



## Jeremy Leggett discusses the UK Industry Taskforce on Peak Oil and Energy Security

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Last week saw the publication of [The Oil Crunch, securing the UK's energy future](#) (discussed on TOD [here](#)). This is the first report from a taskforce of leading UK companies and sounds the alarm bell on peak oil. The group formed around 18 months ago through a common concern that peak oil and energy security are not receiving the attention they deserve.

Jeremy Leggett, Chairman of Solarcentury and taskforce member has provided The Oil Drum with an interview with "*an anonymous cynical journalist*". He discusses the thinking behind the report, the credit crunch, the global oil industry's culture towards the future and the report's recommendations.

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### Another 40,000 word report on energy. Why should we be bothered to read this one?

**Jeremy Leggett:** Leading British companies, across a broad spectrum of industry, are warning that a premature peak in global oil production is a grave risk to the world economy just three to five years from now, and maybe earlier. Our fundamentally oil-addicted global economy is geared for rising oil supply for several decades to come, so an unexpected oil crunch would compound the damage being inflicted by the credit crunch. "Toxic" reserves are in danger of becoming for the oil industry what toxic derivatives have become for the financial industry. Having failed to act proactively to head off the credit crunch, we must not make the same mistake with the oil crunch. When the oil price was near \$150 earlier this year, panicking politicians flew around the world trying to do something about it. Even with significant reductions in demand, we risk oil prices far higher than \$150 after peak oil hits.

### Are you sure peak oil is so close? BP, ExxonMobil, and the Department of Business say you are not just wrong, but misguided.

**JL:** The global oil industry tends to lack of transparency where reserves and future oil prospects are concerned, and there are uncertainties as a consequence. But we believe the analysis we present – of a peak and descent in global oil supplies by 2013 at the latest – is, on the very strong balance of probabilities, correct, and that there is more downside risk than upside. Shell contributed a chapter to our risk assessment. Their opinion, which we had expected might be a summary of the case counter to our collective concerns, is in fact not much more encouraging than our own view. They forecast a flattening of production around 2015, and a plateau beyond, provided that the oil industry is given fairly open access to unconventional and otherwise difficult sources of oil. This proviso is far from a given outcome, not least for carbon/climate reasons. And even if it is achievable, it demands the same kind of proactive response that our scenario does. 2015 is tomorrow, when it comes to rapidly finding a new way of powering economies.

As for oil companies and government thinking our analysis is misguided, let's not forget that the

banks and the Treasury completely failed to see the credit crunch coming. Why should we necessarily expect oil companies and the Department of Business to be prescient about the oil crunch?

**The oil industry says they have made huge finds off the coast of Brazil recently. Lord Browne will be telling the new cabinet that there are massive amounts of oil yet to be found in deep water and the Arctic. The Saudis tell us they have plenty more left to pump and even more left to find. Are you calling them all liars?**

**JL:** Nobody is lying, and there is no conspiracy. What we fear is that there is a pervasive and dysfunctional culture of over-optimism in the global oil business, resembling in many ways the one that has become so ruinously evident recently in the financial-services sector. In our report we present evidence that takes issue with every point made in your question. The Brazilian finds will eventually yield around an additional year's worth of supply ....more than a decade from now. That is, provided the discoveries haven't been exaggerated, as so many discoveries demonstrably are. The Brazilian finds are a blip in a spectacular megatrend of declining discoveries stretching back almost half a century. Lord Brown may say there is lots more oil to find, but Lord Oxburgh – the former Shell Chairman – says in the foreword of our report that significant "easy oil" discoveries are a thing of the past, and we show why he might think this in the body of the report. As for the Saudis, we offer reasons to fear that their production is on the point of shrinking, and we give reasons to suspect that they and other OPEC countries have been hyping their declared oil reserves ever since linking OPEC quotas to the size of national reserves way back in the 1980s.

