



## Did anything change?

Posted by [Heading Out](#) on July 5, 2005 - 1:40pm

Isn't it nice to go away for a couple of weeks and find that, while you were gone, the problems of the world were all solved? Thanks to Dave, I have just read the [CERA Press Release](#), from June 21, which describes the coming glut in global oil production, where, by the end of the decade supply will exceed demand by 6 to 7.5 mbd. The full details were apparently presented at the International Energy Conference in Istanbul, last week. Glancing at the meeting schedule, however, the report authors Peter Jackson, and Robert Esser were not on the [Speaker List](#).

And then, thanks to Jack, I meandered over to today's [Business Week](#), and the discussion by four economists, three of which would again assure us that there is no immediate problem. Although, to be fair, two of the participants points out that this is going to be a very short-lived balance. Even by the end of the year three of the participants could be taken to be concerned about supply. Given that the fourth was our good friend Michael Lynch, who expects oil to be down to \$40 by then, what else needs to be said!

The situation will not likely be cleared up by the new World Oil Data base located in Riyadh, since the opening of this has been postponed apparently because of the [poor quality](#) of some of the data supplied.

So what is going on? Well, short of reading the entire CERA report, which promises a "field-by-field bottom-up analysis", the first thing that catches attention is that they are not exactly comparing apples and apples.

For example in looking at world production:

"Jackson and Esser argue that "unconventional" oil will play a much larger role in the growth of supply than is currently recognized. These unconventional oils include condensates, natural gas liquids (NGLs), extra heavy oils (such as Canadian oil sands), and the ultra-deepwater (greater than 2,500 feet deep). By 2020, they could be almost 35 percent of supply."

And

"Total OPEC liquids capacity will expand significantly to 45.6 mbd in 2010 from 36.8 in 2004, with the proportion of condensates and NGLs rising to almost 18% of total capacity. Post-2010, OPEC has the hydrocarbon resources to continue expanding capacity at a slightly lower rate than the current decade's 10.9 mbd growth. CERA believes OPEC will accelerate key projects in anticipation of a non-OPEC slowdown in capacity growth."

What this is projecting is that OPEC other liquids “ currently being produced at around **3.8 mbd** will rise to a level of 8.2 mbd. This will come from condensates and natural gas liquid (NGL) increases. In which regard it is useful that the **OGJ** had an article last week which listed anticipated increases in NGL and condensate production that can be anticipated. Qatar, for example has planned production of 95,000 bd of condensate, Saudi Arabia has Haradh which is a natural gas project, but will produce 170,000 bd of condensate, Abu Dhabi will produce 125,000 bd of condensate. While, in themselves, these are significant numbers, they do not approach the levels that CERA are projecting.

And the CERA document does not appear to address current field depletions. Of those currently changing, perhaps Mexico is the most critical to our near term future. And the **OGJ** also reports that the arrival of Peak Oil there may well have already occurred.

Overall I suspect that the world really didn't change much while I was away, and those who predicted that oil would be back around \$30 a barrel by now are still being given a hearing. Wonder why?

Technorati Tags: [peak oil](#), [oil](#)

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