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Has oil production peaked?

by John C. Kuehner

The post-peak oil world will look a lot like the bleak 1970s. But much worse.

A recession will grip the globe because the price of oil, and everything tied to it, will skyrocket.

Starvation will abound because oil-based fertilizers we've grown to depend on will be in short supply. Energy wars could erupt to control the remaining oil fields.

Sleek, small, fuel-efficient cars will rule the road. Central cities will thrive and suburbs will gradually wither and die because the cheap oil that made their existence possible will be gone.

We'll go back to this Mad Maxlike future once oil production peaks and starts to decline, which could be this year.

"For any American under 65, this will be tough to swallow," said Julian Darley, director of the Post Carbon Institute, a think tank based in Vancouver, British Columbia, that explores how the world will operate without oil.

"We will go backwards," he said. "We will have to sacrifice."

The stark future that Darley and others envision is based on a belief that global oil production will peak and rapidly decline, sending the world spinning down an economic sinkhole.

"I think peak oil is every bit as important as the threat of thermonuclear war," said Matthew Simmons, head of Simmons & Co. International of Houston, an energy investment-banking firm.

Simmons compares today's lackadaisical approach to the coming world oil crisis to Europe as it stood on the brink of World War II in 1938.

"My critics say I'm trying to make a convincing case of why you should buy oil stocks," said Simmons, who is one of the most vocal peak-oil proponents in the United States. "But I could find easier ways to do this."

Over the past few years, geologists, economists and others in and out of the oil industry have debated how much oil remains on the planet and when production will peak.

No one knows.

The oil production system is huge and complex. Russia and Saudi Arabia, the world's largest producers, keep information on their oil holdings private, so analysts can only guess how many reserves remain.

Prediction proved correct

But oil follows a classic production profile. It goes up, then comes down.

The work of legendary geophysicist M. King Hubbert made this evident.

In 1956 he warned that U.S. oil production would peak by the early 1970s.

Criticized at the time, he proved to be correct when U.S. oil production peaked in 1970. Since then, U.S. production has declined 40 percent.

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His mathematical model showed that oil production follows a bell curve. Production rises as more oil is found. Then it eventually peaks and heads into an irreversible rapid fall as older reservoirs are drained.

Over the last decade, some scientists have tried to apply Hubbert's model on a global basis.

Theories abound

The peak will hit this Thanksgiving, guesses author and Princeton University emeritus professor Kenneth S. Deffeyes.

Or it could be by the end of the decade, as the Association for the Study of Peak Oil believes.

Or it may be at least 25 years away, estimates supported by the U.S. Geological Survey and the International Energy Association.

"We think there is plenty of resources in the ground," said Chris Besson, a consultant with the energy association, a Paris-based group formed in 1974 after the OPEC oil embargo and which serves as an advisory body to 26 member governments, including the United States.

Two viewpoints on oil's future

As debate has evolved, two camps have emerged: Those who embrace an oil peak occurring in the next few years, sometimes called "Hubbertarians" or "doomsayers," and those who don't, sometimes called "cornucopians" or "dreamers."

Whom to believe?

"I always tell my students when I give a lecture that you should think for yourself what is right and wrong," said Kjell Aleklett, physics professor at Uppsala University in Sweden and president of the Association for the Study of Peak Oil and Gas.

Aleklett said the evidence supports peak oil.

Oil demand will keep rising, but production will be unable to keep up.

Henry Groppe agrees.

"We've concluded that we're roughly at peak and the turning point," said Groppe, founding partner of Groppe, Long & Littell in Houston, an independent firm that analyzes the oil and gas business and forecasts prices.

Groppe, 79, an oil analyst for 50 years, has been right before and other analysts have been wrong. In 1980, for example, his firm predicted a barrel of oil would drop to \$15, while the U.S. Department of Energy and major oil companies said it would soar as high as \$100.

"There's a lot of history that indicates how erroneous their long-term forecasts are, all of which makes us more and more relaxed about our work," Groppe said.

Worldwide discovery of oil peaked in the 1960s, he said. For the last 15 years, the world has consumed two to three times as much oil as it has found.

Last year, the four largest nongovernment oil companies - Chevron, Exxon-Mobil, Shell and BP - reported that their new oil discoveries were not enough to make up for what they had pumped that year.

"Against that background, how can you be optimistic about raising oil production 50 percent in the future?" Groppe asked.

Yet there are others, such as Thomas Ahlbrandt, who say production will continue to rise.

Ahlbrandt led a United States Geological Survey team of 41 analysts who assessed the world's petroleum supply. In their report, released in 2000, they found an awful lot of oil - 2 trillion barrels of undiscovered and technically recoverable oil. By comparison, world oil production last year was more than 29 billion barrels.

Known reserves today are five times what they were at the end of World War II.

Iraq will be vital to meeting demand

Many of those reserves are in Iraq, which will be critical in meeting future oil demands, he said.

Still, Ahlbrandt is concerned. He drives a four-cylinder Subaru.

"I think we should absolutely be worrying about fossil fuels and their production," he said. "We cannot continue to use it at this rate. There will be a problem in the first half of this century."

Conservation and other sources of energy, such as converting coal into liquid fuel, will play a bigger role.

Plus, nonconventional sources, such as tar sands, heavy oil and oil shale, will be tapped to make up the loss of conventional oil.

"We have been saying we will run out of oil for the last 70 years, and it hasn't happened," Robert Ebel, director of the energy program for the Center for Strategic and International Studies in Washington, D.C.

"I'm sure surely some day, production will peak," he said. "But in the run-up to that, it will be evident to us and we will have worked it out."

Darley of the Post Carbon Institute sees the post-peak oil world as forcing much-needed human behavioral changes. Local manufacturing will return. So will locally grown food.

"Every other animal is within walking, flying or swimming distance of its food," he said. "The average pound of American food travels 1,500 miles. That does not make sense."

Aleklett, of Association for the Study of Peak Oil and Gas, said those who lived through the 1970s and 1980s when oil consumption was relatively flat will remember that life was not bad.

"It's possible to live with less oil. It's possible to change your lifestyle," he said. "We are human beings and are smart and we can adjust."

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

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