



Please, Professor, April comes before Thanksgiving

Posted by [Heading Out](#) on October 30, 2005 - 10:32pm

Topic: [Supply/Production](#)

Tags: [peak oil](#), [production statistics](#), [world peak](#) [[list all tags](#)]

Perhaps to counter the less glowing report on long-term production that we discussed [last week](#), it may be interesting to note how the Saudi Petroleum and Mineral Resources Minister Ali Naimi outlined them at the recent meeting in South Africa. The report comes from [Petroleumworld](#) which, interestingly, makes a statement at the end of the article that it does not necessarily share the minister's views. However, when we put this against some of the numbers from the EIA further down the piece, you will see that perhaps it is wise to be a little concerned. (Although production numbers often increase a bit when they are finally reconciled with reality, rather than an estimate).

I am often asked, "How does Saudi Arabia intend to meet the challenges of the future?"
..... These efforts include:

Meeting our customers' current requirements by offering additional crude supplies as needed.

Pursuing an aggressive exploration program for oil and gas.

Expanding our production capacity from the current 11.0mn b/d to 12.5mn b/d bid by 2009 to meet future demand and maintain spare capacity of at least 1.5mn to 2.0mn b/d.

Expanding and upgrading our existing refineries both in the Kingdom and overseas.

Building new export refineries in Saudi Arabia and in key consuming countries which will be able to handle heavy, sour crudes.

Adding additional tankers to our fleet.

Investing in new advanced technologies across the spectrum of our business.

Training and developing our workforce.

Expanding our R&D efforts.

Working with the International Energy Forum - an organization created to improve dialogue between producers and consumers - to encourage greater oil market data transparency.

Spare capacity remains a cornerstone of world oil market stability ? both for the upstream and the downstream. With regard to the upstream, Saudi Arabia has long

made it a policy to maintain significant spare capacity in an effort to promote oil market stability. Our spare capacity has paid great dividends over the years by helping to minimize disruptions to the world economy. The Kingdom's ongoing policy is to maintain 1.5-2.0mn b/d of spare capacity.

It is worth noting that they are looking to look at advancing technologies and investing in R & D, as a major strategy, but the article actually does not really commit them to much more than the current status. But he also notes

The overcapacity which existed for decades and reached as high as 15mn b/d is gone, having succumbed to rising oil demand produced by a vibrant global economy. As a result, there is very little spare crude production capacity available outside of Saudi Arabia to help balance the market.

Now the rate at which the Saudi's plan to increase production is not going to yield vast amounts in any one year,, the total will only go up by 1.5 mbd over 4 years, which means an average increment of 400,000 bd each year.

Yesterday in comments Westexas noted, in discussing world oil production

By the way, both numbers are basically flat, from 7/04 to 7/05, i.e., according to the EIA, we were showing zero growth in oil production/supply year over year (just before the hurricanes).

He is talking about information that comes from a downloadable spreadsheet found [here](#) under the "Crude Oil (including lease condensate) part C. Part A shows that in that time frame OPEC production went from 30.7 to 31.4 mbd, of which Saudi Arabia only contributed 100,000 bd. This shows not a lot of change in production, as he points out, over that period.

When one includes natural gas liquids, (the top table available on that EIA page) the world production was increasing until April, rising to 84.65 mbd from 81.9 in 2004. However in June and July it dropped off to a July figure of 84.04, virtually the same as the production the previous July (83.99). It appears as though a fair bit of the drop was due to declining US production, and some of this can be blamed as due to the start of the Hurricane season, since Dennis showed up on the 10th of July. But we are left with a little bit of a puzzle as to why the peak was actually a bit earlier (though it might be due to reduced demand before driving season and the end of the filling of the US SPR).

If US production continues to be shut in, then it may be that world oil output may have peaked in April for this year. And, sorry Dr Deffeyes, but that predates Thanksgiving. Will it pick up again next year? We shall just have to wait and see? And also if some of these production numbers get revised, one way or another, then perhaps the situation might have changed.

One wonders if this will come up in Denver, at the Peak Oil Conference? Could make for a lively meeting!



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