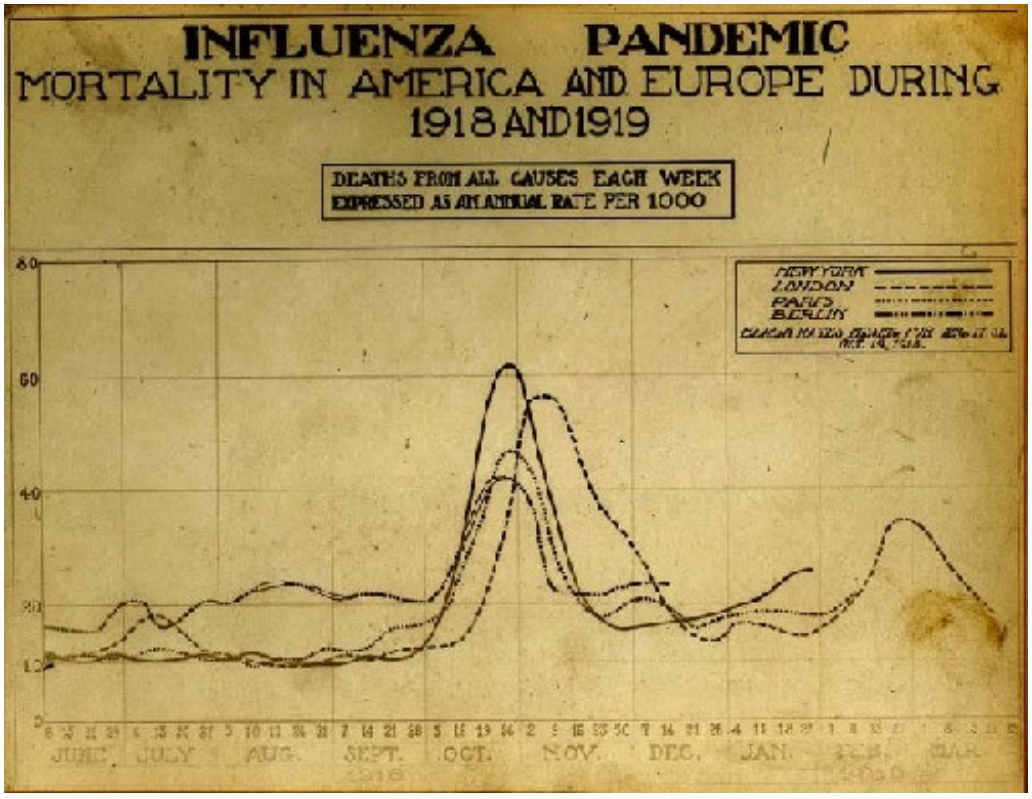
The Oil Drum: Campfire

Discussions about Energy and Our Future

H1N1 CLZ5 NGZ2

Posted by Nate Hagens on May 2, 2009 - 6:08pm in The Oil Drum: Campfire
Topic: Miscellaneous
Tags: campfire, original [list all tags]

This post is an open thread to discuss the implications of H1N1 (or future pandemics) on energy. Who knows how serious this flu strain will be, or the next one? What we do know is that 1) our current long run energy decisions are largely being based on the erroneous but comforting assumption that price is a valid signal of future scarcity, 2) we have 6.77 billion humans, about 50% which are connected daily through a complex just-in-time delivery system of basic needs and information, and 3) we have an economic marker system that has way overshot what it was attempting to mark. What then might happen to future energy supplies if either the perception, or the reality of a flu or other pandemic in the next few years sweeps the globe?



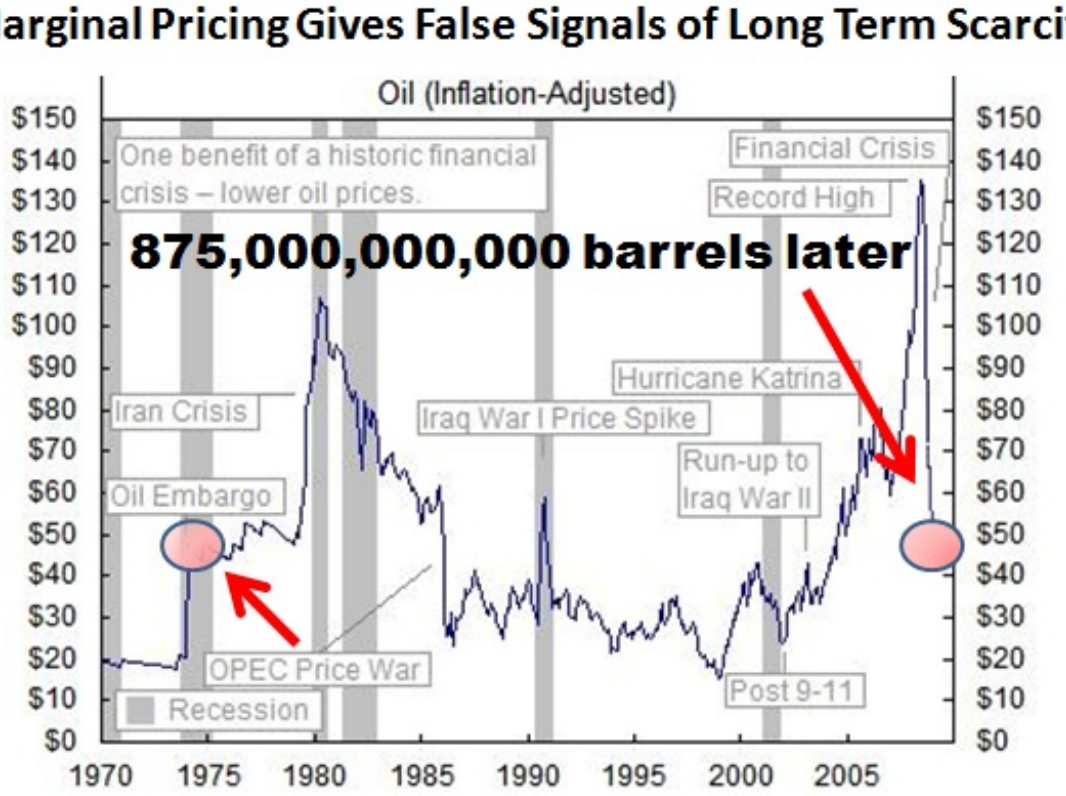
Sproradic news updates on the advancement and uncertainty surrounding H1N1 flu virus and human reaction to it continue this weekend:

