



Oil will decline shortly after 2015, says former oil expert of International Energy Agency

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The following interview is a guest post by Matthieu Auzanneau, a freelance journalist living in Paris. This article previously appeared in Le Monde.

Olivier Rech developed petroleum scenarios for the International Energy Agency over a three year period, up until 2009. This French economist now advises large investment funds on behalf of La Française AM, a Parisian assets management firm.

His forecasts for future petroleum production are now much more pessimistic than those published by the IEA. He expects stronger tensions as of 2013, and an inevitable overall decline of oil production "somewhere between 2015 and 2020", in the following interview.



Olivier Rech, responsible for petroleum issues at the International Energy Agency from 2006 to 2009.

Rech's outlook serves as another significant contribution to the [expanding list](#) of leading sources portraying the threat of an imminent decline in global extraction of crude oil.

MA: What do you foresee? Let's begin with the non-OPEC producers (which represent 58% of production and 23% of global reserves).

OR: Outside OPEC, things are clear: of 40 million barrels per day (mb/d) of conventional petroleum extracted from existing fields, we face an annual decline on the order of 1 to 2 mb/d.

MA: In your view, are we therefore close to the 5% decline per year from existing production mentioned by Royal Dutch Shell?

OR: Yes, that's about it.

MA: And for OPEC production (42% of production and 77% of global reserves) ?

OR: It's more difficult to say; the data are still opaque. We are stuck in a haze. Nevertheless, I

note that Barclays and Goldman Sachs banks estimate that the spare production capacity of OPEC, more particularly that of Saudi Arabia, is significantly lower than what is officially claimed.

MA: Many new production projects are presently under development all around the world. What should we expect of them?

OR: There are new projects off the coasts of Brazil, Ghana and Guyana. The Gulf of Mexico is far from being depleted. The Arctic is far less certain, but there is real potential for natural gas there. Nevertheless, we must still expect a decade before seeing eventual and significant production of petroleum.

MA: In that case, what is your view on the timing of the global peak and decline of total world oil and alternative liquid fuels output?

OR: It is always delicate to project a precise date. The recovery rate of existing fields is increasing. The US on-shore production is declining very slowly (and one must add that they are drilling in a frenzy over there). It is an error to underestimate the know-how of drilling engineers.

MA: Taking account of all these factors capable of slowing a decline, what conclusion do you draw?

OR: We will certainly remain below 95 mb/d for the combined totals of conventional and non-conventional oil.

MA: Therefore, you are clearly more alarmist than the IEA and Total, the most pessimistic of petroleum companies. Total evokes the possibility of maintaining production on a plateau of about 95 mb/d until 2030.

OR: It's true. The production of oil has already been on a plateau since 2005 at around 82 mb/d. [NB: with biofuels and coal-to-liquid, we approximate 88 mb/d for all liquid fuels.] It appears to me impossible to go much higher. Since demand is still on an increasing trajectory (unless, possibly, the economic crisis engulfs the emerging economies), I expect to see the first tensions arising between 2013 and 2015.

MA: And after that?

OR: Afterwards, in my view, we will have to face a decline of the production of all forms of liquid fuels somewhere between 2015 to 2020. This decline will not necessarily be rapid, however, but it will be a decline, that much seems clear.

MA: You state "not necessarily rapid". Why?

OR: This will all depend on the speed at which streams of non-conventional oil will be able to be developed. Conversion of coal and natural gas to liquid fuels will remain infinitesimal. For first-generation biofuels, I believe we are already approaching the maximal limit. As for second-generation biofuels, we are still at the stage of industrial pilot projects. It should take another quarter century before we achieve a significant production on a world scale, let's say around 2.4 mb/d.

MA: In your view, will all of this be insufficient to compensate for the decline of existing conventional oil fields?

OR: Insufficient, yes.



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