The Oil Drum: Europe
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

Winchester Lets Brown Have Both Barrels

Posted by Euan Mearns on February 8, 2008 - 2:45am in The Oil Drum: Europe
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.... and Cresswell takes a pot shot at CERA...

Back in November I ran article highlighting **Peak Oil in the Mainstream Business Press** lifted from the monthly Energy Supplement from the Press and Journal, a broad sheet that serves North Scotland - including Aberdeen, the Houston of the North. This month, two stories by Dick Winchester and Jeremy Cresswell caught my eye.

My, my, Gordon, you really are losing the plot

By Dick Winchester

GORDON Brown has come up with a new way of doing things. What you do is go and visit your biggest competitor, who has saved a few hundred billion quid to invest in or simply buy companies you might own, and who is already making oodles of cash because you're subcontracting to said competitor most of the things you used to do, and then give them £50million to help them develop new "green" technologies.

Yes, folks, Britain's PM's been at it again. In exchange for a couple of carry-outs and a tour of the Beijing Olympic village, he's offered the Chinese:....

The equivalent of one year's worth of funding for the new UK Energy Technology Institute.

Or more than three times what Scotland's Energy ITI gets in a year (not that they do much with it, of course).

And, as far as I can work out, roughly double what the Government is putting up via the BERR technology programme for developing renewable technologies.

Gordon's crackers. In fact, he's lost the plot.

China certainly doesn't need that £50million and, of course, our prime minister knows that. But he wants China to base the European centre for the China Investment Corporation in London.

This means more jobs in the financial services sector and additional access to cash for all those financial institutions. I understand he's very jealous of Tony Blair's £5million job for a US investment bank and is determined to outdo him. So he's taking Mandarin lessons and learning how to eat with chopsticks.

I doubt, though, whether China will comply. If I were them, I'd take one look at the Northern Rock thing and run a mile.

However, it is worth contrasting Brown's Chinese visit and what his aims were with that of President Sarkozy of France. The latter came back from China with a full order book for nuclear power stations. Brown came back having given away cash we could have done with using here.

Talking of nuclear power, Brown has now decided that he’s going to build an as yet undetermined number of nuclear power stations in England (not sure about Wales, but presume so) at some as yet undetermined point in the future at sites that haven’t been decided yet.

EDF – the semi-state owned French company – has already jumped in there and offered to build some of them.

Brown seems quite happy with this idea, which is bizarre given his apparent opposition to any form of state ownership or intervention, except of course if a Newcastle bank is involved.

In fact, I was highly amused by one columnist’s remark with reference to Brown’s chasing after Chinese state funding.

He said: “We (the UK) are so non-interventionist that we don’t intervene to stop interventionists (as in countries that nationalise their investment funds).”

But, of course, there will be no new nuclear power in Scotland. This is a difficult one for lots of people in the energy sector to live with, but personally, and on balance, I tend to support that view, and I’ll explain why. Just like the Americans, Norwegians, Germans, French and just about everyone else on the planet except Gordon Brown, I’m a completely unreconstructed industrial patriot and I want to see us doing things that are going to benefit us long term.

Firstly, there is no UK, let alone Scottish, nuclear reactor builder. Brown has already made sure of that by selling Westinghouse to the Japanese.

So although there might be a lot of engineering work to be gained from building new reactors here by companies such as Doosan Babcock, Amec and some consultancy companies, the big valueadded stuff will have to come from overseas.

Overall, therefore, I believe the development of a Scottish renewables energy industry will, in the long term, be a better bet. Creating and growing indigenous companies is not only good for highvalue-adding jobs, but creates export opportunities. Regardless of your views on wind technology, as the Danes have found, renewables can be a huge business.

Oh, I forget to mention Gordon Brown’s other triumph.

While in China, and seeing he had one of those cheap ticket deals, Gordon nipped over to India (a one-time subsidiary of ours and now also a major competitor) for the second stop on his worldwide tour of the takeaway industry and offered them an even bigger chunk of cash than the Chinese – £875million, to be precise.

And following on from the theme he pursued in China, he also took the opportunity to lecture them as well about climate change and the need for India to clean up its act.

Not sure if anyone told him or not, but one of India’s biggest companies, Tata, is actually in the throes of buying those British icons, Jaguar and Land Rover, for a few billion quid.

That’s embarrassing enough, but Tata has also just introduced the cheapest car on the planet.

This will undoubtedly sell like hot cakes, although it will also increase India’s oil demand, congestion and pollution.

Another setback for Government joined-up thinking methinks.

Editors note: Next time you're in Aberdeen Gordon, bring your cheque book - I have half a dozen ideas on how you could invest a few million in energy research that will make a big difference to the UK and Global economies. After all, what's a few hundred million between friends?

CERA BRAGGINGS

By Jeremy Cresswell

MEANWHILE, those idiots at Cambridge Energy Research Associates (CERA) have their heads firmly embedded in the sand, judging by their latest “free” crowing.

They have the arrogance to say that they have the “missing link” for understanding the future of world oil supply. They say it is a “solidly based” view of oilfield decline rates.

They claim that the aggregate global decline rate is 4.5%, rather than the 8% cited in many studies, based on CERA’s analysis of the production characteristics of 811 separate oilfields that collectively account for about two-thirds of current global production and half of the total proved and probable conventional oil reserve base.

Of course, what you have to pay through the nose for is to discover which fields and to learn something of the methodology applied, therefore how they arrive at 4.5%.

Bizarrely, CERA claims that annual field decline rates are “not increasing with time”. That I simply cannot believe.

CERA director Peter Jackson is correct when he says, “Getting this right, and understanding the underlying dynamics, is key because the amount of new oil supply that will come onstream to satisfy present and future oil demand depends to a large extent on a comprehensive understanding of annual decline rates of existing fields”. But hang on a minute. Given the secretive nature of so many NOCs around the globe – and they command by far the largest chunk of proven and probable reserves – how can CERA make such claims? For solidly based, I suggest “quicksand-based”.

I was pleased to note that Resource Investor picked up on this latest CERA effort. It reminds of this US outfit’s prattling of 2007 when it attempted to slap down the notion of peak oil and talked instead of a decades-long “undulating plateau”. It would be great is CERA was proved right – but I think its founder, Daniel Yergin, and his colleagues will end up with egg on their faces.

Editors note: I have to agree that such vital data should be in the public domain and wonder if Peter Jackson might accept an invitation to present a summary of their decline report on The Oil Drum?

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