



In Support of Alaskan Tourism

Posted by [Heading Out](#) on June 27, 2005 - 6:24am

The photo in the travel section of Sunday's NYT is ☐ sufficiently grim, as it fronts a piece on the impact of [Today's view of the NYT photo at Portage Lake](#) global warming on Alaska, that I thought it only fair Originally uploaded by [Heading Out](#). to post a picture, taken the day that the article came out, from the same spot. You will notice the blue sky, and the inset of the glacier, which has now retreated around the bend to the left at the back, and cannot be seen from the Visitor's Center. Thus you have to take the boat, which was impressive and we did see a little calving.

Would that the rest of Alaska was in as good a health as their tourism seems to be. There is an article in Sunday's Anchorage Daily News pointing out that dump truck operators who haul gravel for construction can use over 100 gallons of diesel a day, and they quote one:

"You burn 100 gallons a day and that's \$200 and something just for fuel," he says "That comes off the top. It's a hell of a big issue when it comes to profit."

As the article notes this is the ugly side of a coin that might otherwise be one that helps the state, since it will likely more than double the \$900 per person bounty that is paid to the citizens of this state each year from oil revenues.

Such a different point of view makes the debate over the recent "war game" about sudden shocks hitting the oil market, more distant. Given that the premise of these games and movies are already happening but unrecognized, makes them even more remote. There are, for example, the terrorist acts in Iraq, that have cut production from the potential 3 mbd they could have been producing by now, down to 1.5 mbd.

It is also almost certain that production in the Gulf will be constrained at some stages during the current hurricane season, and that damage to platforms, and hence production, will occur. Not, probably, in a single massive blow, but rather with a loss here, and a delay in repair there, we can very likely lose about half-a-million barrels a day for a significant spell through the fall, right at the time of peak demand.

These are the incremental realities that are going to get us up towards \$80 oil, but without developing a new enemy that can be immediately pointed to and used as a whipping boy to shift attention from the failures, or to prepare us for this approaching cold shower. Nor does this reality give the dramatic focus that a movie requires to educate the public to a problem. Yet, when our mundane realities evolve, we will be at the same price for oil that would have occurred with the dramatic events of fiction. The only snag being, of course, that we don't have their freedom to find a perfect solution within the final fifteen minutes before the next commercial break.

There is, however, some glimmer to lower despair, in that the major oil companies seem to have accepted that a project justification figure for new projects based on \$25 oil, has passed. With an assumed new floor price (which might be assumed to be around \$50) then a number of projects that used to be uneconomic now become valuable. Thus, for example, Shell is now entering into new territory on the North Slope. And there has been some significant success in developing the new multi-lateral horizontals with enhanced casing designs so that well production can be raised to around 7,000 bd which makes it possible to economically work some of the smaller and more distant fields, as well as the heavier overlying oil, as the North Slope steps out to develop the fields that lie beyond the original big producers. It is unlikely that this will raise production much above the current 1 mbd, but on the other hand it may well allow it to be sustained for a few more years at that level.

While such progress is welcome, it should be remembered that the overall increment in oil that will become viable as prices rise is only likely to be in the 10-20% range and will require a lot of time and investment to produce. (The North Slope drilling season, for example, is quite short). Thus it will likely come on stream only in time to slow the decline of a curve that is at present, looking to be otherwise too steep for comfort.

(And continuing the little personal note to make my co-contributors jealous â€“ I did have the Halibut on Saturday, but at the Alaskan Highland Games, an event that I had never in my wildest imagination ever would have thought I might attend, or enjoy so much. And in that vein, I have taken the liberty, being on vacation, of allowing myself the luxury for this week only, of not citing references, I will return to regular practice at the end of next week).



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