The Oil Drum: Europe
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

Duncan Clarke Responds to David Strahan

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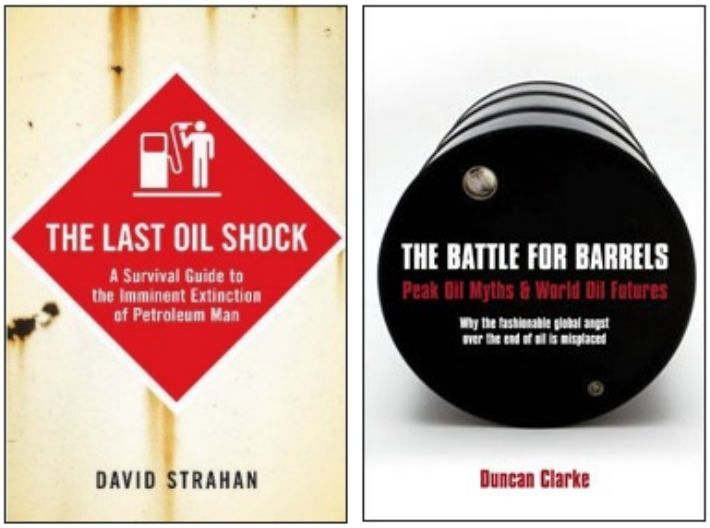
Earlier this year two books were published, The *Last Oil Shock* by David Strahan and *The Battle for Barrels* by Duncan Clarke. Both books address the question of future oil supplies but came to dramatically differing conclusions; Strahan arguing global oil production will soon peak and go into terminal decline, Clarke highlighting complexities concerning the evaluation of how much oil remains, historical mistakes in production forecasting and suggesting a more abundant view of our energy future.



The Last Oil Shock and *The Battle For Barrels*

Last month David Strahan published an open letter to Duncan Clarke, which we discussed here. Duncan Clark has been good enough to respond to Strahan with an open letter we are able to publish today. Full text below the fold.

Dear David,

You are right to say that *The Battle For Barrels* (Profile Books, 2007), my book on the global angst over the end of oil, takes the peak oil thesis seriously including its restrictive technical model, selected data sets and related claims, and also 'identified some obvious weaknesses' as you put it.

Part of the text sets out the social context of peak oil, an anthropological phenomenon of significance and not of inconsequential interest as you imply. Ideas have histories and contexts which sometimes illuminate their meanings, so I offer no apology for that. I fail to see why you should suggest that this somehow leads to any diminution of the core theory advanced, which I treat in-depth.

The key points in the book focus on the static nature of the technical model. This is

found wanting when examined in relation to its assumptions, both overt and hidden, that fail to correspond to common upstream industry practice, SPE views of conventional reserve dynamics, and evidence of growth in oil reserves. The model exhibits an unnecessary disdain for the multiple and complex impacts of economics – as well as many other real oil world considerations which have been treated at length in my *Empires of Oil* (Profile Books), just published.

I am not alarmed by peak oil's prominence in public debate. The lobby has after all developed a slick public relations machine for such purposes. That I acknowledged. The problem is that the arguments promoted by the lobby are built on shaky foundations: the future they project is derived from a linear model of the oil world, whereas non-linearity is far more probable.

Most peak models have likewise been based on presumptions about the narrowest boundaries for both resources/reserves and potential for exploration and discovery. The idea that "all is known" is one such limitation. In addition, there is minimal allowance for a range of key influences in these models: from an array of technologies, to global market-adjustments, crude price impacts, shifting corporate strategies by many players, and a plethora of state-driven policies worldwide.

Paradoxically, whilst it was not my task to do so (I note that you berate me for not doing it in numerical terms), it would theoretically be feasible to create a dynamic model incorporating such factors. Many of my observations lay the foundations by pointing out where the related weaknesses in contemporary peak oil notions lie.

None of the arguments I make hinge on who else amongst the 'great and the good' might have endorsed points made pro or con (it matters not to me that Clinton, Soros or whoever back peak oil), so it is of little use for me to follow your lead in this arena, or to respond blow-by-blow to many *ad hominem* comments and misinterpretations made on arguments advanced in the book. You are entitled to say what you like, and have, but I think *The Battle For Barrels* provides a rounded but tough assessment of all the key arguments for peak oil, and constitutes a fair and robust critique.

