

# CODA- ASPO

THE CENTRE FOR OIL DEPLETION  
ANALYSIS  
&  
THE ASSOCIATION FOR THE  
STUDY OF PEAK OIL

NEWSLETTER No 6 –  
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## *General*

We are pleased to welcome Evora University in Portugal as a new member to ASPO, represented by Professor Rui Rosa, who is director of the Geophysics Centre. Having started with an interest in plasma physics for nuclear energy, Professor Rosa now heads a department with about forty researchers covering subjects in the geophysical, environmental and resource fields. It is another positive step in our efforts to create a useful European network to do proper research and raise the awareness of the issue of the peak of oil production and what that will mean for the future.

## *CODA*

The CODA office is now operational at 12 Great Portland Street House, 305 Great Portland Street, London. W.1 under Dr Roger Bentley's direction. The telephone is +44207 436 6544. E-mail links will be established as soon as possible. Dr Bentley has already been called upon to make a presentation in Denmark, described further below; and once various administrative matters are behind him, will be able to turn to the work programme outlined in the last newsletter.

## *Seminar*

The next meeting of the Coda Trustees will be on the morning of July 23<sup>rd</sup>, and is to be followed by a presentation at 14:30 on the same day to which the press will be invited. ASPO members are invited to attend, and will have the opportunity to make short statements about their concerns and plans. This will give them a chance to meet and discuss scope for co-operation. Invitations will be sent out later, but members are urged to try to attend if possible.

## *American policy*

In the last newsletter, we commented both on President Bush's admission that the country did now face an intractable energy crisis, and the veiled threats from Washington of military intervention to keep the "sea-lanes open" for US oil imports.

We have now been alerted by a correspondent in Portugal to a curious link between the Balkan conflict and the construction of a pipeline to bring Caspian oil to the West. The pipeline, named AMBO, is planned to link the Bulgarian port of Burgas with Vlore on the Albanian coast, and will be operated by Anglo-American oil companies. The author of the study, Michel Chossudovsky, of Ottawa, Canada, sees a US strategic objective to secure control of this transit route. If true, it may have been based on earlier wildly exaggerated US hopes that the Caspian might hold reserves rivalling those of the Middle East. It may also speak perhaps of a certain military momentum that, once triggered, cannot easily be reversed when circumstances change or new knowledge appears.

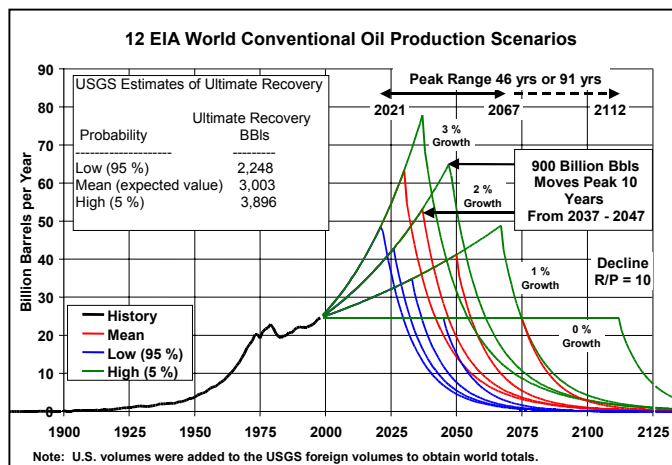
There is a curious contrast in the United States that deserves comment. On the one hand is an admission of an energy crisis by the Government. Recognition that oil and gas supply could not continue to meet demand, led to a decision to step up coal and nuclear production, which

in turn meant that it had to junk Kyoto, despite antagonising much of the rest of the World. On the other hand, we have the amazingly unrealistic forecasts of oil and gas abundance by the USGS and Department of Energy, which are evidently ignored by the Government itself

It has been suggested that this contraction may relate to US concerns about the future of the dollar. The country is heavily in debt, and needs to do everything possible to shore up confidence by which to encourage the inward flow of money, fearing perhaps that the Euro might prove a more attractive haven, despite its poor performance to date

This line of reasoning suggests that these outrageous forecasts are primarily for foreign consumption, while the US government itself follows a much more rational policy, which evidently ignores the forecasts.

