



Speech by

Andrew McNamara

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WORLD OIL PRODUCTION

Mr McNAMARA (Hervey Bay—ALP) (12.15 pm): On 22 February last year in this place during the matters of public interest debate I made a speech in which I warned of the probability of world oil production peaking and then going into decline in the next 10 years. I know that at that time the concept of peak oil was unheard of in this place and had attracted virtually no coverage in the Australian or world media. However, over the last year public, political and media awareness of this critical challenge to our way of life has grown significantly. I note that peak oil was the subject of a very well attended Brisbane Institute forum featuring Swedish nuclear physicist Professor Kjell Aleklett and University of Queensland economist Dr John Quiggin in Brisbane in November 2005. That Brisbane Institute forum was cosponsored by Queensland Transport, which was entirely appropriate. The challenges posed by the end of cheap energy, as outlined by Professor Aleklett, will have to be addressed largely by the reinvigoration of our public transport network as demand for the private use of petrol for cars declines in the face of continuing surges in fuel prices.

I note that President George W Bush in his State of the Union address this year committed the USA to beating what he described as America's addiction to oil by reducing that country's oil imports by 75 per cent by the year 2025—a mere 20 years away. President George W Bush framed his case for such an ambitious target largely in terms of national security considerations. The president did not refer to the imperative to reduce oil use that peak oil represents, but it was undoubtedly the elephant in the room when he made his enormous commitment.

I note that this point was made very well in a major editorial piece in the *New York Times* on 3 March 2006 by Robert B Semple Jr, who is an associate editor of that paper and who has worked at the *New York Times* since 1963. He won a Pulitzer Prize for editorial writing on environmental issues in 1996. I table for the benefit of honourable members a copy of Mr Semple's excellent summation of the issues and challenges that peak oil presents.

In his article Mr Semple concludes, as do I, that very significant demand restraint—in other words, using a lot less oil—is unavoidable. We will not see hydrogen powered cars in meaningful numbers for 30 years. Non-conventional fuel sources such as tar sands and shale oil remain vastly expensive in terms of not only dollars but also energy and water costs. Conventional substitutes such as ethanol, while needing to be pursued with vigour, will not make up the difference as world oil production begins to decline by two per cent per year.

Of course, the critical issue is: how long have we got until we reach that peak? I suggest that the doubling of world oil prices over the last 18 months, with oil again pushing towards \$US70 a barrel today, suggests that we can see the summit from where we are now. I table a further paper by Professor Emeritus at Princeton Kenneth S Deffeyes, who concludes that world production peaked on 16 December 2005, which will be good news for those who own shares in energy companies with proven reserves, although it might be worthwhile to consider offloading those before the inevitable inflation-driven recession occurs.

The most optimistic assessment of the date for peak oil is given by the US Geological Survey as 2037. Even if we accept that that date is accurate—and clearly George W Bush does not, because his time frame for radical reform of energy use in the US is 20 years, not 30—it is still only one generation away.

That is one generation to completely retool our economy, to rebuild our communities and to replace our transport sector.

I am of the view that, despite Professor Deffreyes's analysis, inventories and voluntary demand restraint caused by high petrol prices will give us a 10-year window in which to make these changes. I take this opportunity to table Dr John Quiggan's speech at the Brisbane Institute and commend his call for coherent, well-designed policies to meet this challenge. I know that it has been the way of things in politics to not say that we will ever run out of anything or that we have to change our ways to use less of something, but that is what must happen. As a society we need to be revaluing our carbon resources of coal and oil and gas against the coming shortages. We need to electrify everything we can, to massively reinvest in light urban electric rail systems and coastal barge traffic and increase rail freight capacity. We need to recognise that our carbon resources are too valuable to waste and we need to change our ways now while our economy has the strength to undertake the massive changes that are required.