



## Andris Piebalgs : it may have peaked.

Posted by [Luis de Sousa](#) on May 18, 2009 - 10:12am in [The Oil Drum: Europe](#)

Topic: [Policy/Politics](#)

Tags: [andris piebalgs](#), [eu](#), [europe](#), [european commission](#), [european parliament](#) [[list all tags](#)]

When public office holders approach the ends of their terms, they sometimes feel less constrained by political correctness. That's precisely what seems to be happening with European Energy Commissioner Andris Piebalgs. In a note that could be your regular post on The Oil Drum, the Commissioner talks about peak oil in the past tense and warns that present oil prices at relatively low figures are simply transient.

Below the fold is [the 8th May entry](#) to the Energy Commissioner's weblog is reproduced in its entirety, for such words from a such stakeholder are a precious thing.



*Emphasis added to the text.*

### Are we moving towards a new oil crisis?

One of the few good pieces of news in the current economic crisis (maybe the only one) is that oil prices have gone from the 147\$ a barrel of July 2008 more than 100\$ down to less than \$50 a barrel on the international markets. However, in the last days we have seen oil prizes rising and reaching the price of \$58 a barrel for the first time in nearly six months. Nevertheless low oil prices are also good news for gas, since gas prices are normally linked to those of oil. If we remember the difficulties that European fishermen and truck drivers had last year we can imagine what their problems with be if in the middle of an economic crisis they had to deal as well with prices over 100% a barrel.

However, we should not be under any illusion. The current fall of oil prizes is just the consequence of an even more dramatic fall in demand due to economic crisis. I add to that the fears in the financial markets you will understand why investments in futures of any commodity except the safest ones (gold, for instance) are so rare. But the fundamentals that drive the energy markets have not changed. Once the economic crisis is over demand for hydrocarbons will soar again, particularly in the developing world. And some countries are preparing for that. For example the Chinese government has granted a credit to Russian State owned oil companies Rosneft and Transneft \$25 bn. against daily supplies of 48,000 tonnes of oil for the next 20 years.

The world is aware that the production of the existing oil wells is decaying and that new discoveries are more scarce and more expensive. **Some experts consider that global oil production may have peaked at 94 million barrels a day** [sic - the correct figure would be arround 84 Mb/d]. The current economic crisis can make the situation worse. The lower prices that we are enjoying now can be in fact bad news. At

this price oil producers have been forced to postpone many necessary investments in new production capacity. These investments take decades to be accomplished. In consequence, if the current economic crisis finished and demand recovers we could be facing huge shortage of supplies that can lead to extremely high prices.

How high? According to the Secretary General of the International Energy Agency (IEA), Nabuo Tanaka, **oil prices could go up to as much as 200\$ a barrel in the next 4 years**. A quick look back on the situation of last year when prices were at a mere 147\$ a barrel maybe gives an idea of what the consequences may be if the prices goes a 25% higher.

The current relatively low oil prices give a respite to prepare for the coming new oil crisis. We have to reduce our dependency in all those areas in which black gold is not indispensable, such as heating, or electricity production. For those areas which will have to continue to depend on it, like transport, we need to accelerate the research for alternatives, like biofuels, electric cars or hydrogen. And in all sectors, we have to accelerate our efficiency being aware that every barrel of oil that we are using is one of the last.

It is difficult to forecast when the next oil crisis is going to come. As Nobel Prize Niels Bohr once put it "prediction is very difficult, particularly about the future". But one thing is certain, one day we are going to run out of oil, and to prepare for that day we may be running out of time.

There isn't much to add to these lines, for anyone reading this post likely agrees fully with them.

Taking the opportunity, it may be perhaps time to reflect on this Commissioner's term. The Commission took office with oil prices below 40\$ and saw them climbing above 140\$, dealt with protests from professionals dependent on oil products: hauliers, fishermen, farmers. He leaves office during the worst economic recession since at least 1980. While during the first half of its term both the Commission and the Commissioner were reluctant to accept the hypothesis of serious Energy supply problems, they eventually [acknowledged the situation](#).

First with the setting of the [20-20-20 goals](#) but especially with the [second Strategic Energy Review](#), the Commission showed that it understood (even if partially) that Europe's energy entitlement is at risk. Acknowledging the Union's unsustainable dependence on imported Gas and the present importance of its Nuclear park, were two relevant steps. To that adds some interesting initiatives like the Mediterranean Energy Ring or the Solidarity Plan. But the most positive outcome to this Commissioner's term ended up being the [commitment to Energy Efficiency](#) - the policy that can have most impact over the short term.

On the negative side are the sense of abundance inherent to the 20-20-20 goals, the promotion of damaging dreams like CCS, agro-fuels or hydrogen and the Marketplace adulation. Although the 20-20-20 goals are in themselves defensible objectives, they were designed for a Europe of the past, when energy was easily accessible in the Market. As for agro-fuels *et alia* this was possibly more the result of certain lobbies, although here the Commission also evolved by limiting the number of CCS pilot plants and reconsidering its bio-fuels goals. Nonetheless, the greatest shortcoming of the Commission's Energy Policy was the absence of an integrated approach to Transport, where the EU spends most of the oil it imports. Jet-fuel and Liquefied Petroleum Gas continue to be subsidized, the Union is still heavily dependent on road transport (especially for freight) the High Speed Rail network is not fully integrated and far from reaching all states. The weakest link seems to have been overlooked.

What seems most difficult for European politicians to grasp is that the coming decline of fossil fuel

consumption will be imposed by Nature and the Market, it won't be an option. With this weblog entry Andris Piebalgs definitely distances himself from that class of energy illiteracy, and just for that deserves praise.

When the largest party at Parliament, EPP-ED, [writes in its campaign booklet](#) that CCS and hydrogen are energy sources, one has to feel fortunate for having an Energy Commissioner capable of writing the lines above. Yes, it took the whole term to get there, but it eventually did. It seems unlikely that Commissioner Piebalgs can continue in office. Especially with the realization of the importance of the energy link with Russia, the largest states will possibly fight for this important office. Being the appointee from Estonia, Andris Piebalgs will likely see his place occupied by a German or Italian Commissioner for the next term. If member-states chiefs and the Parliament are able to agree on someone with the same understanding of Energy as Andris Piebalgs it won't be bad.

But alas, these lines end up highlighting how ineffective the current political system in preparing in advance and planning for the long term - only when the crisis hit comes the direct acknowledgement of a problem. Tragic.

*Hat tip to Rembrandt for pointing out Andris Piebalgs' original entry.*



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).