



## England's weather is not as warm as ours

Posted by [Heading Out](#) on July 25, 2005 - 6:09am

At a time when a secure source of energy is starting to get more attention with national governments, it is not at all evident that there has been as much planning as needed to cover the rising problems. Consider, for example, the concerns that are now being expressed in England over the [possible shortage of gas](#) this winter. Just as was the case in the United States back in 1977 (see [last Tuesday's post](#) below the fold) the UK seems to be heading toward a real possible shortage of fuel this winter. There are two problems

Soaring gas prices are undermining the competitiveness of British manufacturers compared with European rivals and ensuring that Britain has enough gas to maintain supply during a cold winter.

The price of UK gas and electricity (which is derived mainly from gas) has doubled in the past 18 months, compared with rises of just 15 per cent in Germany and 40 per cent in France. According to Nicholson this means that "there is something akin to a two-tier market operating in Europe".

He says: "We seem to be paying 50 per cent more for our gas than the Germans and 30 per cent more than the French."

But the problem is, just as is the current case with Indonesia, the supply, and even the British gas, goes where the money is.

Also, the UK has become increasingly dependent on natural gas from continental Europe as its own supplies of North Sea gas dwindle. When demand for gas is high during cold weather, it has to be imported via cross-Channel pipelines, notably the interconnector, a two-way pipe that imports gas from Europe.

So what would happen in a severe cold snap? The interconnector - the pipeline which runs from Bacton in the UK to Zeebrugge - is designed to supply gas to the location where there is the highest demand and price but it has not always proved to be 100 per cent reliable. Earlier this year for example, when wholesale gas prices in the UK hit Â£2 per therm in the first week of March, the interconnector was still exporting gas to Europe rather than bringing it in.

Unfortunately the hope of the British Government has been to look to Norway, but the new pipeline to bring that gas to the UK won't be around for at least two more years.

Yet another case, as with Indonesia and Colombia, where the locals may go short, since business

The problem of course that Governments have is that, like us, they rely on the accounting of agencies to give them the information. And there seems to be a growing doubt about how accurate that information is. One of the bases for Daniel Yergin's CERA report that suggests that the world is not going to have an energy problem soon, was the promise that non-OPEC oil supplies would begin to grow significantly. However we have all seen the recent reports from Russia that confess to not being able to increase supplies much higher than they currently are. And now the CEO of Schlumberger [points out](#) that non-OPEC in general is falling behind predictions (thanks to [Peak Oil](#) for a source).

Gould, responding to a question on a conference call with analysts, said the demand drop in China is of comparatively little concern next to the wanting performance of non-OPEC supply, which lags the amount projected by the International Energy Agency, the energy watchdog for the U.S. and other industrialized countries.

"No one seems to have focused on the supplier and what is really interesting is if you look at the supply numbers for the first half-year, the non-OPEC supply is about 1.2 million barrels a day below what the IEA currently has in their forecasts," Gould said.

Some of that loss, no doubt, is coming from the more severe drop in North Sea production that had been anticipated, a drop that is unlikely to be recovered.

What with the US agencies saying that the current increase in demand actually occurred last year, so that there isn't really that much of an increase this year, one begins to wonder if anyone actually knows what is going on. And if they don't then surely we are back in the days of 1976 sailing into a crisis without a plan. And we know where that led, though very few folk seem willing to go back and look.

Ah, peak oil.

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