

Charles Maxwell Forecasts Peak Oil in Seven Years

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Topic: Geology/Exploration

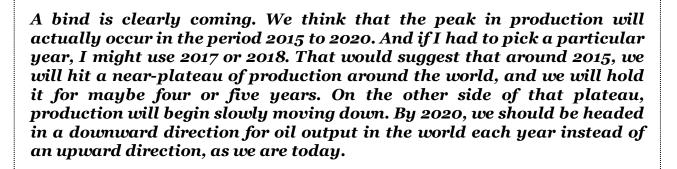
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Respected oil analyst and oil industry veteran <u>Charles Maxwell</u> (nicknamed the "Dean of Oil Analysts") has forecast peak oil by 2017 or 2018:

2018:

Bracing For Peak Oil Production By Decade's End

His prediction is not so remarkable, as is where he made his prediction. The prediction was in Forbes, which has often scoffed at the notion of a near-term peak. Some of Maxwell's comments:



As far as the impact, you can put Maxwell down as a <u>Long Recession</u> believer. <u>In a 2008 interview</u>, he predicted:

"[Maxwell] expects an oil-induced financial crisis to start somewhere in the 2010 to 2015 timeframe," Energytechstocks.com reported. "He said that, unlike the recession the U.S. appears to be in today, 'This will not be six months of hell and then we come out of it.' Rather, Maxwell expects this financial crisis to last at least 10 or 12 years, as the world goes through a prolonged period of price-induced rationing (eg, oil up to \$300 a barrel and U.S. pump prices up to \$15 a gallon)."

Maxwell and I are also on the same page regarding what will happen with the oil companies. Some people think that as oil declines, the oil companies will go out of business. I have a different view. I think that the rise in oil prices will be faster than the decline in production for most oil companies. Thus, they will make more money on less production. This will infuriate the public and the

politicians, who will see sky-high pump prices at the same time the oil companies are raking in record profits (reminiscent of 2007-2008). Thus, there will be many calls for additional windfall profits taxes, and more calls for nationalizing the oil companies. Maxwell's take:

In this case, "allow" means to allow the profits to flow through to the shareholders. What they will do is to put in excess profit taxes or windfall profit taxes on oil. That is the main problem that the oil industry will be dealing with in those future days. But even so, it looks like profits will rise significantly.

While there are some differences in the details, what Maxwell articulated approximates my own views.

- I view a global oil production peak within the decade as a near-certainty.
- I think there is a small probability that the peak has already occurred, but we won't know that until several years after the fact.
- I don't believe that there is anything in the technology pipeline that can prevent a growing gap between supply and today's demand.
- I believe that gap will be closed by price-induced rationing, which will be very hard on businesses and individuals.

Higher prices will result in a very difficult transition period in which we are forced to use less because we simply don't have the money to use the oil that we have historically used. This will be a period of great economic difficulty, lasting for years. At the same time that the economy is in great difficulty, oil companies will continue to reap big profits, causing an enormous amount of resentment and calls for higher taxation and greater regulation of the oil industry.

However, I also believe that humans are very resilient, and that we will eventually come through this. This is why I do not characterize myself as a 'doomer.' We do use a lot more energy than we absolutely have to use. I would bet that most people – if they really had to – could cut their fuel consumption by 50%. It wouldn't necessarily be convenient or easy, but it could be done. But it takes planning to do this, and it is our collective failure to plan that is going to lead to the difficult period. It is during the difficult period that we will get serious about planning, and the subsequent modifications in our energy usage pattern will ultimately lead to recovery on the other side of the crisis. Energy transitions take time, but our energy consumption patterns will be forever altered relative to what they are today. I simply do not believe it will ever be possible to replace *major* shortfalls in oil production with biomass. It may be possible to replace 20% of today's oil production, but beyond that there will be increasing competition with arable land for food production — and pressure to turn forested land into arable land.

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