One of the most remarkable of such forecasts is that by the Department of Energy in its International Energy Outlook 2001.



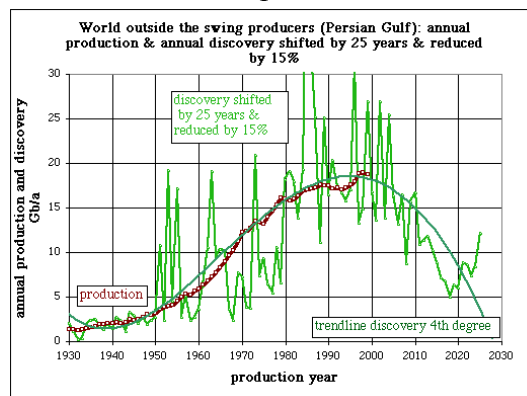
Its Reference Case forecast makes some utterly implausible production estimates including:

Mb/d	1999	2005	2010	2020
Persian Gulf	24	26	30	45
Indonesia	1.7	1.5	1.5	1.5
Venezuela	10.2	12.5	13.9	17.9
USA	9.3	9.0	8.7	9.3
Mexico	3.5	4.1	4.2	4.4
N.Sea	6.3	6.6	6.5	6.0
WORLD	79	88	97	122

Even Sir (now Lord) John Browne, the CEO of BP, who is known for the extreme care with which he chooses his words on this subject, admitted at the Davos Summit to a “maximum” production of 90 Mb/d by 2010. (For “maximum” read “peak”)

The accompanying plot from the IEA report shows alternative implausible peaks followed by unrealistic precipitate falls. Perhaps foreign investors will be impressed, but no serious analyst could give any credence to such material. Yet again, this stresses the importance of ASPO’s mission to counter such disinformation, whatever its motive. Compare it with, for example, the scientific approach of Laherrere, who relates actual discovery with production, giving something substantive that can be verified.

It is noteworthy that the EIA calculates that the low USGS case gives an Ultimate of 2248 Gb, which is not too unreasonable for all liquid hydrocarbons, depicting it as having a 95% probability. In fact, the USGS itself refers to the case as F95, meaning that it had a frequency of 95% in the statistical iterations of its pseudo-scientific procedure. To be generous, one could say that the USGS was obliquely telling us that



this low case had the highest probability of being right, but that would certainly be stretching a point. The study is in fact fundamentally flawed, so it probably serves no purpose to try to attribute any value to its findings.

### ***Uppsala University***

Professor Aleklett writes

#### ***VICTORY***

Today I can report the first victory. Last evening I was invited to the Royal Swedish Academy of Engineering Sciences. They plan to start a new energy project in the near future and the Secretary of the Academy had read my articles and thought that my ideas were interesting. Yesterday at the Academy meeting they were to make the first decision about the project.....

My debate in the press has been with one of the leading "Flat earth economists" in Sweden, Marian Radetzki. When I gave my talk, I didn't know that he was in the audience. After the presentation he stood up in front of the Academy, explaining that we had had this debate in the newspaper. He then said that he now realized from my talk and slides that he was wrong, saying that he had been misled by the statistics that the oil companies and oil countries were showing. He admitted that the economic future that he had predicted was completely wrong if I was right.

Several members in the Academy thought that it was a very interesting seminar and I also got support from several of them

The Chairman of the meeting hoped that I could come back and have some role in the new study that they plan to make.

I felt that it was an evening of Victory.

Professor Aleklett now hopes that serious discussions he has had will lead to sponsorship for PhD research, involving exchanges with other ASPO members.

The progress being made in Sweden is admirable in every way.

### ***Denmark***

Last month's newsletter commented on various exchanges in the press between Dr. Illum and the Danish Geological Survey. This was followed up by an invitation to Dr Bentley to address the Red-Green Alliance in the Danish Parliament on June 6<sup>th</sup> in a meeting attended by several senior government representatives. The political concerns behind the meeting related to the level of tax on Danish oil operations and concerns that Danish oil would be exported in the coming times of shortage following North Sea peak. The meeting was favourably reported in the press.

