

ASPO

THE ASSOCIATION FOR THE STUDY OF PEAK OIL
(in formation)

NEWSLETTER No 1 – January 2001

From small beginnings.....

This first humble and somewhat egocentric edition is intended to do no more than plant a seed that hopefully will take root and grow. It is egocentric for the simple reason that since it is the first edition, no other contributors have had reason to report in on their work, but that too will change as we progress.

December 2000

On December 5th C.J.Campbell gave a lecture in the Danish Parliament building to an audience of about 80 in a meeting of the Society of Green Technology of Denmark. It was followed by a Panel Discussion in which a Director of Shell, the Head of the Danish energy commission and two politicians of rival parties were asked to react to the presentation. The important point was that all accepted that we do face a *Transition* as oil production reaches peak and goes into decline. Opinions might differ as to the date and scale of the transition, as well as what might be done about it, but that it was a serious matter of concern was not disputed. This indeed is progress.

That was followed by an interview in the Deadline Programme on Danish Television. The meeting also led to a two-page illustrated article in the Danish Engineering weekly *INGENIOREN*. (which has not yet been received).

On December 7th C.J.Campbell gave a similar public lecture at Clausthal Technical University at the invitation of Professor Wolfgang Blendinger, whose prior experiences with Shell had made him convinced of the reality of depletion. Approximately fifty attended. Interviews were given to the press and to a radio correspondent, which have apparently resulted in good articles in important German papers. The details are not yet known.

These meetings and discussions with interested parties led to the idea to create this Association, which was then discussed with Dr Wellmer and his colleagues at the BGR in Hannover. Drs Kehrer and Rempel provided several publications on the subject, which have yet to be filed and entered into the database.

Later in December, meetings were held with Mr Jan Hagland of the Norwegian Petroleum Directorate and Mr Jan-Erik Karlsen and his colleagues of Rogaland Research to discuss their participation. Additional publications were obtained from these sources

The December issue of the Oil & Gas Journal was obtained from the NPD with the reserve updates for 2000. It is noteworthy that 71 countries announce no change in

their estimates (in many cases not having done so for many years), which demonstrates the unreliable nature of this public data. It will no doubt be reproduced in the BP Statistical Review of World Energy, which many analysts mistakenly regard as an authoritative source. However, since it is the premier public source, it has to be used with due interpretation to update the analysis as discussed below.

January 2000

Reading University

Dr Bentley of Reading University called with enthusiasm for the Association and reported that he was shortly leaving for India to give a keynote presentation on January 9th on oil depletion and the coming peak at the Petrotech conference in New Delhi. The Indian National Oil Company had previously been in touch and have sought advice on setting up an Institute for Alternative Energy for operations in India and overseas.

Dr Bentley also reported on the favourable initial reaction by Brussels to a proposal by Reading University seeking funding for a study of the peak of oil

Solar Hydrogen Energy Group

Mr von Glahn, the Chairman, reported on a meeting in Brussels on December 5th, also attended by Dr Bentley, in which Europe's new policy of encouraging renewable energy was debated. It appears that the Commission is belatedly becoming aware of the depletion of oil and the imminent peak, despite the flawed advice to the contrary it has been receiving from many quarters. Papers explaining the true position were placed in the hands of the officials.

Later von Glahn requested a review of the flawed study by the US Geological Survey study, which he succeeded in placing on the official website of the G8 Renewable Energy Task Force, chaired by the Shell Chairman. It remains to be seen if it will be suppressed. (www.renewabletaskforce.org/viewscomments.asp?id=46)

Cork University

Dr Sage of the Geography Department called, expressing enthusiasm for the Association. It has been arranged that C.J.Campbell will give a lecture in Cork University on January 16th which it is hoped will pave the way for the establishment of a new unit to cover the subject. Furthermore, a series of seminars is planned.

Dr Sage also gave an introduction to Ms Nuala Ahern, who heads the energy committee in the European Parliament. Her forceful intervention at the Brussels meeting on December 5th was commented upon by von Glahn and Dr Bentley. She has accordingly been informed of the situation, and told of the idea to create ASPO. She replied to say that she will take the matter up with Loyola de Pallacio, the EU Commissioner

Other proposed visits and contacts

Representatives from the World Wildlife Fund and an Organic Farming Research institute called wanting to visit in order to obtain knowledge of peak oil to incorporate in their work. Also Dr Illum, an energy specialist who spoke at the Copenhagen meeting, is to visit on January 22nd.

