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Published on 15 Oct 2004 by [Global Public Media](#). Archived on 15 Oct 2004.

Post Carbon Dispatch #3: Tar sands and the price of oil

by [Julian Darley](#)

Fort McMurray, Alberta Oil Sands, Canada

As oil settles at over \$50 a barrel for the second day in a row (four if you include the weekend) I am visiting one of the only places on Earth which really does have an expanding hydrocarbon supply. Fort McMurray in north-eastern Alberta, is the hub city of what may well be the world's largest fossil fuel resource, the tar sands of Athabasca and the Peace River. There is undoubtedly a lot of something that, with effort and energy, can be turned into oil from the bitumen underground, but it starts as solid, tarry, black-looking earth, that is referred to as 'ore.' I have a lump of it on my hotel-room desk now, picked up from a mine this morning – it is definitely not a liquid, and it is termed ore because it is literally strip-mined from not far below the surface.

Science-fiction sized diggers fill 400 ton trucks, bigger than houses, which trundle through the vast open-cast mines to unload into crushers the size of whole apartment blocks. Each truck's ore can potentially make about 200 barrels of synthetic crude, which is about 3 tons of oil. The scale of the operation is unquestionably impressive, and even more bitumen is now being produced from much deeper without using trucks and diggers at all, but by injecting steam and melting the bitumen where it lies. That too is impressive, but the reason for doing it is not to prove what feats of engineering industry is capable of, but rather that the more easily strip-mined tar sands are barely five percent of the total resource, and this has now been so comprehensively worked that deep or in-situ bitumen is overtaking strip-mined production. It is in fact yet another example of depletion at work. The irony is that it is so difficult to extract and refine the tar sands that coupled with their enormous size, the tar sands alone of all 'oil' resources could indeed last more than a hundred years at the same level of production, but even the projected maximum levels far into the future would not satisfy present-day US demand for gasoline, let alone world supply of oil.

Which brings us back to \$50 oil. The question now being openly discussed is how soon it will make \$100 a barrel. No-one can know, but it will surely make it ever harder for mainstream economists and others to claim that all is serene in the world of oil extraction. Indeed on Saturday last, one of Canada's only two national newspapers, The National Post, carried a front-page article headlined "Is the age of oil coming to an end?" This may be the first time that a mainstream national newspaper has headlined oil peak and on the front page too. \$50 may turn out to be the magic number that begins to crack people's resistance and shake their denial. Although this price is the highest in the history of the important Nymex exchange, it is not the highest oil price ever. Many people say that in inflation-adjusted terms the high is around \$80, but Jim Williams, an oil economist with WTRG, told me recently that he believes that the wrong 'inflation adjusters' have been used, and that in fact the top price is really around \$67, which means we are much closer to breaching that than many people realize. It is a pity that price is about the only thing that many people care about, but since that is the case, those of use trying to alert the world to the impending disruption can only be grateful that the price is at last grabbing the headlines.

One more indicator that those in or close to the corridors of power are getting nervous about oil: the IEA (International Energy Agency), which studies energy for the industrialised nations, presented a graphs and charts [in 'Is The World Facing a 3rd Oil Shock?' - www.iea.org/dbtw-wpd/Textbase/speech/2004/kr_rio.pdf] in July, which showed unequivocally that they know about peak oil and are very concerned despite their normal public stance of denial and near ridicule of peak oil. Since western governments tend to take their energy cue from the IEA, it will be interesting to see how long it is before they start admitting that peak oil is real and must be faced.

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As a reminder that it is those of us in the rich nations (those 'served' by the IEA) that will have the real problem with peak oil, a slide in one of Matt Simmons's latest and highly recommended presentations [www.simmonsco-intl.com/files/TCU%20Neeley%20School%20Of%20Business.pdf] shows that the US uses over 100 times more oil per person than Bangladeshis, and nearly 30 times as much as the Chinese, who are even now trying so hard to 'catch up.' It shows how far they would have to go, and how even with their still relatively modest use when they start to open the throttle, how much the global oil markets are now being destabilized. Indians meanwhile, consuming half the Chinese per capita level, are only just beginning.

Simmons is practically begging the world to start studying peak oil and gas with the utmost seriousness, and I strongly endorse that plea. The tar sands are definitely real, and some say they may even double output by 2010 – but that will only take them to 2 million barrels per day, which is not even 3% of world demand, and by then this would only offset one year's predicted decline in global oil production. It might take another 5 years to gain another 1 million barrels a day, by which time we may have lost more than 10 million barrels a day in the wider world. Once again the message is being rammed home that we must start reducing consumption now, and the longer we wait, the faster we shall be forced by nature to contract our energy needs.

~~~~~ Editorial Notes ~~~~~

*Julian Darley is the author of the recently published "High Noon for Natural Gas". He is the guiding spirit between the Post Carbon Institute ( [www.postcarbon.org/](http://www.postcarbon.org/) ) and Global Public Media ( [globalpublicmedia.com/](http://globalpublicmedia.com/) ), a wonderful online resource for interviews and talks by peak oil proponents.*

*The website for the Post Carbon Institute seems to be undergoing a major expansion.*  
-BA

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