**But the oil industry says that there are well over a trillion barrels of proved reserves, and several trillions more in tar sands. In a world burning oil at not much more than 30 billion barrels a year, that means decades of supply before we need worry.**

**JL:** Here you take on board a widespread misapprehension about the peak oil problem. Peak oil happens when flow-rate capacity coming onstream from oil discoveries fails to exceed declining flow-rate capacity from depletion of existing reserves. Peak oil is more a problem of flow rates than reserves. In our report, the consulting editor of Petroleum Review – a flagship oil-industry journal – shows how the flow rates from reported oil discoveries drop below decline rates no later than 2013, and possibly a good deal earlier. As for tar sands, you have to melt the tar. This is far from easy, and is far slower than lifting liquid crude out of the ground. Easy oil is depleting by at least 3.5 million barrels a day of capacity each year, and the oil industry can't squeeze more than 2.5 million barrels of capacity from the tar sands fully seven years from now, assuming all goes to plan and they aren't reined in because mining the tar sands creates a huge volume of greenhouse gas emissions. If we think of global oil reserves as a water tank, it's the state of the tap you need to worry about. If it is faulty, you won't get enough water out. We think the oil tap is faulty, and a lot of water is going to stay inaccessible in the tank.

**But demand has been falling fast since we hit \$147 oil. It's little short of amazing how quickly systemic change is kicking in through the transport sector. The credit crunch is sure to depress demand still further. Surely that's that going to head off the problem. We'll adjust to lower supplies. The credit crunch problem will fix any peak oil problem.**

**JL:** It is true that the transport sector is morphing in front of our eyes, and it shows the scope we have for cutting global energy demand and changing supply if we try. But there are problems with the sanguine analysis. First continuing growth in demand in China and India is likely to drown out any demand reduction from structural changes in the west. Second, the oil industry has - almost incomprehensibly - been investing less in exploration in recent years. Third, the industry is relying on aged oilfields, aged infrastructure, and an aged workforce just at the time when oilfields are becoming more difficult to find and are taking ever longer - up to a decade - to bring onstream

The Oil Drum: Europe | Jeremy Leggett discusses the UK Industry Taskforce on Peak Oil and Energy Security <http://peo.org.uk/node/4730>  
even when they are found. Fourth, the oil- and gas-producing nations have massive and growing infrastructure programmes that are increasingly cutting into their own scope for export. In the oil crunch that we describe, oil and gas exporters are going to start keeping their oil and gas for use at home. For some nations, perhaps most, that risks turning an energy crisis turn into an energy famine.

In any case, invoking global recession is hardly the best way to deal with the prospect of an oil crunch. We should be able to do better than that, and we can. The taskforce argues that if we accelerate the green industrial revolution already underway, we will surprise ourselves with how quickly we can reverse out of oil dependence. We explore that positive vision in some detail in the report.

### **Isn't the financial crisis the immediate priority and won't everything else, however serious, have to wait till financial markets stabilise?**

**JL:** All three crises - credit, climate and oil – are deadly serious and have to be dealt with at the same time. Lord Stern, former chief economist at the Treasury, has argued that a £ invested today will avoid £10 in damage from climate change in years to come. The same is true of investing today to head off the impact of an oil crunch on the economy. We don't have a figure for the ratio of pain avoided, but we suspect it is higher than 10.

### **What have you said that is fundamentally new? Plenty of people have warned before about peak oil.**

**JL:** This is the first multi-company alarm bell to be sounded on peak oil, anywhere in the world. We are endeavouring to warn governments, fellow corporates, and the public of a threat far worse than terrorism: a threat that holds the potential to hit us for six on the watch of the next government. Yes individuals and institutions have said that the oil and gas taps can slow, or turn off, and in growing numbers of late. Even the International Energy Agency has warned of an oil crunch in 5 years. But never before has a diverse group of businesses said this, much less compiled a deep analysis to back the warning.

### **So what's the solution then?**

**JL:** We have to start building clean-energy technologies to reverse us out of oil at the speed that America mobilised for the Apollo project in the 1960s. The good news is that the survival technologies exist – dozens of them, across the full spectrum of energy supply and demand. More good news is that hundreds of billions of dollars have been already been invested in them in recent years, and they are in some of the fastest growing markets in the world as a consequence. The bad news is that these markets are still pitifully small compared to fossil fuels. We have a long way to go, and we have to move fast, just like the Americans did during the Apollo project. Another thing to recall is just how fast nations can build tanks and planes when they mobilize for world war.

[UK Industry Taskforce on Peak Oil & Energy Security](#)



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