the public that the tightness in global spare capacity and high oil prices *do* reflect market fundamentals. However, the market and production capacity—potential supply—are currently out of balance. These are temporary conditions due to factors explained below. Everything will work out fine if we are patient and wait a few years.

Notwithstanding the straw man argument that "we're running out of oil", let's get to know the writer of these words with an eye toward understanding his background and possible motives. Yergin's prominence in the media makes him a public figure worthy of inspection.

Also, it might be possible to find some likely answers to Chris Skrebowski's [questions](#) about CERA's [latest report](#) which, as always, carries Yergin's imprimatur.

... CERA's estimates (which escalate dramatically after 2011) are frankly just plain fantasy.

This raises two immediate questions: First, did CERA just start with the answer -- 110

million b/d in 2015 -- and then work backwards to fit? Second, on whose behalf or behest are they issuing this nonsense?

Strong language.

Brief Biography and History of CERA

[Daniel Yergin](#) went to Yale and got a PhD in International Relations from Cambridge in 1974. He is the Pulitzer Prize winning author of among other works [The Prize: The Epic Quest for Oil, Money, and Power](#) (1992), a definitive extensively researched history of the oil business. In 1983, Yergin co-founded [Cambridge Energy Research Associates](#) (CERA) along with [Joseph Stanislaw](#) and [James Rosenfield](#).

It appears fair to say that Yergin has never been much involved in the day to day operations of CERA. Until recently, that was handled by Stanislaw and Rosenfield. In 2003, CERA hired [Emily Nagle Green](#) to replace Stanislaw. She brokered the takeover by [IHS Energy](#) in 2004.

Before joining Yankee Group, Green was the CEO and member of the board of Cambridge Energy Research Associates (CERA), the preeminent research and consulting firm in the energy sector, and led its sale in 2004 to IHS Energy (Englewood, Colo.).

CERA has been a profitable acquisition. From the IHS 2005 [annual report](#):

Energy revenue totaled \$242.3 million in 2005, up 30 percent, with organic growth contributing 13 percent and acquisitions contributing 17 percent. Cambridge Energy Research Associates (CERA), acquired in the fourth quarter of 2004, contributed most of the growth from acquisitions in this segment.

Today, the COO is Robert Lockwood (use the CERA link above) who "prior to his appointment at CERA ... was Managing Director of Worldwide Consulting for IHS Energy."

Yergin as a Symbolic Leader

Daniel Yergin's title at CERA is *Chairman*. That's all. As a cursory look at any press release or [actual report](#) reveals, it is Robert Esser and Peter Jackson who oversee the work. Day to day operations are handled by Lockwood. Yergin functions as a [symbolic leader](#).

In an effective [symbolic] leadership situation, the leader is a prophet, whose leadership style is inspiration. While in an ineffective leadership situation, the leader is a fanatic or fool, whose leadership style is smoke and mirrors. Symbolic leaders view organizations as a stage or theater to play certain roles and give impressions; these leaders use symbols to capture attention; they try to frame experience by providing plausible interpretations of experiences; they discover and communicate a vision.

In his role as prophet or fool, Yergin does indeed "communicate a vision" which is *Cornucopian*—the mythical "horn of plenty" which supplied its owners with endless food and

drink magically (from Wikipedia). This stance tends to drive some reality-based people concerned about peak oil a little crazy (cf. Skrebowski above). Other Cornucopians include Michael Lynch, Leonardo Maugeri, Michael Economides, the IEA, chief executives of the major oil companies like "Lord" John Browne of BP and finally anyone with an abiding faith in *abiotic oil* (eg. Thomas Gold).

Tying in the symbolic leader role to CERA's business and his constant reassuring presence in the media, it becomes immediately obvious that Yergin is

1. a valuable asset for CERA/IHS, supplying a voice of authority which attracts clients and therefore enhances profits
2. a bearer of the "Good News" to those many who are perplexed about some vague energy crisis in the news and who have noticed that their gasoline and natural gas costs keep going up
3. an easy, mindless interview opportunity for our corporate owned media who strive above all to maintain the social and political *status quo*—this also extends to the New York Times and NPR, which operates "inside the Beltway".

Each of the arguments (1) through (3) buttresses the others. It is instructive to contrast CERA with the well-respected energy consulting firm [PFC Energy](#), "a trusted advisor to energy companies and governments across the globe for over twenty years. Founded in 1984, the firm has grown to over 100 professionals, with offices in Washington, Paris, Houston, London, Lausanne, Kuala Lumpur and Buenos Aires." Headed by J. Robinson West and with able staff like Roger Diwan, there is none of the extra baggage associated with Daniel Yergin and CERA.

