



Five Misconceptions About Peak Oil

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I recently attended the [annual ASPO conference](#) in Washington, D.C. This was only my 2nd ASPO conference; the other one I attended was in 2008 in Sacramento. There were many familiar faces, some of whom I had previously met and some I only knew by reputation. The mood seemed remarkably calmer than in 2008. That year, oil prices were just coming down from record highs, a pair of hurricanes were causing spot gasoline shortages, and the economy was headed into the toilet. The general mood was that things were rapidly unraveling. Three years later, the long-term outlook isn't really any different, but I think some who predicted imminent doom are starting to change their views on how things are going to play out.

I noted during one of my talks that I don't even like the term "peak oil." That is because there are a number of misconceptions and negative connotations associated with it. I prefer to talk in terms of resource depletion and a supply/demand imbalance that includes multiple elements – all of which combine to keep upward pressure on oil prices. So what are those misconceptions about peak oil? Below are the ones I think are most common.

Misconception 1: Peak Oil = Running Out of Oil

This one is surely the most common. Many articles that seek to debunk the notion of peak oil start with that premise, and then respond by highlighting historical instances where someone influential suggested that we could be running out of oil. In fact, anyone concerned about peak oil will readily acknowledge that we are going to be producing oil for a very long time, and when we stop there is still going to be a lot of oil left in the ground.

So what then is the definition of peak oil? In its simplest form, peak oil means that just as oil production in the United States peaked in 1970 and began to decline, so shall global production do the same. Once you get past that basic premise – one in which there is near-universal agreement once people understand that is what you mean when you say "peak oil" – there are many different opinions of exactly how events will unfold. The would-be peak oil debunkers are only addressing their arguments at one of the ways some people think this will play out, and then declaring that they have debunked peak oil.

Misconception 2: Peak Oil Beliefs are Homogeneous

The beliefs among people who are concerned about resource depletion cover a wide span. There are those who believe that a peak is imminent, followed by a catastrophic decline. Included in this group are people who have vocally and (to this point) wrongly predicted dates and catastrophic consequences as a result of peak oil. These are the real targets of those who claim that peak oil is nonsense. What they are really arguing against – but perhaps don't say due to misconceptions about peak oil beliefs – is that the idea of imminent, catastrophic decline is nonsense. But that isn't the same thing as arguing that peak oil is nonsense. (Just to clarify, I am not saying that I think this view is nonsense, but I don't view it as the most likely outcome).

But there are also people who believe peak oil will inevitably lead to cleaner environments, closer communities, and healthier food. Then there are those who believe that peak oil will lead to a dirtier environment as we become more desperate for energy and turn to more oil sands and coal to replace declining oil supplies. There are people who believe peak oil will be a minor inconvenience because there are plenty of sources capable of replacing oil. And there are those who believe certain elements of all of the above.

Misconception 3: Peak Oil is a Theory

It is also common among those attempting to debunk peak oil to refer to the “peak oil theory.” As in the previous example, this paints with a very broad brush. When someone describes peak oil as a theory, what they are really referring to is the belief that a production peak is both imminent and the results promise to be catastrophic. I doubt that’s the majority view, and I would estimate that the percentage of people holding that view has declined over the past five years as some of the catastrophic scenarios failed to materialize as quickly as envisioned. But peak oil itself is an observation, not a theory.

Misconception 4: Peak Oil was Dreamed Up By Big Oil to Inflate Prices

In fact, most of the major oil companies argue that oil production will not decline for decades. This has been the public view of ExxonMobil and the American Petroleum Institute. But within oil companies, there have been some executives who have publicly expressed concern that oil production could not grow to the levels projected by various agencies. I am unaware that this is the official position of any major oil company, but I would submit that the reason *some* executives expressed concern is because they *are* concerned.

Misconception 5: Peak Oil is Denied by Oil Companies Worried about Alternatives.

This view is the flip-side of the previous misconception. The idea is that if oil companies acknowledge peak oil, governments will redouble their efforts to develop alternative fuels, hastening the end of Big Oil. There are two flaws with this reasoning. First, from my view inside the oil industry, most people in the industry deny peak oil for the simple reason that they have either never given it much thought, or subscribe to one of the misconceptions. I frequently had conversations with people about peak oil in which the response was “They have been saying that we are running out of oil my entire life.”

