

PEAK OIL 2005

An NPG Footnote
By Lindsey Grant

For years, it has been puzzling to see commentators debating whether peak oil is a future possibility, when the U.S. Energy Information Administration (DOE/EIA) data showed world crude oil production peaking in 2005. The puzzle is the product of denial. Most people in the oil business don't want to face peak oil. However, the issue was muddied last year when the EIA itself suggested that 2008 production might surpass 2005 by a tiny margin.¹

The EIA has revised its estimates, and it now establishes 2005 as the peak year – above 2008 by the tiniest of margins. The preliminary figure for 2009 is 2% below 2005, which is a more significant figure.²

This may seem mere quibbling, but those numbers have an importance far beyond their symbolism. They deal with the most immediate resource shortage created by the race between economic and population growth and resource availability. NPG has argued for years that human population has outstripped the capacity of the Earth's natural systems to support it, and here is a case in point. New oil discoveries peaked in the 1960s. World crude oil production per capita has edged slowly downward since 1980, even though total production was rising. What peak oil tells us is that total production will decline as population keeps rising, and the decline in production per capita will become tumultuous and swift. Existing oil fields are already in decline. If the decline continues as the OECD International Energy Agency expects, the world will need to get nearly 80% of its oil from new fields by 2030, just to keep total production – let alone production per capita – from falling.³ There is

nothing in sight to offer hope that that much new oil will appear.

Specialists eager to put the situation in its best light have turned increasingly to the general term “oil” to mask the trend. “Oil” usually means all liquid hydrocarbons, including natural gas liquids. Together, they raise the figure for “oil” production to 85 million barrels per day (mb/d) vs. 74 mb/d of crude oil, or about 15%. The BP Statistical Review 2010 (drawn largely from International Energy Agency data) puts the peak world “oil” production so far in 2008, but reports a 2.6% decline in 2009. World natural gas production is still rising, which suggests that the final “oil” peak may be slightly delayed.

That 15% does not alter the fundamentals. There may be a plateau for crude oil, or even another bump if prices rise as they did in 2008, but existing fields are being drawn down every year and are not being matched by new fields. The harder we pump now, the steeper the decline will be. And 2005 will stand, either as a lonely peak or as the leading edge of a brief plateau.

The castles of denial are falling fast. Lloyds and the Royal Institute of International Affairs have recently warned of “catastrophic consequences” for businesses that fail to prepare for peak oil and the disruption of supplies. In passing, they took a shot at the International Energy Agency, noting that: “IEA expectations [on crude output] over the last decade have generally gone unmet.” The EIA in turn has been lowering its projections of oil supply and

consumption, but not enough. Its Chief Economist recently told the BBC that the oil supply situation "... is definitely depressing... I would say alarming...." The U.S. Joint Forces Command has put out the gloomy estimate that "By 2012, surplus oil production capacity could entirely disappear, and as early as 2015, the shortfall in output could reach nearly 10 million barrels per day...." A German military analysis last summer is said to have warned of shifts in the balance of power, political and economic crises, and the collapse of the world trading system. Other think tanks are sounding similar notes.

The ramifications are profound. It is not just about oil; it is about all the activities that oil makes possible.

Transportation. Construction. National security. Industry – even the cost of the energy needed to produce alternative energy. Less obvious but even more profound is the impact on agriculture. Hydrocarbons are essential to nitrogen fertilizer production. When their costs rise, food prices will rise (as they have been already), and the poor will go hungry. When oil and gas are thoroughly depleted, food production will spin ineluctably down, and starvation will rise to levels unprecedented in human history, unless humankind has reversed population growth through population policies more successful than we have yet achieved.⁴

NOTES

1. DOE/EIA International Energy Statistics digital Table 1.1d as of February 2009 showed a preliminary estimate of crude oil production for January-November 2008 about 0.01% above the comparable 2005 figure.
2. EIA digital Table 1.1d as published 8-10-2010.
3. See the box on page 5 of my NPG FORUM paper "*Population Policy for a Depression*", 2-2009.
4. See my NPG FORUM paper "*The Edge of the Abyss*", 2-2008, for a detailed discussion of the numbers involved.

About the author: Lindsey Grant is a writer and former Deputy Assistant Secretary of State of Population and Environment. His books include: *VALEDICTORY: The Age Of Overshoot, The Collapsing Bubble: Growth and Fossil Energy, The Case for Fewer People: The NPG Forum Papers* (editor), *Too Many People: The Case for Reversing Growth, Juggernaut: Growth on a Finite Planet, How Many Americans?, Elephants in the Volkswagen, and Foresight and National Decisions: the Horseman and the Bureaucrat*.

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Negative Population Growth, Inc.
2861 Duke Street, Suite 36
Alexandria, VA 22314

voice: 703-370-9510
fax: 703-370-9514
email: npg@npg.org
www.npg.org

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