The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

Help Prioritize the Questions for the API

Posted by Robert Rapier on April 18, 2007 - 10:03am
Topic: Miscellaneous
Tags: american petroleum institute, energy policy, oil companies, red cavaney [list all tags]

Update: I am going to stop tabulating the votes at this point. Here were the top choices, in reverse-order of the number of points each received: 33, 13, 4, 3, 11, 12, 16, 31, 1, 7, 9, 23. I will start with Question 33, and work my way through the list as time allows.

I have pointed the API again to this thread, so they can get a handle on what people want to know. Here are some excerpts of the responses I got back:

> Interesting questions all. Because we billed this as an "energy and the environment" conference call, we would, of course, prefer that the questions be relevant to the topic, primarily out of respect to those bloggers who signed on because of their interest in the environment and sustainability. There will be future calls during which other topics can be discussed.

I also asked whether or not questions about natural gas (#4) are appropriate for this particular call. The response I received back was:

> API has a strong interest in natural gas. While we will leave it up to you to decide whether you should pose that question, I do want to reiterate what I said in my earlier email about sticking to the announced topic.

Given that, I will more or less play it by ear on some of these questions. If everyone else is asking purely environmental questions, I may hold off on certain questions until the next call. I do have a lot of questions that are purely environmental questions, and I will work my way through some of those at the top of the list. I will also do some rewording of some of the questions, as I agree that some are too vague and leave themselves open to a canned reply. I will follow-up on this as soon as they have the transcript online, which should be within a couple of days.

Thanks again to all who participated.

In response to my request for questions for the upcoming API conference call on energy issues, I got a number of very good questions here, via e-mail, and at my blog. In fact, I e-mailed a link to the API, and they read through the questions here at TOD. So, they know what readers are interesting in hearing.

I know that I said “first come, first served”, but some questions that were asked late are very good. So, I would like to ask for suggestions in prioritizing the most important questions. Keep in mind that the answers to these questions (IMO) should ideally better inform the public on important energy issues. Considering that, I think that the last question on the list (#33), for example, is certainly worthy of a top 10 slot.

I don’t know how many questions I will be able to ask, but below is a list of the questions that were submitted (and I threw in a couple as well). Please list at least your top 3 (e.g., 1, 26, 33). That way, I have an idea as to which questions are the highest priority of readers. Some are closely related and can probably be combined. But I want to make sure that the questions that you think are important get answered. Hopefully, I will be able to ask 10. I will at least make a list of the questions getting the 10 highest vote totals, and I will attempt to ask those. (Again, your question may get answered during the call even if I don't ask it, because the API is aware of the questions that have been asked).

If you asked multiple questions, I didn’t necessarily list them all. If you think I didn't list an important question, or you have thought of another one that you think should be asked, please list it as well.

The List

1. One could argue that the current focus of alternative energy proposals is more to benefit agriculture than to make a significant contribution in terms of supplying a new energy source. A much better alternative would be to use waste products as a feedstock. Do you agree with this argument? If you do, what actions are you taking to explain this message to Washington DC?

2. It seems that Congress and the White House think they can correctly predict what the fuel of the future would be. If one has to have a bias, it can be argued that that bias should be toward existing fuels (gasoline and diesel) or fuels that can be blended with these existing fuels without changing physical properties or precluding the use of existing infrastructure (as ethanol does). For example, it is possible to convert biomass into green diesel, which makes integration of the biofuel into existing fuel supplies a non-issue. Would you agree?

3. Given that ethanol usage in the U.S. is mandated, why does it require a subsidy? Also, some argue that the ethanol subsidy is really an oil company subsidy, given that they are the actual recipients of the blender's credit. How do you respond to that?

4. The annual cost of drilling for North American natural gas has escalated from $4 billion/year to $40 billion/year in the last decade, yet production has dropped slightly. The drilling industry is showing signs of stress and limitations after the recent expansion. In how many years will we not be able to expand drilling by another compounded 10% and NA NG production will start to fall significantly?

5. Do you have a reliable source as to the water and energy inputs required to refine a barrel of oil?

6. What do you believe has driven the cost of oil over the past 5 years? And is the current price desirable from the viewpoint of the API?

7. What do you see as significant barriers to large scale production from tar sands?

8. Do you forecast a continued decline in U.S. oil production?

9. The NPC (National Petroleum Council) report "Balanced Options" in 2003 said that the U.S. would face a natural gas shortfall and have to import LNG at a rapidly growing pace, even if we opened up all moratoria areas in the U.S. to natural gas drilling. This would include the Western Rockies and the OCS (Outer Continental Shelf) being opened for drilling.

