



Peak Oil In The Australian

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Peak oil coverage in the mainstream Australian media has generally been quite good in recent years - while the idea of an imminent peak is far from the accepted wisdom, pretty much every major news outlet has provided decent coverage of the subject at some point or another (see the [Australian Financial Review](#), [Sydney Morning Herald](#), [ABC](#), [Melbourne Age](#) and [Brisbane Courier Mail](#) for a random set of examples)

While I tend to regard The Australian's Nigel Wilson as the best journalist covering energy news in the country, his column in [The Australian](#) ("Long-term oil prophecies proven wrong") this week left much to be desired.

IN the early 1970s the end of the world was predicted when a group of Middle East oil-producing countries decided to use their product as a political weapon.

At the time, the Organisation of Petroleum Exporting Countries controlled more than 80 per cent of the world's traded oil, which was being sold at about \$US7 a barrel. By 1978 oil was traded at around the equivalent of \$US120 a barrel - and the end of the age of oil was widely predicted.

The Club of Rome predictions of the late 1960s, based on the idea that there is a limit to global economic expansion because of scarce natural resources such as oil, have not eventuated, and today there is scepticism about OPEC's ability to dictate oil prices.

And the political choices facing the OPEC members - 11 of them if you include Iraq - are nowhere near as simple as they were four decades ago.

OPEC oil ministers will meet in Abu Dhabi this week to consider a crude market that is again testing \$US100 a barrel, and there is no certainty about what will happen. Theoretically, the OPEC members could just turn up their taps: more oil would flow and the world would be an easier place. ...

While its very easy sitting in an office in downtown Sydney to say that OPEC has as much oil as we could ever want and all they need to do is open the spigots a bit further and we'll be drowning in cheap, sweet crude, there doesn't appear to be a great deal of evidence for this theory if you look reasonably hard for it.

While I think its true to say that [Iraq](#) could [potentially](#) produce a [lot more oil](#) than it is at present, that isn't likely to happen until either the US crushes all remaining resistance entirely or they

leave and an Iraqi government emerges that can get the local oil industry on its feet again. [Venezuela](#) could also possibly produce more oil (from its heavy oil reserves) but this would require vast investment that isn't occurring at present and doesn't appear likely to in the foreseeable future (which will bring a sigh of relief from those concerned about global warming). Other than that there doesn't appear to be much in the way of potential excess capacity out in OPEC, let alone real excess capacity.

The quip about the Club of Rome is also rather annoying, showing (as is common with almost every reference to the Limits To Growth that I come across) a complete misunderstanding of what the book said. For those who can't be bothered reading the book (which apparently includes Mr Wilson):

- * it outlined a number of different scenarios
- * it didn't claim to predict the future
- * it didn't say that global economic expansion would go into reverse with 30 years - the scenarios were modelled over a 100 year period (which we are now 35 years into)
- * as a result of the concerns raised by the book, a lot of actions were taken in the 1970's which made the more dire scenarios that were explored less likely to occur (see the oil consumption graph and look at what happens to it during that period - and Europe and Japan at least seemed to have learned some lessons from the experience)
- * not all scenarios resulted in resource shortages and collapse - some had good outcomes
- * the conclusion to the book concentrates on the positive scenarios, along with a long description about how to make the "transition to sustainability" (which doesn't include population reduction, world government or any of the other measures some conspiracy theorists talk about - it recommends sustainability/equity/efficiency, clean energy, closed loop industrial techniques, regenerative agricultural practices, nonviolent conflict resolution, accurate/unbiased media and "decentralisation of economic power, political influence and scientific expertise")

To a certain extent, The Australian seems to be following the lead of new Murdoch press stablemate [The Wall Street Journal](#), which made a number of similar arguments recently - dealt with at [The Oil Drum \(twice\)](#) and [Energy Bulletin](#), amongst others.

Heading back to The Australian:

But the new head of the Paris-based International Energy Agency, Nobuo Tanaka, says some additional production is necessary. "We would wish for some additional barrels sooner rather than later," he says. "The current price level is sending a message to producers. Current high prices are not caused by disruptions but by concerns about supply and demand, the long-term economic growth of some countries and other structural issues. The high prices are showing that future investment in spare capacity is needed."

The IEA, which represents some of the major oil consuming countries, including Australia, has just published its 2007 Oil Supply Security report. "Despite growing global concerns about energy security, the IEA emergency response system remains robust and effective," Mr Tanaka said.

IEA member countries - though not Australia, which relies on the oil refining and marketing chain - currently hold stocks equivalent to about 122 days of net imports and constantly review and fine-tune their emergency response mechanisms, according to the report.

"Demand growth, increased concentration of oil reserves in fewer countries, the concentration of oil use in the transport sector, and insufficient investment in capacity

additions to keep pace with demand growth exacerbate the potential of an oil supply disruption in a tight oil market," the report says.

That seems to sound quite a lot like peak oil to me (it also sounds like Australia should think about its own strategic reserve if we aren't smart enough to start switching to an electric transport system).

So what does Mr Wilson conclude from this ?

OPEC now accounts for less than 40 per cent of the world's traded oil, and the higher price means the prospect of peak oil so confidently predicted a decade ago has been postponed.

Errr - did I miss something here ? A little bit of data (not to mention some analysis of what "concentration of reserves in fewer countries" and the growth in oil consumption in those countries really means) to support this theory would be nice...



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