The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

CIBC in more detail, and the first Chevron debate

Posted by Heading Out on January 13, 2006 - 12:13am
Topic: Supply/Production
Tags: canada, chevron, peak oil, willyoujoinus [list all tags]

There are a couple of new documents out on the Web that you might find interesting. The first is the initial Discussion Analysis based on the ongoing "Will You Join Us" campaign by Chevron (for which thanks to Powerswitch). The second is the full CIBC Monthly Report (a pdf file) for which thanks to Big Gav.

The initial Chevron discussion was on the topic "How can we make oil and gas supplies last longer, as the search for other fuels continues?" The debate was summarized by the Aspen Institute, which also provided a couple of contrasting expert opinions to get the debate started. They also seemed quite happy to editorialize a bit when it came to the reporting as in:

> Perhaps surprisingly, no one mentioned the potential of cellulosic ethanol, using as a feedstock biomass composed primarily of plant fibers that are inedible by humans."

Although biofuels were the subject that generated the most discussion among the participants, with some 1,072 responses which were mainly from individuals, about 10% coming from academic addresses.

The report allows the Institute to interlace some contextual comments into the report. And without sitting down to read all the debate, it is not clear how one should interpret, as popular sentiment, the following:

> From this perspective, for instance, the 2005 Energy Policy Act demonstrates the inability of government in the U.S. to act in the long-term national interest.The legislation's 2,000 pages are laden with subsidies to oil, gas, and electricity producers but fail to include adequate steps toward energy conservation, such as more stringent fuel economy standards for cars and light trucks. Based on this evidence, elected offi cials are so beholden to the energy industry and so reluctant to impose sacrifi ces on the public that a balanced policy based on the long-term public interest is currently impossible.
> Alternatively, some contributors argued that government should play a much smaller role in energy and allow markets to guide corporate and consumer decision making. If oil and gas supplies are limited and approaching a point of resource decline, markets--via the price signal--will provide adequate incentives for conservation, fuel-switching, and technological innovation. The contending perspectives of most of those favoring more government intervention and those advocating free market principles, however, share one important point of agreement--the need to allow prices to reflect more accurately the true costs of energy resource use.

It is worth comment to also quote from the summary comment on Peak Oil

> Some contributors suggested that the peak had already occurred in non-OPEC countries, and that the OPEC peak was likely to occur between 2015 and 2030. Proponents of the peak oil theory might disagree on the date when global oil and gas decline is likely to occur, but agreed on the substance of the issue and on the urgent implications of peak oil for the global economy. Some participants urged immediate action in the near term to spur a transition to non-fossil fuels, while others expressed confidence that exploration and production technology, including for unconventional liquids, would continue to postpone the peak and that market signals would be the best and most efficient agents of change. A few forum participants argued, however, that the notion of peak oil was fundamentally fl awed, since it may be possible that oil and gas supplies are not limited as most people assume. They point to a line of thought in the geology field suggesting that oil and gas are not fossil fuels at all, but rather are created through chemical reactions deep in the earth's mantle.

Sigh! And there is no discussion of a possible earlier date for peak oil, nor is there any rebuttal (bear in mind this is a Chevron project) of the incredibility of the final idea cited.

From that point of view it was a relief to turn to the CIBC report, which is factual, comes from experts, and has justifications for the opinions expressed. It is very sobering. It begins by pointing out that with non-OPEC supply remaining virtually unchanged over the past two years, the world production grew by a meager 900,000 bd this past year. (Their choice of adjective). The segment by Rubin and Buchanan on pages 6-9 recognizes the problem that depletion of existing fields is playing with future supply reliability. It chooses, as does ASPO, to consider Deepwater oil as an unconventional source. This, then is the basis for its comment that conventional oil production peaked in 2004.

They recognize the input from new fields, broadening the listing of fields beyond that included by CERA and by Chris Skrebowski.

New Capacity Coming Onstream in 2006

		---'000 bbl/day---			
Projects Starting Production in 2006	Country	Peak Capacity	Est. Avg. 2006 Production	Type	Peak Capacity Expected by:
Upper Zakum Phase I	UAE	650	81	Conventional	2010
ACG Phase II	Azerbaijan	500	125	Conventional	2008
Tengiz 2	Kazakhstan	470	39	Conventional	2012
Shaybah	Saudi Arabia	300	75	Conventional	2008
Ghawar Haradh Ph III	Saudi Arabia	300	125	Conventional	2006
Thunder Horse	USA	250	63	Deepwater	2008
Dalia	Angola	240	120	Deepwater	2006
Buzzard	United Kingdom	190	10	Conventional	2007
Albacora Leste	Brazil	180	10	Deepwater	2006
Roncador Ph II P52	Brazil	150	38	Deepwater	2008
Erha	Nigeria	150	75	Deepwater	2006
Darkhovin Phase II	Iran	110	55	Conventional	2006
Surmont	Canada	100	12	Cdn Oil Sands	2012
Banyu Urip	Indonesia	100	50	Deepwater	2006
Golfinho Module I	Brazil	100	50	Deepwater	2006
Enfield	Australia	100	50	Deepwater	2006
Golfinho Module II	Brazil	100	50	Deepwater	2007
Syncrude Stage 3	Canada	100	50	Cdn Oil Sands	2006
Frade	Brazil	90	10	Deepwater	2010
Chinguetti	Mauritania	75	38	Conventional	2006
Staer and Svale	Norway	70	35	Conventional	2006
Corocoro	Venezuela	55	28	Other Heavy	2006
Tempa Rossa	Italy	50	25	Other Heavy	2007
Dorud	Iran	50	25	Conventional	2006
Saqqara	Egypt	40	20	Conventional	2006
Constitution	USA	40	20	Deepwater	2007
Primrose/Wolf Lake North Ph I	Canada	30	15	Cdn Oil Sands	2006
Espadarte	Brazil	30	15	Deepwater	2006
Egret	Brunei	30	15	Conventional	2006
Joslyn Phase II	Canada	10	8	Cdn Oil Sands	2007
Krishna Godavari G1,GS15	India	10	5	Conventional	2006
Sub-total		**4670**	**1335**		
Ramping up of production at ACG I, Sakhalin I, Bonga, other fields started in earlier years			2267		
Total New Supply in 2006			**3602**		

Source: CIBC WM Petroleum Projects Database

What is additionally useful is that they include, for this year, the project production for the field, rather than the optimal production the field will achieve. Their comments on GOMEX production are valid:

> As the past fall's one-two storm punch from hurricanes Katrina and Rita clearly showed, that lack of diversification entails appreciable risks. We think as much as half of the planned 750,000 barrels per day of new Gulf of
> Mexico capacity over the next three years could be delayed, as the industry grapples with recovery from extensive hurricane damage to fields and industry infrastructure in the Gulf region.
>
> And if this year's weather patterns are repeated in the Gulf of Mexico over the balance of the decade, it is debatable whether deep-water production in the Gulf can even be sustained at today's level, let alone increased significantly as planned.
>
> The growing shortage of offshore rigs poses another constraint on the pace of deep-water development, particularly in fields off Brazil and the west coast of Africa.

. Their pessimism over GOMEX production may even be understated, given the growing problems, that we have discussed earlier, in regard to insurance for rigs that will be put in storms way.

Their final conclusion, while not a surprise to those here, might be to those who inhabit the Chevron site instead.

> oil consumption will soon exceed projected global supply growth, requiring further price rationing to bring demand growth back into line with the very modest supply growth we see lying ahead.