(a) If we are really in such a dire position on natural gas need, what are the chances that these areas will be opened up for at least exploratory and then possibly production drilling? What do see the environmental issues to be and is it worth the risk?

(b) Is even discussing the issue of natural gas drilling in these areas politically acceptable, or is it "a third rail" that politicians won't touch, no matter what shape we are in on natural gas supply

(c) Given the resistance to LNG handling facilities almost anywhere they are considered to be placed, what are the odds of building enough LNG handling and offloading facilities in time to provide needed natural gas imports?

10. The transportation usage of petroleum is a significant CO2 source, particularly in the US. Up until now little has happened to limit this pollution, but it has to be expected that real targets and limits will be imposed in the short to medium term. How would the API go about ensuring delivery of real targets?

11. If world oil demand needed to be reduced by 3Mbpd tomorrow, what level would the API expect the price of oil (and gas) to have to rise to to achieve that effect in today's market?

12. Who does Red Cavaney & the API believe is more credible: [T. Boone Pickens, Matt Simmons, and the Deffeyes Group on The Oil Drum] OR [Yergin, CERA & IHS]? If the first group is more credible--what does the API plan to do? If the second group is more credible to the API: will they encourage the IHS to release its proprietary database to the public, and promote full IOC & NOC audit transparency as suggested by Simmons?

13. Have you read the GAO report? What is your position on the report?

14. It is likely that a GHG cap-and-trade system may be established in the US. It will take many years to ramp up renewable energy as a replacement for fossil fuels. How quickly can the GHG cap be reduced? Many perceive that soon both oil and natural gas extraction will be falling faster than coal, shale, and tar sands can be increased. Does this make cap-and trade irrelevant?

15. How does the oil industry plan to deal with the reality of global warming?

16. Given the tone of such links at the API website as the "Energy Tomorrow" link, does the API consider the "Peak Oil" theory as bogus?

17. If the US used fossil energy at the rate of Europe, how low will the import rate of oil be?

18. Which actions can the API recommend for making the fossil energies of the world last longer?

19. Is it true the CIA sees no oil alternative for the USA if CHINA demand grows? Is ex-CIA chief Woolsey correct in his recommendation to promote alternatives in China, in order to buy time for USA to shift to alternatives: “Their top recommendation? To heavily invest U.S. tax dollars in renewable energy production in China, because they have a chance to build their burgeoning economy on renewables from the beginning, whereas we are trapped by our fossil-fueled

infrastructure and they will only compete with us for those diminishing resources."

20. What does the API feel is the long-term outlook for IOCs given their lack of access to resources and rising resource nationalism?

21. Do you believe that U.S. refineries are expanding quickly enough to meet the growing gasoline demand?

22. With the high percentage of the available fossil fuels being in the Sour, Heavy and tar variety or extremely hard to extract, i.e. ultra deepwater etc, most of these fuels are inordinately high in toxins and extremely destructive to the environment and extremely resource intensive to extract, at what point would the Industry decide these fuels cost to the Environment are to high? Is it Dollars or Environmental?

23. Regarding EROEI, would the API care to offer an industry wide graph of past, present and future oil EROEI?

24. X Prize Foundation offered 10 million dollars for the first privately built spacecraft; they will offer another large sum to "inspire a new generation of production capable, super-efficient vehicles that exceed 100 mpg. How does API see this competition? Do they think cars capable of 100 mpg will be needed by the general public any time soon?

25. Is there any significant effort to address the incredibly tragic divide between the haves and have-nots when it comes to the distribution of energy world-wide?

26. How can "speculation" increase oil prices?

27. How is the combination of nationalization of oil supplies and increasing domestic consumption by exporters expected to affect API members?

28. Please comment on the significance of the price difference between WTI and Brent prices. What are the implications?

29. How effectively is the industry responding to the decreasing quality (heavy, sour) of crude?

30. Why is it that no one knows how much petroleum is really currently available?

31. What are the odds we see a carbon tax here in the USA? Is this something the API would support?

32. What specific collaborations between the Environmental Science Community and the Energy Industry could help to take advantage of the rich energies we still enjoy to be preparing for both an energy and a climate crisis?

33. The essential, overriding fact regarding the environment and fossil fuel production is: The environment from which oil and gas are extracted is finite in size and limited in scope. Or, "The earth is round and it's not filled with oil." API members and industry leaders are in a privileged position, with respect to understanding the magnitude of consequences of shortfalls in production, which are inevitable as resources deplete. How is the industry prepared to deal with potential supply shortfalls?