The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

Ripples in the tide

Posted by Heading Out on July 21, 2005 - 6:22am

(For racing fans - a correction - the University of Minnesota (not MIT) appears to have the lead as they head into North Dakota with about six cars within 40 miles of the lead, the tightest race so far, I believe).

Some time ago, while trying to find better ways of teaching, I found Edward Tufte's work on preparing graphics that present information honestly. His advice has remained with me, and I was reminded of it this week in some of the discussion on the progress towards Peak Oil.

The particular passage I was thinking of dealt with the fact that if you magnify the variations in data to a large enough scale it might appear as though events are wildly fluctuating, while, if you were to plot them at true scale, the variations are seen to be relatively small changes that have little overall effect on the longer term trend. And that seems appropriate advice.

There is the news today that oil prices fell because there was not as large a drop in inventory this month as traders had imagined. While last week I posted about prices going up because more tankers were being hired to ship oil, following the reverse news the week before. These sorts of events, and the good news that the hurricanes to date have not done as much damage as expected are all relatively minor perturbations on the overall situation. Though they do not really change the much larger overall picture, they are often given too much credence and prominence, particularly by those who do not want to face the reality that is going to happen. Seizing on the small increase in domestic production of gasoline, for example, does not recognize that the domestic refineries are at about maximum production, and as a result increases are coming from imports of refined product. And as Mike Watkins points out at Trendview demand continues to exceed expected numbers.

That longer term situation is, sadly, no more encouraging than it has been for a while. Production from the North Sea, on both the British and Norwegian side is falling faster than anticipated. The promise of increased Russian production appears to be fading. And the new projects that are the hope for sustaining at least close to current levels of production are being increasingly delayed.

I would note a different sentence from Chairman Greenspan's remarks, the one that says

> Major advances in recovery rates from existing reservoirs have enhanced proved reserves despite ever fewer discoveries of major oil fields.

The problem with that otherwise encouraging word is that it conveys the intent to use an accelerated rate of removal, which means that the operational life of the reserve is shortened, and for geotechnical reasons the overall recovery is also reduced.

And in the UK, the public are again being told not to worry (from Powerswitch).

> Malcolm Wicks (Minister of State (Energy), Department of Trade and Industry) responded:
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> The Government's assessment of the remaining lifespan of global oil reserves is set out in the Energy White Paper 2003 "Our energy future"creating a low carbon economy" (http://www.dti.gov.uk/energy/whitepaper/index.shtml). Paragraph 6.15 of the White Paper notes that
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> "Globally, conventional oil reserves are sufficient to meet projected demand for around 30 years, although new discoveries will be needed to renew reserves. Together with non-conventional reserves such as oil shales and improvements in technology, there is the potential for oil reserves to last twice as long".
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> This is consistent with the latest assessment by the International Energy Agency (IEA) in its 2004 World Energy Outlook. The IEA concludes that
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> ". . . global production of conventional oil will not peak before 2030 if the necessary investments are made.")

Both of which statements would be a lot more encouraging if there really was a significant oil shale program. Promising a glorious future and that there is no reason to worry is akin to those listed earlier this week that were promising us last year that by this time we would be back to paying $30 for a barrel of oil.
Technorati Tags: peak oil, oil
