



Former CEO of Talisman Energy: Peak oil is 'here or hereabouts'

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MARK COLVIN: Meanwhile, 'peak oil' - the idea that the world's supplies of oil have either peaked or will soon start declining, has suddenly gained new respectability. It's been derided by the big oil companies for years, but at the end of last week came a turnabout. The Chief Executive of the oil giant Royal Dutch Shell, Jeroen van der Veer put out a paper on Friday forecasting the end of easy oil. Mr Van der Veer said the result could be a worldwide scramble to mitigate climate change.

Dr Jim Buckee has just retired as President and CEO of Talisman Energy, a major independent Canadian oil company with a market capitalisation of \$25-billion. On the phone from Perth, Dr Buckee told me that 'peak oil' was now either here, or very close.

JIM BUCKEE: It is the underlying decline of the world's major fields that is the dominant driving factor here. If you think that at the moment the world is consuming 30-plus billion barrels a year of oil and is finding seven or eight billion barrels a year. And this state of affairs has been going on now for 20 or more years. It's obviously unsustainable and the world is increasingly drawing on the bigger older fields. You couple that notion with the irreversibility of decline and you've got a very alarming picture.

MARK COLVIN: Now this was a very unfashionable notion among the oil companies until pretty recently. But just last week the Chief Executive of Shell came out and said that easy oil was coming to an end. Did that surprise you?

JIM BUCKEE: I think it was only a matter of time before one of them had to say that and the pronouncements of the majors are inscrutable at best and I believe they often have a very political overturn.

MARK COLVIN: What are the politics there?

JIM BUCKEE: I think it's pretty alarmist if one or more of the worlds largest oil companies say, listen guys, supplies of oil are gonna get tight. The ramifications are immense.

Always the line of the major oil companies, Exxon, Shell, BP has been, 'there's plenty of oil, you know technology will overcome shortages; we'll find it'.

They changed a little bit to, 'there's plenty of oil, but access is difficult' and then this is a change again saying, 'well actually, it looks like it's finite and you know we're looking over the hill'.

MARK COLVIN: Global warming has brought a worldwide debate as to what to do about it, centring around, whether there should be a carbon tax or cap in trade. Is this peak oil going to just force everybody's hand anyway because the oil will run out?

JIM BUCKEE: Oil running out is sort of wrong terminology. It will continue to produce in large quantities, but increasingly less quantities at higher prices. So we'll still be using a lot of oil in 20 or 30 years time, but it'll be rationed by price to the most essential uses of oil and that's generally transportation.

MARK COLVIN: So we won't be able to make plastic bottles out of it to put water in?

JIM BUCKEE: Well...quite right.

And in passing of course we pay more for water than we do for petrol at the moment, which is insane. But that sort of thing will rectify.

So another point here is that the amount of carbon generated by hydrocarbons will be nowhere near that envisaged in e.g. the Stern report.

MARK COLVIN: How high can oil go now?

JIM BUCKEE: I don't think that really we've seen any rationing of consumption by price. We did see it in '79, '80 and that was largely because of the sudden quadrupling of the price of oil. Now we've seen a relatively gentle approach and people have accommodated it.

So I would say you need to see oil in the \$150, \$200 a barrel range before it would have any particular impact on demand.

MARK COLVIN: When do you think we'll reach that?

JIM BUCKEE: The situation is always very tight in the fourth quarter because Northern Hemisphere demand increases; it's the sort of highest quarter for demands. So I'd say we'll see stress again in the third and fourth quarter of '08.

MARK COLVIN: Do you think it'll get to \$150, 200 by then?

JIM BUCKEE: I think that's the number that's required to ration demand and I'd say so yes.

MARK COLVIN: That's really racing up on us.

JIM BUCKEE: Well I think the whole situation it's here. It's snuck up on us without any people really paying attention to it. And it's very important. I mean things like layouts of cities and future plans all have to take this sort of thing into account.

I mean if you look at a city like Los Angeles, if the supply of gasoline became tight, it'd be a big problem; how to run Los Angeles and the same problem, smaller in lots of other places. Where you have work at point A, residence at point B, shops at point C and they're all miles apart.

MARK COLVIN: You'd have to include most of Australia's big cities in that wouldn't you?

JIM BUCKEE: Yes I think so. But I mean Perth isn't quite there yet I don't think but yes in general it ignores the distances, yes.

MARK COLVIN: Dr Jim Buckee, former president and CEO of the Big Canadian independent oil company Talisman Energy, on the phone from Perth.



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