



Today's reading assignment

Posted by [Yankee](#) on October 11, 2005 - 12:07pm

Topic: [Supply/Production](#)

Tags: [cera](#), [oil](#), [peak oil](#) [[list all tags](#)]

According to cultural economist Ronald Cooke's [reading of the CERA report](#), the major threat to the oil supply is not, well, supply, but rather geopolitical. Cooke quotes Yergin himself:

"The main risks to our Supply Expansion scenario are above ground, not below ground - changes in the political and operating climate that could delay expansion." In CERA's downside "Delay and Disruption" scenario, capacity increases by only 11.5 million barrels between 2004 and 2010.

Whoops.

What is the implication? Will delayed projects and disruptions in the supply chain lead to temporary shortages before "Peak Oil" hits us? Perhaps we should review CERA's implied assumptions. They are, after all, the basis of CERA's optimistic conclusions.

The rest of this article discusses many of the supply issues that HO and Stuart have presented before, but intersperses them with a number of other concerns, such as the stability of the political and labor status in oil producing countries, the threat of terrorism, and resource nationalism.

I expected Cooke to be pro-CERA, but the article gets a little more pessimistic the longer you read. For example:

Assumption # 4. The proven reserves claimed by OPEC actually exist.

It is unlikely the proven reserves claimed by OPEC actually exist. Many believe they are a fabrication of the quota justifications that occurred in the 1980s. Furthermore, the claim that "Proven" reserves are increasing needs to be examined because in a sense we are merely talking about definitions. Words. As the price of oil increases, it becomes economically feasible to spend more money on production. Make sense? So the reserves that could not be classified as "Proven" at \$26.00 per barrel become damn attractive if the price for a barrel goes to \$55.00. There isn't any more oil. It's just that "Probable" oil reserves become "Proven" oil reserves as the price of oil increases because we can afford to spend more money on recovery. All we did was reclassify the definition of the oil we already have in the ground. No one found any more oil. Not a drop.

Even when Cooke feels fairly confident about something—like that unconventional oil sources really could contribute to the total supply—he tempers his enthusiasm:

If we add up all of these resources, we probably have up to 1.1 Tbl of unconventional oil to play with over the next 20 years. But our estimate of annual production is much lower. Technical, weather, geography, political, environmental, cost and EROEI factors will limit total production to around 100 Bbl from 2005 to 2020. This estimate – by the way - mirrors the Energy Outlook projections made by ExxonMobile in its "World Liquids Production Outlook" presentation.

So, what do you think of Cooke's story?



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