THE ASSOCIATION FOR THE STUDY OF PEAK OIL AND GAS

"ASPO"

NEWSLETTER No 33 – SEPTEMBER 2003

ASPO is a network of scientists, affiliated with European institutions and universities, having an interest in determining the date and impact of the peak and decline of the world's production of oil and gas, due to resource constraints.

The following countries are represented: Austria, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Missions:

1. To evaluate the world's endowment and definition of oil and gas;
2. To study depletion, taking due account of economics, demand, technology and politics;
3. To raise awareness of the serious consequences for Mankind.

Newsletters on Websites

This newsletter and past issues can be seen on the following websites:
http://www.asponews.org
http://www.energiekrise.de (Press the ASPONews icon at the top of the page)
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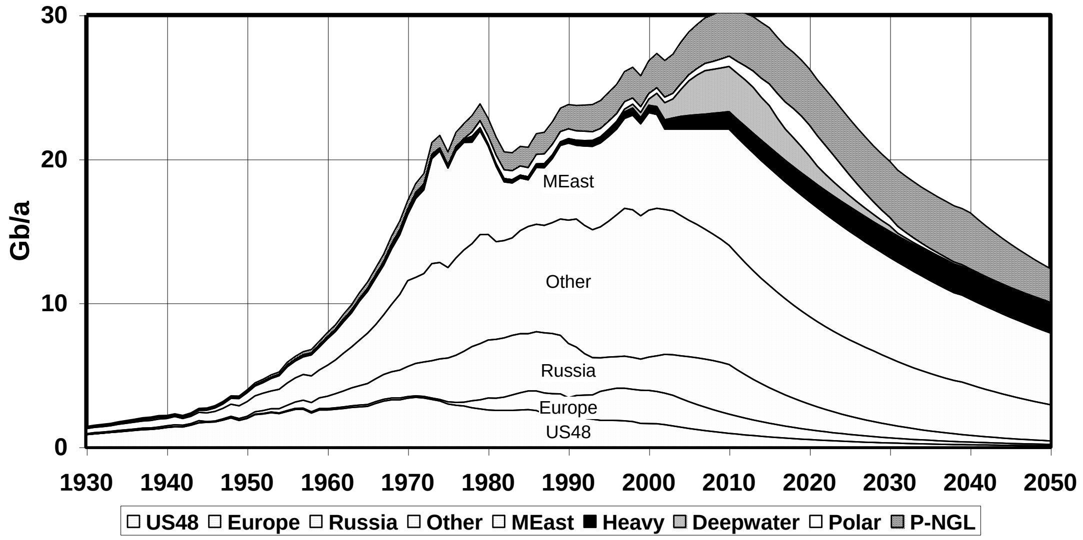
The General Depletion Picture

Oil & Natural Gas Liquids
2003 Base Case Scenario



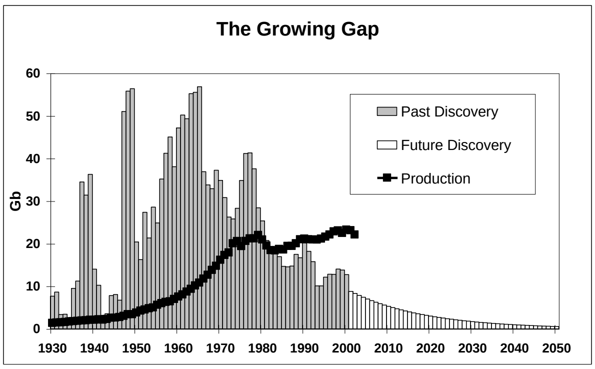
PRODUCTION to 2075			
Amount			Gb
Regular Oil			
Past	Future		Total
	Known Fields	New Fields	
896	871	133	1900
All Liquids			
986	1714		2700
Status end 2002		*Estimates rounded*	

