



Dr. Chu, Dr. Aleklett, and the Price of Oil

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There are a number of us who write about the situation in regard to the world supply of liquid fuels, and the future availability of those supplies. In general we began by gleaning our information from the internet, or each other, and from those relatively amateurish beginnings a community has developed to study the condition of "Peak Oil." That community was immeasurably helped coalesce and grow by the conferences that began under the ASPO banner, with ASPO standing for the Association for the Study of Peak Oil. [Kjell Aleklett](#) began these conferences on the study of peak oil some years ago, and has watched the growth of the community (shepherding, as [International President](#), where necessary) since then.

He has recently [reviewed the papers](#) given at the ASPO – USA conference in Denver, providing the type of coverage I would have liked to provide had circumstances been different.

Kjell is located outside Stockholm, in a University that I almost made it to earlier this year and has shown, through his graduate students' dissertations, that it is possible to acquire and publish a wealth of information about the condition of the various aspects of future energy supply that cast a relatively realistic view of what we might expect in the future. (And if I [don't always agree](#) about some of the conclusions – that is, after all, the underlying basis of scientific discussion.)

I look at what he has been able to accomplish, and then I contrast this with the current U. S. Secretary of Energy, an individual who has the vast resources of one of the larger Departments in the United States Administration at his disposal.

The Energy Department's request for funding this year totaled [some \\$25 billion](#). The imperatives of the Department are listed as:

- Support deployment and expand research of cost-effective carbon capture and storage,
- Accelerate technological breakthroughs with the Advanced Energy Initiative,
- Provide additional energy security expansion of the Strategic Petroleum Reserve,
- Foster scientific leadership with the American Competitiveness Initiative,
- Advance environmental cleanup and nuclear waste management,
- Maintain the safety and reliability of the nuclear weapons stockpile and continue transforming the weapons complex, and

- Work with other countries to prevent the spread of weapons of mass destruction.

Today [the Secretary noted](#) that the rise in the price of oil to \$80 a barrel was “making him nervous.”

Folk such as Dr. Aleklett have studied the real situation in regard to the future of oil. Based on detailed studies of the actual rate of oilfield discoveries and oilfield production individuals such as [Rembrandt Koppelaar](#) (ASPO Netherlands) have been able to produce high quality analysis of the reality of the global oil situation that has caught the attention of groups such as [Global Witness](#), who have in turn produced a report “[Heads in the Sand](#)” that documents some of the issues that the global economy faces as future supplies of crude oil are unable to meet demand.

The evidence that forewarns of a problem has been out there for a long time. Sites such as The Oil Drum and [Energy Bulletin](#) have documented the evidence that has come to show that non-OPEC production of crude oil has already likely peaked, and the ability of OPEC itself to much increase their production beyond another couple of million barrels a day or so is in serious question.

There is, in short, a problem, and in the United States the responsibility for resolving that problem sits at the desk of the Secretary of the Department of Energy. Who with all due respect should not be surprised at all by the current rise in the price of crude, and the path that the price will take in the future, yet he is!

At least it would if he were paying attention. Unfortunately, however, the listing of the priorities of the Department – given above – show that peak oil or the related issues over the supply volumes and prices of natural gas – are not that great a concern. Climate change seems to be of much greater concern than the coming crisis in fuel supplies.

Even the British Government have recognized that, while making the politically correct genuflection toward the motif of global warming, that they are responsible for the ultimate fuel supply security of the British Isles, and have gone ahead and permitted more coal mines. Reality has a nasty way of intruding into the discussions of ideology and mandating actions that provide realistic, rather than merely ideological, answers.

Unfortunately at the moment the United States does not seem as well served by its Administration in this area, since the Secretary seems woefully unaware of the underlying fragility of the energy supply situation. Sweden seems better served in this regard, since Dr. Aleklett does provide information to that government, and they seem more aware of the problem, and the steps needed to meet the situation.

Our Secretary [sees the problem](#) in a different light

"We've repeatedly said what the world wants and needs is stable prices," Chu said. "They have been inching up recently and it's a little bit concerning."

Oil price volatility can also harm the alternative energy sector, Chu said. He said the fall in energy costs after the oil price shocks of the 70s and early 80s wiped out many clean energy companies.

To help stabilize crude prices, Chu said the administration is working to improve market

transparency. In particular, he said the Energy Department is focused on teaching developing countries how to compile energy data.

Um, yes I know, this is one of Matt Simmons pet peeves – but you know what – I don't think it is really going to help assure our future energy supply, which might, just possibly be something in his job description.

There is a meaning to the current rise in oil prices, control of which has now been passed to the OPEC nations, at least in the short term. If the Secretary is not aware of this, it would be extremely unfortunate not only for him but for the nation. This particularly the case if Dr. Chu's on-the-job training meant that he was unprepared when the next phase of this rolls around in the next year or so. Maybe in the meantime he might sit in the odd seminar at Uppsala.



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