Getting to Know Daniel Yergin

An excellent source for understanding the CERA Chairman is [The Future of Oil](#), a radio interview by Tom Ashbrook of OnPoint (WBUR, Boston NPR) conducted on September 20th, 2005 after Katrina. Shortly thereafter, a critique by Clyde Simkins appeared in The Energy Bulletin entitled [Open letter to Daniel Yergin on optimism and addressing Peak Oil seriously](#). Simkins raised 4 red flags after listening to the broadcast. Here are they are with some quotes and commentary (selected, written by this author).

- Yergin was not familiar with the [Hirsch report](#) (pdf) 6 months after it was published in February of 2005. Although there was some controversy over the [disappearance](#) of the report earlier that year, nonetheless Ashbrook was familiar with it whereas Yergin was not.

5:26: Ashbrook quotes from the Hirsch report and Yergin says "I wonder what, I'm not sure what report that is..."

16:15: Again, Ashbrook alludes to the report and Yergin responds "What is the *report* you're citing...?". Ashbrook tells him what it is.

- Yergin has an abiding faith in technology. To this it should be added that he also has faith in free markets to solve global energy problems.

2:50: This is "the fifth time that the world is about to run out of oil and each time

technology, markets, have changed things."

8:08: "There's always an underestimation of technology. I mean, 15 years ago did you envision that everyone walking around the street would have a cell phone? I mean, just to use that as an example. 25 years ago the frontier for drilling was 600 feet. Now, it's 10,000 feet...."

9:50: [responding to Simmons' doubts about free markets] "It is, I think, what's the word, *smug*, to say, Oh, dismiss economics.... Two of the most important characters [in *The Prize*] are supply & demand. I really came away [after writing the book] with a respect for those forces....". Shortly after this, he talks about laptop computers.

- Yergin uses ready-made and fashioned arguments to calm the public down. See the point above. A substantial part of his argument concerns explaining away high oil prices by citing the geopolitical "risk premium", the demand shock from China and lack of investment in the late 1990's/early 2000's responsible for the current albeit temporary lack of spare capacity.

3:30: "It's not the risk under the ground [geology] but the risk above ground... [and then he talks about Iran]"

He constantly appeals to the tar sands of Alberta (which are really *oil* sands) and other sources (growth in NGLs) as providing solutions to these problems in the near future.

- Yergin has faith in reserves growth over time.

33:00: "I think that what we find is that the definition of proven reserves keeps getting expanded by, ah, technology so that, ah, we said that the world had about, what was it, 600 billion barrels of reserves in the 1970's, now it's about 1.2 trillion barrels of reserves."

While Simkins and others, including this author, have taken Yergin to task, it seems much more accurate to view him as a symbolic leader and prophet with a Cornucopian vision. On such a view, his faith and dismissal of peak oil concerns make sense. It is useful to remember that *The Prize* is a geopolitical history of the oil business. Moreover, Yergin's background is in international relations, not petroleum geology or any other "hands on" discipline. Indeed, Yergin seems to have a thorough knowledge of above the ground issues. In addition, Yergin comes across as personable and approachable in this interview just as he has done in others.

In Conclusion...

Returning to Skrebowski's questions, here are some likely answers.

1. *First, did CERA just start with the answer -- 110 million b/d in 2015 -- and then work backwards to fit?*

Probably not. What Esser, Jackson and CERA staff *did do* is make the answer fit the Yergin vision. This meant using optimistic assumptions in all cases even when these assumptions strained credulity or distorted current realities (eg. the tar sands). Such actions are rarely

deliberate. The CERA staff have internalized the values of the organization as defined by its symbolic leader. Otherwise, they would not be working there long.

2. *Second, on whose behalf or behest are they issuing this nonsense?*

CERA is issuing this "nonsense" for no one in particular. These reports are meant for IHS Energy's paying customers. As [Khaos3](#) told me in personal communication, "[CERA is] all about marketing a product and establishing a niche for consulting."

Plainly, if you wish to be a mainstream business and you further assert that the future *does not look bright*, you are sending a contradictory message—CERA is the elite upholder of the *status quo* regarding energy issues but the *status quo* no longer holds. Thus, it is necessary for CERA to bash those concerned about peak oil.

It is hoped that this short post has conveyed some insight into the nature of Daniel Yergin and the organization he leads. Arguing with Cornucopians is probably a waste of time in the general case. However, Yergin's reassuring public persona in the media makes some analysis and response necessary if the world's citizens have any hope of preparing for and mitigating the consequences of the peak in world oil production.



Half full or Half Empty?

For the Cornucopian, the answer is half full and being ever replenished. There are no limits to growth.



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