



Petrobras Shares Some Considerations in a Response

Posted by [Prof. Goose](#) on February 11, 2010 - 8:59am

Topic: [Supply/Production](#)

Tags: [brazil](#), [fatih birol](#), [iea](#), [lucio pimentel](#), [original](#), [peak oil](#), [petrobras](#), [saudi arabia](#), [sergio gabrielli](#), [wood mackenzie](#) [[list all tags](#)]

Lucio Pimentel of Petrobras sent The Oil Drum a response to Tony Eriksen's post [World Oil Capacity to Peak in 2010 Says Petrobras CEO](#) that TOD published last week. In the spirit of courtesy and the exchange of ideas, it is posted below the fold in its entirety with the permission of Mr. Pimentel.

Petrobras would like to share some considerations regarding the "World Oil Capacity to Peak in 2010 Says Petrobras CEO" post, published on February 4:

The post written by Anthony Eriksen (ace) right in its title makes an erroneous interpretation of the graph presented by Petrobras in December 2009. In no moment was the graph intended to provide an estimate of peak oil date. The mentioned slide was put together intending to show a reasonable estimate of the "challenges" that oil supply will face in the long term. In order to provide a better view of such supply "challenge," we used an oil supply project database that separates future projects based on their likelihood of coming on stream. We believe this approach introduces valuable information about projects that have already been sanctioned and fields that are ramping up production into the analysis. This information provides a view on short-term production growth and allows us to evaluate its impact on long-term oil production capacity, affording us a better view on the Oil Supply "challenge." In our graph, we used the "on stream" and "under development" categories because they contain the projects that are very likely (almost certain) to add production growth in near future. In our view, the mentioned categories reflect a conservative view of future supply and provide adequate figures to express our intent. Although unsanctioned projects and oil yet to be discovered are not represented in the graph, this fact does not mean that we do not believe that these projects will add production capacity in the long run. Once again, we do not believe it is possible to predict a peak oil date. In particular, we do not believe it will happen in 2010.

Insofar as the decline rates are concerned, they were applied only to on stream production that was already declining according. The on stream capacity that was still ramping up was labeled under the "expansion projects" category. If you look at the graph carefully, you will see that these "expansion projects" provide the bulk of production growth in the early years." Your estimate of 5% in the decline rate applied to declining production was almost right. The exact number is 5.1%. This estimate was the result of a study carried out by the International Energy Agency, comprising 580 fields and using data from IHS, Deloitte & Touche Petroleum Services, the USGS, the DOE,

and a number of data obtained from official statistics published by governments, companies and consulting services. More information is available in the 2008 World Energy Outlook, more precisely in chapter 10. A caveat to this analysis is the fact that the decline rates can change over time on account of a variety of factors such as technology, investments, and even politics. Provided the high degree of uncertainty and the unknown quantitative influence of those variables over decline rates, we found it reasonable to apply the 5.1% to the entire horizon.

Regarding our demand scenarios, they are the result of a broad set of political, technological, economical, and social assumptions. Precisely about the Sustainable Development scenario, conclusions cannot be drawn from its name. In broader terms, this scenario is shaped by a combination of strong economic growth, successful policies regarding energy efficiency, and a strong presence of first- and second-generation biofuels in the energy matrix. In essence, it has assumptions that render it fairly similar to the 450-ppm scenario issued by the IEA in the last World Energy Outlook, in 2009.

Lucio Pimentel

Petrobras Press Management/Institutional Communications

imprensa@petrobras.com.br



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](http://creativecommons.org/licenses/by-sa/3.0/).