



IEA: without Iraqi oil, we'll be in deep trouble by 2015

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In a stunning interview for the French (reference) daily Le Monde, Fatih Birol, the chief economist of the International Energy Agency (i.e. the intergovernmental body created after the oil shocks of the 70s to coordinate the West's reaction to energy crises) effectively says that peak oil is just around the corner, and that [without Iraqi oil, we'll be in deep trouble by 2015](#):

Si la production n'augmente pas en Irak de manière exponentielle d'ici à 2015, nous avons un très gros problème, même si l'Arabie saoudite respecte ses engagements. Les chiffres sont très simples, il n'y a pas besoin d'être un expert.

If Iraqi production does not rise exponentially by 2015, we have a very big problem, even if Saudi Arabia fulfills all its promises. The numbers are very simple, there's no need to be an expert

And as long as the US occupies Iraq, production will not increase... Houston, we have a problem...

The whole interview is amazingly frank and free of diplomatic obfuscation. He blasts biofuels ("not based on any kind of economic rationality"), he notes that Africa is suffering the most already from expensive oil, he points out that even a slowing of China's growth will not reduce oil demand, and he talks pretty explicitly about production peaks and depletion:

D'ici cinq à dix ans, la production pétrolière hors-OPEP va atteindre un maximum avant de commencer à décliner, faute de réserves suffisantes. Il y a chaque jour de nouvelles preuves de ce fait. Au même moment aura lieu le pic de la phase d'expansion économique de la Chine. Les deux événements vont coïncider : l'explosion de la croissance de la demande chinoise, et la chute de la production hors pays de l'OPEP. Notre système pétrolier sera-t-il capable de répondre à ce défi, c'est la question.

Within 5 to 10 years, non-OPEP production will reach a peak and begin to decline, as reserves run out. There are new proofs of that fact every day. At the same we'll see the peak of China's economic growth. The two events will coincide: the explosion of Chinese growth, and the fall in non-OPEP oil production. Will the oil world manage to face that twin shock is an open question.

He says it again twice in the interview: the gap between demand and supply will widen, and he blasts our governments for doing so little:

Malheureusement, il y a beaucoup de paroles, Unfortunately, there's a lot of talk, but mais peu d'actes. J'espère vraiment que les very little action. I really hope that

nations consommatrices vont comprendre la gravité de la situation, et mettre en place des politiques très fortes et radicales pour ralentir la hausse de la demande de pétrole. consuming nations will understand the gravity of the situation and put in place radical and extremely tough policies to curb oil demand growth

Of course, we might need to curb more than "demand growth", and actually move to curb "demand" itself, but his words are at least quite direct and explicit. Even more interestingly, he puts the finger on two important but rarely discussed items: field depletion (he mentions an 8% decline rate for mature fields, but indicates that even a 1% difference in the actual number would mean huge volumes by 2020), and Saudi reserves:

Je crois que le gouvernement saoudien parle de 230 milliards de barils de réserves. Je n'ai pas de raison officielle de ne pas y croire. Cependant l'Arabie saoudite de même que les autres pays producteurs et internationales devraient être transparents dans la présentation de leurs chiffres. Car le pétrole est un bien très crucial pour nous tous, et notre droit est de savoir selon des standards internationaux, combien de pétrole il nous reste. I understand the Saudi government claims 230 billion barrels of reserves, and I have no official reason not to believe these numbers. Nevertheless, Saudi Arabia - as well as other producing countries and oil companies - should be more transparent in their numbers. Oil is a crucial good for all of us and we have the right to know how much oil, as per international standards, is left

While not a direct attack on Saudi numbers, this is by far the most explicit voicing of doubt about their reserves from any official of a major organisation that I have ever read. "No **official** reason to doubt"??? That's a pretty gaping hole there to sneak other kinds of doubts... He notes that he believes Saudi Arabian promises to be able to bring its capacity from 12mb/d today to 15mb/d in 2015, but notes at the same time that (i) it's the **only place in the world** (other, potentially, than Iraq) where production can grow and (ii) it's less than the expected demand growth by then from China alone.

While none of these facts should be surprising to my regular readers, it's quite something else to see them explicitly stated by one of the top officials of one of the major energy watchdogs of the Western world.

The only question left is - will our governments listen, now?



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