Later, Dr Bentley had a constructive meeting at the Danish Geological Survey, where much interest was expressed on the issue of global resource limits, consequential peak and depletion. Dr

Bentley also discussed the matter with Dr Kai Sorensen, the Deputy Director, who expressed himself in sympathy with the need for further research into the subject. He added that the Danish Survey did not agree with the exaggerated claims by the USGS on the prospects of East Greenland.

It is hoped that the constructive and cordial relations established by Dr Bentley may lead Denmark to ASPO membership.

### ***L-B Systemstechnik***

Dr Zittel continues his review of oil and gas production, looking particularly at US imports

### ***Ireland***

C.J.Campbell gave a talk at the Energy Ireland Conference on June 11<sup>th</sup> in Dublin, which was opened by the Minister. The talk was entitled “An Imminent Energy Crisis – Ireland’s Response”. It looked at the rapid growth of energy demand in Ireland during the economic boom of the 1990s, which has done much to destroy the sustainable rural economy of the past. Ireland, with no oil and a nearly depleted gasfield, is heavily dependent on imported oil and gas. Electricity generating capacity, which now relies mainly on gas imported from Scotland, is barely able to meet peak demand. The talk tried to alert the country to the risks to supply as North Sea production peaks and as Europe is forced to rely increasingly on distant imports. It was stressed that the country is particularly vulnerable being very much at the end of the supply line. Ireland is an enthusiastic and loyal member of the European Union, but that is likely to make it a particular victim of flawed and out-of-date energy and general economic policies.

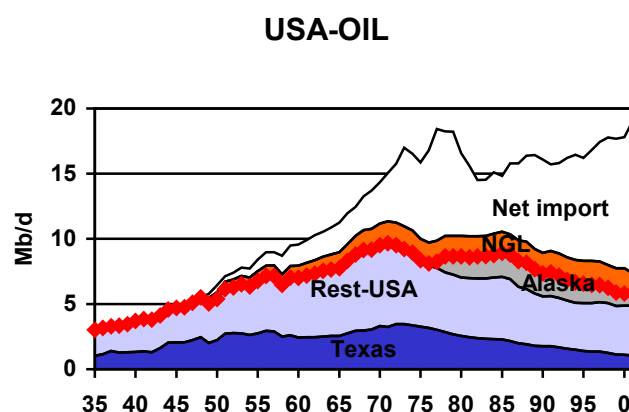
The conference concentrated on liberalisation of energy markets under conventional economic thinking and general EU guidelines, having the objective of reducing costs to the consumer, when a better policy should aim to reduce demand. Efforts to stimulate exploration on the Irish shelf, despite past failure and declining interest, were discussed. At the same time, a certain undercurrent of concern appeared in several of the presentations, expressing fears that the boom might be coming to an end; and that California might not be the last place to experience blackouts from faulty management and a failure to take due note of resource constraints.

### ***General***

It is noteworthy that Brasil, which relies heavy on hydropower, is now facing a very severe energy crisis, because exceptional drought has left the dams empty. The government has been forced to impose draconian rationing, which is severely affecting the economic life of this nation of 170 million. It incidentally raises doubts that the foreign companies recently invited to explore and produce oil and gas off Brasil will ever be allowed to export it.

It is a foretaste of what is to come unless governments pay more attention to energy issues and implement sustainable policies.

A realistic assessment and explanation of the situation and the policies that should be adopted are contained in an excellent review, recently published by The Foundation for the Economics of Sustainability ([www.feasta.org](http://www.feasta.org)). It points out particularly that money supply comes from interest charged by commercial banks on lending money that they neither have nor own. In an epoch of growth, debt may be profitably employed, but at the same time depletes resources; increases the gulf between the rich and poor; encourages the managerial kleptocrats; and creates social tensions. The repayment of debt in a declining economy, as may be imposed by rising energy prices and shortages, may become an intolerable burden exacerbating the in-built instability of the system.



It is reassuring to read the words of this new breed of economists who have seemingly moved beyond the flat-earth views of their predecessors.

*Compiled by: C.J.Campbell, Staball Hill, Ballydehob, Co Cork, Ireland*