The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

The 2009 EIA Energy Conference: Day 2

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Energy and the Media

This was the panel I had been asked to participate in. My fellow panelists were Steven Mufson (one of my favorite mainstream energy reporters), from the Washington Post; Eric Pooley from Harvard, (the former managing editor of Fortune); and Barbara Hagenbaugh from USA Today. The panel was moderated by John Anderson of Resources for the Future.

I can only imagine that a number of people looked at the lineup, looked at my inclusion, and thought "What's that guy doing up there?" So here's the background on that. When I was working at the ConocoPhillips Refinery in Billings, Montana, we followed the weekly release of the EIA's Weekly Petroleum Status Report very closely. We included this information in a weekly supply/demand report, and it helped us to make decisions on how to run the refinery for the upcoming week.

When I started my blog, I began to follow and report on the weekly inventory release, which happens on Wednesday mornings and is followed in the afternoon by This Week in Petroleum. Professor Goose liked the weekly reports and asked me to bring them over here to The Oil Drum. This all helped drive more traffic to the EIA website, and helped more people come to appreciate the value of the EIA data.

Doug MacIntyre, at that time the primary author of This Week In Petroleum, started commenting occasionally on my blog, and was quick to answer any questions that readers had. Over time I corresponded with several people at the EIA, and they invited me up to the conference last year. The timing didn't work out last year as I was in the Netherlands, but this year's conference was doable. So that's how I ended up on a panel with the mainstream media.

The panel consisted of us all sitting around a table and taking questions from John, and eventually the audience. I will mostly report on what I said, because it was pretty difficult to take notes while sitting around the table.

The first question was on the price run-up last summer, and whether the media coverage was adequate. We all had somewhat different answers on this, but I took the opportunity to point out that the weekly inventory data can be an important predictor of prices. The plunging gasoline inventory data was the basis of my predictions for $3 and $4 gasoline in the Spring of 2007 and 2008 respectively (which we did in fact see). The other thing I pointed out about this issue is that Google searches on "rising oil/gas prices" probably drive more first-time traffic to my blog than anything else. (Searches for the "water car" are also quite popular).

Next John asked about phony, or false balance in reporting. Before the panel, I had asked readers at my blog and at The Oil Drum for suggestions on topics to cover, and false balance was mentioned by several readers. An example one reader gave was "Scientists report that the earth is round - Flat Earth Institute objects..." So how much credibility do you afford different sides of the debate?

The others on the panel agreed that this was a problem. I made two observations. One, it isn't always easy to figure out which side is the Flat Earth Institute. I spend a lot of time trying to figure that out at times, especially over newly announced technologies. Second, the good reporters do a lot of research when they are reporting on a story so they can determine who is credible. I noted that Steve Mufson had interviewed me by phone in 2005, and all that came from that hour-long interview was a partial quote in the story. At the time I was annoyed, but later on I came to understand that Mufson was just doing a lot of homework to get the story. Most of his questions were designed to figure out if I knew what I was talking about. The people you have to watch are the ones who call for just a quote.

As an example of false balance, I talked about Brazilian ethanol. Dan Rather and Frank Sesno have both been guilty on their Brazilian ethanol reporting. In hindsight, perhaps their reporting wasn't false balance so much as completely unbalanced, and lacking any semblance of critical reporting. They both essentially reported the Brazilian ethanol story as "They did it. We can be just like them." I went on to explain a bit more about the truth of Brazil's energy independence miracle, which I will update in an upcoming essay (but is also covered in my ASPO presentation from last September (Biofuels: Facts and Fallacies).

There was more discussion about scale (e.g., biofuel versus petroleum usage) and the role bloggers are playing now with respect to reporting news (some specialist bloggers can provide a technical analysis that the mainstream media may lack; on the other hand they don't always write to journalistic standards). I know I am forgetting some topics, but ultimately John started to take questions.

There were some good questions, but also some instances where the questioner simply wanted to make a point. Morgan Downey asked what energy books I liked. I told him that I was about 250 pages into his book, Oil 101, and that it was a fantastic book. I also mentioned Twilight in the Desert as an influential book on me. I noted that while I had some issues with Twilight, I thought it did a great job of driving home the importance of Saudi Arabia in the world oil picture, and just how important it is that we understand what's going on there. Finally, I mentioned Gusher of Lies as a book I had really enjoyed.

I was asked about peak oil and the notion that we are running out of oil. I took the opportunity to clarify that peak oil does not mean we are running out of oil - but the media often misconstrues the issue in this manner. I said that we would still have oil in 100 years. Peak oil means that we can't get it out of the ground fast enough to meet demand, and that if the production peak is near that we are facing some difficult years. (Other than this question and my answer, there was scarce mention of peak oil during the conference).