The second flaw in this argument is that I have never seen anyone in the oil industry express anything resembling worry over the alternative energy industry. They may be annoyed at mandates that force them to do something they don’t want to do (like blend ethanol) but then they can respond by [getting into the business themselves](#). In fact, I have yet to see an alternative energy scheme that Big Oil wasn’t already working on: Algae, cellulosic ethanol, pyrolysis oil, butanol, solar – oil companies have major efforts in every one these areas (and have been working on them for years). It is just that in most cases, they don’t publicize and hype those efforts because they aren’t out trying to raise funds. It is just a part of the basic research that oil companies do. The scientists and engineers that work at oil companies aren’t just sitting around basking in the final days of the age of oil – a very common misconception. They are thinking about what comes next, and investing to make sure that when it does come, the oil companies are in the position to provide it and profit from it.

Conclusions

I think as far as peak oil goes, most of us can agree that just as it did in the U.S. in 1970, global oil production will inevitably decline. The points of contention are the timing, the steepness of the decline, the impact on the global economy, the impact on the general population, and the ability of

other energy sources to fill the supply gap. Some believe it will be a non-event, and some people believe it will be catastrophic.

What do I believe? I have always viewed peak oil as supply struggling to keep up with demand, which will keep oil prices at recession-inducing levels. I think that we will probably eek out a bit more global production (this depends on whether the global economy picks up any steam in the next few years), but I will be surprised if the world gets past 90 million barrels per day. I believe that shale gas and oil sands production will continue to rise, and global carbon emissions will continue their upward march.

I still believe in the [Peak Lite scenario](#); in fact I think that view has been validated. I also believe that my view on the [Long Recession](#) is supported by the state of the economy as well as the continued strength in oil prices. As far as the consequences of peak oil, I believe that what we are seeing now with respect to the economy is a prelude to what we will see for the next few years. I expect a slow squeeze on western economies as developing countries continue to raise their standards of living – keeping fairly constant upward pressure on oil prices and making life difficult in oil-importing countries. I believe we have entered the long recession, but if the economy shows major strength within the next couple of years I will concede that at least my timing was too early.

I do not expect a massive die-off of the population, as I reiterated to several people at the ASPO conference this past week. In fact, my mind can't even begin to entertain that scenario. I understand the basis of those who believe in this scenario, but I believe that we will show great resilience in the face of great challenges. We still have a lot of discretionary oil consumption that can be cut, and we have shown some responsiveness to high oil prices. The world won't look like it does now; I think Jeff Rubin is correct that our worlds will get a lot smaller.

It won't be a picnic; I expect the economic situation to further deteriorate from here and I think a lot of people are going to suffer (and I recognize that a lot of people are suffering now). But of course I have always been an optimist...

Postscript

This essay was [originally published on my blog](#), and was republished in several locations. Based on the comments I received, I have modified parts of the essay to provide more clarity around certain points. But I will elaborate here on a couple of points. Some people misinterpreted my comments about those who believe in an imminent, catastrophic decline. What I wrote was that this is the view that those anti-peak oil articles ridicule and attempt to debunk -- as if this view is representative of peak oil, period. I personally don't ridicule that point of view; it is one of many possible outcomes. But it is not, in my opinion, the most likely outcome.

Many seemed to equate "Peak Lite" with "peak oil will be a minor event." That is not remotely what the Peak Lite scenario is all about. I came up with this scenario when we were debating whether 2005 was the peak. It occurred to me that maybe there was far too much emphasis on a physical peak, and then the aftermath of the peak. After all, what happens after a peak? There is not enough supply to meet demand. I reasoned that we would see this and the associated impacts before we necessarily saw a physical peak. When I first started writing about this, I envisioned a scenario in which global demand growth outstrips the growth in supply, so that even if supply could still grow the market behaves as it would in a peak oil situation. So I used "Peak Lite" to denote "Effective Peak" -- which is not to imply that the impact of peak oil would be "Lite."

The Long Recession phrase was obviously inspired by The Long Emergency. I reasoned that since high oil prices frequently precede recessions, peak oil would likely mean a recession without end. The reason is that demand usually falls during a recession, supply creeps up, price falls, and the

economy recovers. In a Long Recession, supply doesn't creep up, and therefore prices remain high -- stalling a recovery. I think that's a pretty apt description of the situation in which we find ourselves.



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