It was never my intention to offer a set of different modelled data that would tell anyone 'when exactly' some peak might or might not occur. So many have done that already, and the book assesses a wide range of such views. The book focuses rather on why the models advanced had failed in the past, why (mostly for the same reasons) they may well continue to do so. It also examines the fundamental determinants of actual upstream developments, now and in the expected world oil future. You happily acknowledge the many past failures of peak oil predictions, so maybe some caution on contemporary estimates is equally advised.

Discourse on randomly selected items in this debate – about some countries in crisis, Kuwaiti claims, estimates by others, statements by CEOs - do not help to 'prove' the case either way. You say that 'the obvious facts ... suggest the peak is close'. My reading is the opposite. Yet I went to some lengths to note the above-ground issues of key relevance that have made reserve access and exploitation tougher for the players. This is perhaps our key difference. To me the future cannot be glimpsed simply by assuming a now-fixed and narrowly conceived finite quantum of restrictively-defined geological bounty, placed in a model found to be static and wanting, and then imposed with inflexibility on a complex oil world depicted as lacking societal adaptation.

Much of your critique rests on the advocacy and theses articulated in your own book, *The Last Oil Shock* (John Murray, 2007), which builds of the idea that the world is running out of oil, that soon will come the ultimate oil shock leading to a series of severe

dislocations, eventual catastrophe, and - *voila* -the extinction of Petroleum Man. Once that optic is accepted, and it is because of acceptance of the very peak oil models I have discussed, the question turns towards surviving the doom. Here you offer judicious policy notes and suggestions to politicians, notably those in Britain. It is an activist agenda, quite different to mine. At the same time, I discern that you exhibit a wider perspective than most "true believers" (some interviewed and many quoted) but in the end your case is locked into the peak oil litany.

There seems to be continued reliance on the notion that the mainstream in the media, government and the corporate oil world act with almost overwhelming ignorance, duplicity and calculated denial, or at best complacency. I am much less sure than you, and have not encountered this in a wide exposure over many years to many segments of the industry on six continents.

You imply that the last oil shock might easily have started on 24 February 2006 when there was a suicide attack in Saudi Arabia aimed at the world's largest processing plant, the shock not being that peak oil has passed, or might still, but the all-encompassing crisis that is almost bound to be precipitated as a result. All manner of co-mingled disasters are then construed or in different ways imagined. I find it all of interest (and believe that it includes some trenchant observations), but the realities of the world appear more absorbing than these flights of imagination.

Your view that the world oil supply will decline in the next decade or so, that unconventional oil options will not save the day and that much touted alternatives are incapable of filling the gap, all this leading to a global liquid fuels shortage, is one perspective that can be tested in due time. But the key point must be that it is only probable *if* the mainstream peak oil model is valid.

As you know I disagree with your predictions. My book seeks to explain why this model appears deeply flawed in conception, design and application to global industry practice. Moreover, the model's own lubricant - the evidence used to reach its ultimate results, without which there would be no prophecy about last oil shocks – is one that greatly discounts world oil resource and reserve potential, future exploration efforts and discoveries, inherent oil market dynamics, crude price impacts and inter-fuel transitions, the future application of multiple technologies, the on-going and substantial phenomenon of reserve growth in the world's oilfields, societal adaptation, and much more besides.

It is worth recalling the long history of peak oil's prediction failures, stretching at least back to the early 1990s (even before). Many geopolitical considerations account for our contemporary paradigm. The diminished corporate access to oil, limited by a surge in resource nationalism in important countries, is one of them. This new 21st century paradigm may be expected to continue. But it does not mean that the world has run out of reserves or the supply of oil, let alone all liquids. Nor, despite peak oil's assumptions, is all now known once and for all on world oil reserves.

The world oil game is arguably one of the hardest things to understand and measure, let alone predict with precision. Its history teaches many lessons, the failure of forecasting one of them. It also instructs us about human ingenuity and adaptability. Like the weather, the oil industry could take many unexpected turns in future. It seems to me that *The Last Oil Shock* is tied by an umbilical cord to the imminence of catastrophist notions drawn from peak oil models. This case remains to be proven and Petroleum Man will more than likely be around for a very long time to come. As we have both made our case at length in respective books and in these letters, I trust we can conclude our discussion.

All best,

Duncan Clarke