



API Energy IQ Game and Blogger Call

Posted by [Gail the Actuary](#) on August 17, 2008 - 10:56am

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In this post, I will talk about American Petroleum Institute's new Energy IQ Game and a related bloggers call, which Nate Hagens, Robert Rapier, and I participated in.

Last year, the American Petroleum institute (API) developed an Energy IQ Survey. This year, they revised it slightly and made it into a game. You can play, by clicking on this link:

[Energy IQ Game](#)

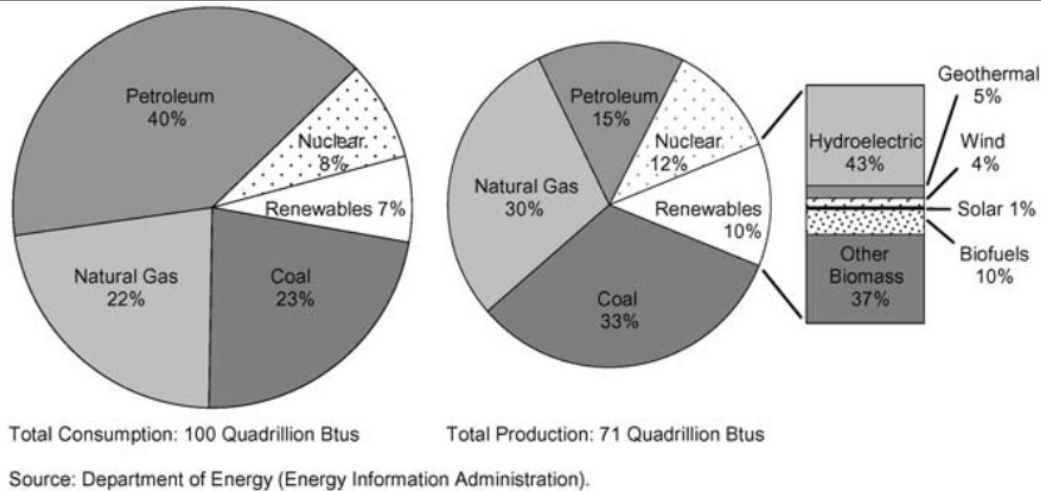
The audio tape and the transcript for the API bloggers call can be accessed [here](#).

Energy IQ Questions

A few warnings for those playing the game: The Energy IQ questions are a little tricky. When they ask about what projections are for the future, they are asking what the US Energy Information Administration is forecasting. When they talk about offshore oil estimates, they are talking about the estimates made by US Minerals Management Services. When they talk about reserves by company or country, they are talking about the published reserves, regardless of how bogus the numbers look. (This is a [link](#) to a post I did about the bogus reserve issue.)

It is fairly clear that the questions were chosen to make the points that API wants to make. API would like to point out that the profits the oil industry is making aren't out of line with the profits of other companies, and that the US companies are just small fry, compared with the National Oil Companies. They would also like to point out that a fair amount of our oil comes from North America, and that oil will be needed for quite a long time, because renewables are not likely to scale up very quickly.

Many people are not aware of what a small a percentage renewables are of US energy use now. This is a graphic from the United States Energy Information Administration in this regard:



The left circle is energy consumption; the right circle is energy production. The two big sources of renewable fuels are hydroelectric and biomass (generally wood, used for heating). In this graph, biofuels make up about 10% of renewables. If renewables are 7% of total consumption, this means biofuels are 0.70% ($=7\% \times 10\%$) of energy consumption. Solar makes up 1% of renewables, and wind makes up 4% of renewables. Using the same calculation, solar makes up 0.07% of energy consumption and wind makes up 0.28% of energy consumption. Starting from this small base, it will be very difficult to increase the newer renewables sufficiently to make up for the expected future decline in oil production.

A full list of this year's questions and answers to API's Quiz can be found [here](#). Last year, I wrote up an analysis of the questions and what points I thought the API was trying to make. That analysis can be found [here](#).

Bloggers Call

There was an API bloggers phone call on July 15 to talk about the API Quiz and a variety of related issues. Robert Rapier, Nate Hagens, and I (Gail Tverberg) from The Oil Drum all participated, as well as several other bloggers from other sites. The API representatives were Jane Van Ryan, New Media Advisor, Moderator; Red Cavaney, President and CEO, API; and John Felmy, Chief Economist, API. Jim Hoskin was the speaker from Harris Interactive, who was the contractor on this project. The audio tape and transcript can be found [here](#).

The discussion included several issues that might be of interest to TOD readers.