Discussions have been held with a Mr Webster, a South African with experience of the de Beers diamond cartel, who seeks to apply the same successful methods to oil. He has held meetings with various OPEC ministers and others, and is particularly

interested in the effects of currency fluctuation on oil price. He was very receptive to the idea of the proposed Depletion Protocol, that was explained at the lectures, listed above.

Lectures

Invitations to give further lectures have been accepted as follows:

January 16th – Cork University

February 6th – Institute of Petroleum, Dublin Branch

March 6th – Institute of Engineers, Belfast

July 2nd – Fuel-cell conference, Luzern, Switzerland.

TV programmes

Interviews have been granted to the following : Dutch TV, CBC, Toronto, and the BBC. The latter produced an excellent 30 minute programme, also re-broadcast on BBC World. It is also being made available to other TV stations, currently being shown on Dutch TV. It is noteworthy that Shell on the programme confessed to a new discovery of no more than 250 Gb, and an equal amount from the correction of under-reported reserves (so-called “reserve growth”). Given that it presumably relates to all liquids, it is not far out of line from our own estimates.

Other Material

A substantial correspondence, by surface and e-mail, has been received including publications and commentary, all of which remains to be filed. Copies of reports by the CIA and DOE, based on the flawed USGS material, were received. Several commentaries on the current energy crisis in California were received, including papers from Youngquist and Prof. Bartlett. Philip Chu, a Hong Kong banker, expresses the view that the stockmarket and the famous US economy are in deep trouble, partly from soaring energy costs. Leonard from Kazakhstan is writing an article for Foreign Affairs covering the extreme energy situation in the USA. Matt Simmons sends a paper “The Earth in Balance: Has Energy Capacity Maxed Out ?”

Weak Oil Price

It is difficult to explain the recent fall in oil price in resource or spare capacity terms. Three explanations have been voiced:

-Financial institutions, who no doubt made substantial profit from speculating in oil futures over the past year, liquidated their positions for year-end financial reporting purposes.

- The winter has already ended for the refinery business due to the time lag for product to pass through the system. They just squeezed through, and may now expect a slight lessening of pressure as springtime demand lessens.

- It is a reaction to Saddam’s failure to withhold Iraq production in the face of the release of strategic stocks in the USA, and offers from the IEA to do the same if necessary. This comfort plus offers by Saudi Arabia to make good any shortfall (whether or not that is feasible in practice) gave the market confidence that OPEC would be able to hold price in the \$22-28 band.

The wide fluctuations in price underline suggestions that it is an ignorant market much subject to sentiment and facile commentary

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Constructive comments on the agreement have been received from J.H.Laherrere.

A query about membership has been received informally from Halliburton, the oil contractor. Dr Metz, Executive Director of the European Business Council for a Sustainable Energy Future, who has been in touch, has been informed of this initiative. Both may be candidates as Associate Members

Draft Update of the Europe Region

Work has started to update the resource and depletion assessment, based on the duly interpreted numbers from the Oil & Gas Journal. A preliminary draft of the assessment of the Europe Region is attached. There has not been time or resources to conduct the full suite of statistical studies (creaming curves, parabolic fractals, discovery-production peak correlations and field decline analysis) so the results are certainly capable of improvement. They nevertheless illustrate the broad shape of things to come.

Some brief explanations and definitions are called for.

1. The numbers relate to conventional crude oil only (excluding Condensate/NGL)
2. Assessed Reserves are defined as “estimated cumulative production by 2075 less cumulative production through 2000, assuming the application of appropriate technology and adequate economic incentive”. Ultimate is defined as Cumulative Production by 2075.

3. O&GJ and World Oil estimates are reported. The O&GJ estimate is then adjusted to remove cumulative production for any period of unchanged reports (which are deemed implausible). The adjusted number is then multiplied by a factor to give Assessed Reserves. This factor is based on experience, judgement and limited access to confidential information from industry sources. Gas reserves are reported, and it is assumed that 1 Tcf of gas yields 13 Mb of condensate, which is taken into account in applying the factor (noting special cases such as the Netherlands where dry gas is involved)

4. The Depletion Midpoint is calculated (50% of Ultimate). In countries where it has been already passed, future production is modelled on the current depletion rate (annual production as a percentage of the Yet-to-Produce). Where it has not yet been reached, production is assumed to rise at an arbitrary 5% a year to Midpoint and then decline at the then depletion rate.

General

Please furnish corrected e-mail addresses, correct postal addresses and any special instructions as to contacts.

I will report responses and any further developments as they occur.

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