> The president of the Asian Development Bank(ADB), Haruhiko Kuroda, warned on Saturday in Bali, Indonesia, that A/H1N1 may cause a severe impact on tourism, aviation and other industries in Asia. He said the judgment was based on experience

> from SARS and avian flu, but it was is difficult to make a proper assessment of the impact at this stage. Source

> In each of the four major pandemics since 1889, a spring wave of relatively mild illness was followed by a second wave, a few months later, of a much more virulent disease. This was true in 1889, 1957, 1968 and in the catastrophic flu outbreak of 1918, which sickened an estimated third of the world's population and killed, conservatively, 50 million people. Source

As I'll write about in an upcoming essay, the recent global plunge in commodities and stock markets due to too much credit/debt has been a generation in coming. The US peaked in oil production in 1970 and in real wages in 1974. In 1971 we went off the gold standard. Soon after that debt began its ascent, and took a moon shot trajectory starting around 1999, both in US and abroad. The first stage of credit/leverage unwinding last fall caused oil and gas prices to drop to roughly 1/3 of where they were last summer, when they were at levels sufficiently high to bring on all sorts of production at the margin, (as well as marginal renewables). Many of these projects are now being scrapped or produced at a loss. Since oil and gas are not really storable (or rather, there is finite storage once outside their natural reservoirs), the volatility in monthly/yearly price signals is high - higher still when leverage and credit abound in our financial system. But since commodities are priced at the marginal unit, each spike or plunge cannot possibly *both* give the correct long term market signals to flow/cost/availability of the resources. In fact, the inflation adjusted price of oil is the same today as it was 36 years ago, even though we have used 875 billion barrels of oil in the intervening 36 years:



What would happen if a real global health pandemic called a 'natures time-out' to energy investment during the liminal space before sharp natural decline rates in oil and natural gas begin to accelerate? Travel to malls, restaurants, vacations etc. would be curtailed so demand would drop. Storage is nearly at capacity for oil, so the reduction in demand (since markets are always in *equilibrium*, would drop. The generation of economists that are conditioned to respond to price signals would then waste even more time in a)reducing cultural conspicuous consumption and b)increasing infrastructure for harnessing renewable ecosystem flows. The only hoarding that might occur would be by those countries who recognize 'the Prize' by buying geographically vital energy assets in the ground.

On another resource perspective, I am sure there are some out there, aware of our 300% increase in global population since the wide scale use of fossil fuels began 200+ years ago, that are secretly waving little "Go H1N1" banners in the privacy of their homes. Natural disasters somehow have immunity from cultural conformity and political correctness. Fewer people means more resources for the future, and less primary productivity taken from that which comprises the planet's biodiversity.

A quote from yesterday's Drumbeat

> *We now have the capability of incredible war; would you like more murder, more famine, more accidents? Well, here we can see the human dilemma-everything we regard as good makes the population problem worse, everything we regard as bad helps solve the problem. There is a dilemma if ever there was one.* - Dr. Albert Bartlett: Arithmetic, Population and Energy

I have no idea whether this flu strain will be a big deal or have little to no impact. But our energy future is now on extremely fragile footing, for the many reasons discussed on this site.

Here are a few general discussion questions for the Campfire:

1. What impact would a global pandemic in 2009 or 2010 have on our future energy landscape?

2. Would such a pandemic accelerate a movement towards relocalization and away from globalization?

3. Would a global pandemic have any silver linings, either in fact, or in raising awareness of how fragile a just-in-time food/energy/water system is?

4. People do crazy things when they panic. As with anything uncontrollable (and with many things that are), there will likely be some unintended consequences from public/official response to a virulent flu strain. Any insights?

Additional thoughts, comments, links, are welcome.