Near the beginning Robert Rapier asks a question related to renewable energy:

00:05:23 MR. RAPIER: Robert Rapier. I've got a question about – there seems to be an amazing disconnect here regarding the renewable energy question. The EIA projects less than 10 percent will be supplied in 2030. So if one in 10 respondents chose this answer, which doesn't surprise me when the current administration is trying to mandate 36 billion gallons [of ethanol] by 2022. But that seems to be an amazing disconnect to me. Comments?

00:05:53 MR. CAVANEY: Having been in the sort of public-policy side of business for almost three decades, one of the things that you see is what I might call – and I'm not trying to be derisive here – but the flavor of the month. Oftentimes, when there are

attractive alternatives that are set forth to address a meddlesome problem, they get very, very rapidly embraced. There's a great deal of fanfare and the public only catches a mere smattering of it. But because it gets a disproportionate amount of the news and the reporting and mention, it tends to float up.

As little ago as like six years, early in the Bush administration, the flavor du jour, if you will, you know, was the whole issue of fuel cells and how – you might recall there were the hydrogen highways that were being promoted in California and a lot of things like that. And what we see, again, is, over time, you get a cooling effect as people realistically begin to understand that these may be viable, but they're not going to come on tomorrow and it's going to take time.

And so it wouldn't surprise me for us to see somewhat the same kind of trend here on this particular matter that you've raised. So to us, it doesn't come as a startling finding. It's just something that we've learned to encounter.

Doug Lambert from GraniteCrok.com asked about oil and gas leases that expire without being used. There is a fairly long discussion of the question, starting at 7:17 Red Cavaney talks about how most of the leased properties turn out not to have commercial quantities of hydrocarbons. He also talks about some of the steps that make the process take so long. John Felmy says that what an oil company is buying is a "pig in a poke". Readers may find this section interesting. I did not try to quote it here, because of its length.

At 41:03, I ask about the low crack spread on gasoline, and the financial difficulties that this is causing independent producers. John Felmy's response was that this was being caused by a greater demand for diesel.

At 44:02, Nate asks about the impact of a deterioration of banking of industry would have on exploration and production for the oil and gas industry. He doesn't get very much of an answer, other than the same line of credit will buy a lot less oil if the price per barrel is higher, and that API is looking at the situation.

A little later, Geoff Styles of Energy Outlook asks a question related to the misperception people have of the timing of renewable energy.

00:49:05 MR. STYLES: But can I just add an interjection here? And, you know, I'm not of a conspiratorial mindset at all, but I think that this issue is more significant because it relates to some of the misunderstanding that the surveys show about people's expectations about how quickly renewable energy is going to ramp up. Because when you combine these two issues, the time lags to bring on oil from areas that are currently off-limits, whether it's ANWR or other parts of the offshore or whatever, when you overlay that with an expectation that within 10 to 15 years, we're going to be getting most of our energy from renewables anyway, it creates this sense among, I think legislators and the public, that it essentially means we don't need this oil. It's game over for the oil business. We're on the threshold of the next big thing. You're just too late with this.

00:50:00 MR. CAVANEY: No, let's – I know that some people have that feeling. But let's just – there are some retorts that you can come back on that. To bring almost all of

those alternative energy sources on, they're going to encounter some of the very same permitting problems and not-in-my-backyard problems that you encounter in the oil business.

For example, if you're going to build wind farms, they're typically – first of all, they've got to be permitted in remote areas, so they have to go through some of the same kind of problems that we do when we're out in remote areas. But equally as important, they've got to get the energy from where it's produced to where it's going to be consumed, which means they need to get right-of-ways, first of all, granted. And then, they need to get the permits to go through that. So when we think of those alternative energies, we think of them like flipping a switch and it's on and it happens. But they're going to be on the same queue that we're in, going through permitting, having to go back out to the public, and also running into some of the problems with the capacity to produce the equipment and the material that is needed to get them from here to there.

The nuclear industry is seeing this in spades. And also, we're seeing that in many cases with some of the large utilities that are trying to do things, same kinds of issues we've just talked about.

00:51:15 MR. FELMY: And if I could just add one thing, I think you're absolutely right, Geoff – I think it was Geoff – that the disconnect is really profound, because we hear constant discussions that we want to spend money on alternatives to help the gasoline market. Well, that's a huge disconnect because most of the alternatives they're talking about are electricity. We do not have a fleet of electric cars and we will not have a fleet of electric cars for a significant amount of time. And so, this whole argument is just a huge disconnect. And I share with you – I agree with you in terms of how can we bring this stuff on, and then Red's points in terms of infrastructure of any type are a challenge.

There are a fair number of other question on the tape that may be of interest as well.



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