A representative from (I believe) the California Independent Petroleum Association got up and made a statement that he felt that despite the important role the industry plays, they are being demonized and singled out for punitive taxes. I responded that I could empathize; that one of my greatest concerns is that we will discourage domestic oil and gas production, and then biofuels fail to deliver per expectations. In that case I think we become even more dependent upon OPEC.

Fellow panelist Eric Pooley disagreed and said we need even stronger incentives for moving away from oil. That really misses the point I was making, though. You can have the strongest incentives in the world, but they can't assure that technology breakthroughs will occur. So while you are promoting one industry at the expense of another, very successful industry that plays a critical role in the world, what is the contingency plan if the incentives don't pay off? As far as I can see our contingency will be to go, hat in hand to oil exporters and plead for more oil. (The last thing we will do is ask people to make do with less).

I was asked about how I come up with ideas for what to write. I said that I browse the news headlines on energy every morning, and that I have Google news alerts on topics like "energy", "oil prices", and "peak oil." (Hat tip to Leanan for that bit of advice about a year ago). If something strikes me as particularly interesting - or particularly wrong - then I may write something about it.

After the panel, a number of people came up and introduced themselves. Some thanked me for speaking up on behalf of the oil and gas industry. One audience member asked me why I don't write more about "the global warming scam." As I said to him "I am not touching that with a 10-foot pole." He asked why, and I said 1). I am not an expert; 2). Discussions over the issue always seem to degenerate into name-calling. I will repeat my position on this. Coming from a science background, I have a healthy respect for scientific consensus in areas where I don't have specific expertise. On the other hand, the issue has become so polarized that people who do try to discuss the science are frequently shouted down and called names. I don't endorse those sorts of tactics, no matter how correct you think you might be.

Investing in Oil and Natural Gas - Opportunities and Barriers

Once again, there were two sessions going on simultaneously that I wanted to see. I had to miss **Greenhouse Gas Emissions: What's Next?** But I have been a big fan of Deutsche Bank's Paul Sankey for several years, and I wasn't about to miss his panel. Sankey has testified before Congress several times on the oil and gas markets, and I often feel like he is the only one there who knows what he is talking about. (I formerly summarized one of his appearances in Gouging is an Idiotic Explanation). Joining Sankey on the panel were Susan Farrell of PFC Energy, John Felmy of the American Petroleum Institute, and Michelle Foss of the University of Texas. The moderator was Bruce Bawks of the EIA.

The panel agreed that $50 was about the average cost of oil production today, suggesting that prices are unlikely to fall below that level for long. Farrell commented that worldwide expenditures on exploration and production amounted to $500 billion in 2008. She also noted that oil companies have been unable to arrest the decline rate; that it is in fact increasing. I believe it was also Farrell who suggested that in 2010 the haves would acquire more of the 'have-nots.' Someone on the panel stated that the global supply crunch still exists.

I think it was Felmy who said that even if we make a large scale move to hybrids or electric vehicles, 50% of the world's lithium reserves are in Bolivia. So we may end up trading Chavez for Evo Morales. I don't know; I think I would make that trade.

As always, Sankey made a lot of interesting comments. He said that while the banks might make a lot of money in a cap and trade system, intellectually it didn't seem like a good idea to him. He said he preferred a direct carbon tax. He said that we are setting up a slingshot for prices right now, but "2010 could be a bloodbath." He also said that the overall policy imperative of the new administration seems to be "anything but oil", but he believes that "attacking the oil and gas industry will be incredibly harmful to the U.S. economy."

Other Sankey zingers:

"Alaska would rate as one of the 'countries' most hostile to the U.S. oil industry."

"I am not sure there is any equity in any bank in the U.S."

"If we stopped producing gold tomorrow, we have 100 years of supply in inventory. If we stopped producing oil tomorrow, we have 55 days in inventory."

Finally, someone on the panel (I think it was Sankey) recommended the book Oil on the Brain as providing great insight into the industry. The author, Lisa Margonelli, had a pretty typical view of the industry until she delved deeply into the supply chain, traveling to Iran, Nigeria, Chad, and Venezuela. I have not read the book, but will put it on my reading list.

Thus ends my recollections of the conference. As I said in the previous entry, this is not so much a detailed account of everything as it is just my own observations and things that stuck with me as interesting, odd, etc. If you spot something that you think is in error, please let me know. For me, this was an interesting experience, and one that I was glad to be a part of. In conclusion, I want to thank the good people at the EIA for inviting me.

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