



John Hofmeister: Our Energy Predicament Viewed from an Oil Company's Perspective

Posted by [Gail the Actuary](#) on May 5, 2010 - 10:35am

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On Monday, May 3, John Hofmeister, recently retired president of Shell Oil Company, gave a luncheon speech at the Offshore Technology Conference on our energy predicament, and the challenges the oil and gas industry faces, viewed from inside the industry. I am not certain we will agree with everything he says, but thought we might think about the issues raised. I quote from an article that begins on page 3 of [OTC2010](#).

More recently, despite the high oil price “wake up” call delivered to the US during the period 2005-2008, policymakers have been unable or unwilling to address the nation’s energy security, economic competitiveness that comes from affordable energy, and the potential jobs creation initiatives that a sound energy policy would and should deliver.

Given the current trajectory of an aging infrastructure, decades of restrictions on drilling, failure to tackle the obstacles that prevent both more nuclear plant and clean coal plant projects, frittering at the edges of renewable energy, and avoidance of other energy “hard choices,” within the decade the nation faces an unprecedented energy abyss.

By 2020, there will be inadequate supplies of liquid fuels and electricity taking the nation toward inevitable gas lines, brown-outs, black-outs and extraordinary high prices. The energy abyss will stick around for up to a full decade with all of the national insecurity, economic decline, joblessness and social malaise that accompanies energy shortages in third world countries.

The energy industry, despite its technological, geological, chemical, physical, molecular, logistical, scientific and engineering expertise and capacity to deliver affordable energy in endless supply, given all of the natural sources of energy in this country, and the world, will be unable to supply the demand because of public policy constraints. Yet, it will bear the brunt of the blame for energy shortages. Today’s energy professionals will bear the reputational burden of our national decline and failure because who else is blameable?

Are you prepared to accept that blame, or are there viable alternatives, things you can do, to change the nation’s current trajectory?

Understanding the scope and depth of the energy system's problems requires careful understanding of just how entrenched the obstacles are to sound enabling public policy. What do we do about "political time" dominance in the political process, up against "energy time" requirements to get projects launched and completed?

How do you respond to the dysfunctional structures that our three independent branches of government have created over the course of time? Is it really necessary to have 13 executive branch agencies govern energy and the environment? Do we need 26 congressional committees and subcommittees writing legislation on energy? Should every federal district court have authority to delay and ultimately prevent citizens from having the energy they need because of the power of the judicial bench?

How long can you tolerate the paralysis of partisanship where right and left wing interest groups, demagogues and authority figures, elected as well as appointed, prohibit mainstream, centrist Americans, most likely the majority of citizens, from achieving needed policy objectives? Are you willing to accept zigzag efforts to move energy policy forward forever?

The nation has to come to grips with its energy future sooner, not later. The time is now not then. We can't wait for a ninth president and 19th congress to promise us whatever it takes to get elected and then lead us down another failed path.

We should have learned by now but we haven't. So what can change and what can you do to make a difference as an energy professional and as a citizen of this or any country.

John Hofmeister is candid in acknowledging approaching energy constraints--probably more than most energy insiders. We at The Oil Drum know that there are real physical constraints that the oil and gas industry is up against, but in my view, no one is up to admitting to that issue. Instead, we have many groups running around, blaming each other, each with a phony promise that the situation can be fixed, "if only" the fix of the day is implemented.

On one side, we have the oil companies, blaming the political groups for trying to over-regulate the industry, and thus hold down oil supplies. Perhaps there is a bit of truth to the issue, but the basic issue remains that the cheap oil and gas have mostly been extracted, and our economy cannot really afford expensive oil and gas.

On another side, we have many encouraging outrageously optimistic views regarding what alternative energy sources can do, but not considering the issue that maintaining such basics as food and heat for the current population would be a major challenge. There is also an issue regarding how much of these alternatives our financial system can really afford. If we can't afford \$150 oil, it is not clear we can afford high priced alternatives, especially if they cannot run our current oil-based infrastructure.

No one is really willing to look at what our energy future is really likely to look like, and plan and make regulations on that basis. In my view, we really should be planning for what industry and transportation will need to look like, with no (or very little) fossil fuels. We need to look at what kind of roads we can maintain, and what, if any, kinds of vehicles will be able to run on them. If we don't look to see where we are really headed, it is hard to see that we can take steps that will get us in the right direction.

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