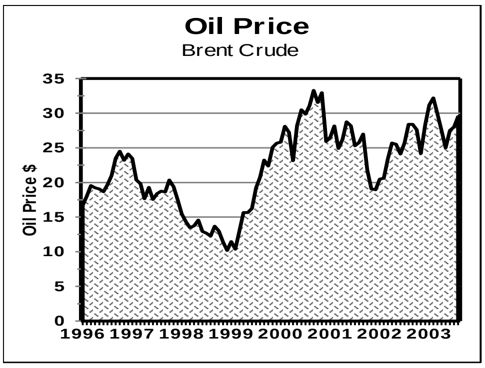
Base Case Scenario :
Flat demand to 2010 for Regular Oil from recession. M.East Swing Role ends in 2010

Regular Oil includes condensate but excludes liquids from gas p fields

Annual Rate - Regular					Mb/d
Category	***2005***	***2010***	***2020***	***2050***	***Total***
US-48	3.5	2.6	1.4	0.2	195
Europe	5.1	3.7	1.9	0.3	76
Russia	8.6	9.4	4.9	0.7	200
M.E.Gulf	17	22	22	13	749
Other	26	22	17	8	680
Total	60	60	47	22	1900

Annual Rate - Non-Regular					
Heavy etc	2.8	4	5	6	300
Deepwater	5.6	8	4	0	60
Polar	1.2	2	6	0	60
Gas Liquid	8.2	9	11	6	400
TOTAL	78	83	72	33	2700





240. A Shocking Accusation of OPEC

Reference furnished by Maarten van Mourik

The following article refers to an appalling lack of appreciation by the Walls Street Journal of the world's desperate need to manage oil depletion in an equitable and fair manner.

The cause of the problem goes back to Iran, which in 1951 nationalised a 60-year concession granted to the predecessors of BP in 1901. It may be argued that nationalisation is evil insofar as it overturns agreements freely entered into, but it was widely practised in Europe and elsewhere after the Second World War, when people felt that Peace should bring them a fairer share of national assets. The word "freedom" is also much abused. Mr Atlee, Britain's post-war socialist leader, commented: "we were once *free* to send little children to work in the coal mines". In any event, Iran's action led other countries to nationalise foreign holdings starting with Egypt's claim to the Suez Canal, and followed by most of the other major oil producing countries.

Had the international oil companies remained in control of world oil, they would have followed normal economic principles by produced the cheap and easy oil of the Middle East before moving on to the expensive and difficult in offshore and.hostile places. But instead, they worked flat out in the difficult places because they owned the oil, forcing the nationalised entities into a swing role to make up the difference between world demand and what the others could produce. It is natural that these swing countries should have sought to co-operate through the formation of OPEC, which was modelled on the Texas Railroad Commission. That was formed when the United States itself faced the same difficulty, having found an open market ill suited to manage depletion, but it became redundant when US production peaked in 1971.

The Wall Street Journal need not worry about OPEC, as Mother Nature is now replacing that organisation by placing the iron grip of depletion on the production of oil. The need for OPEC to deliberately cut production to support price begins to disappear, as Nature performs that function on a world scale in the same way as she did in the United States.

It would make more sense if the Wall Street Journal urged its readers to cut their consumption to match depletion rate, as discussed below in Item 242. The United States is already heavily in debt to the rest of the world, with its huge financial deficit. So, the foreign creditors have only themselves to blame for allowing their debtors to use extreme measures to secure access to energy from foreign sources. Perhaps they think it may be the only way by which they can hope to get their money back. The identity of real "the club of thugs" is perhaps open to debate.

WSJ Calls OPEC A "Club Of Thugs"

Wall Street Journal's (*WSJ*) editorial writer Claudia Rosett, in an article on 29 July, described OPEC's activities in the following way: a "gang of price-fixing oil-rich thug regimes meet to reinforce assorted terrorist-sponsoring tyrants at high cost to world consumers." The article, entitled "One Purely Evil Cartel", spells out the US neo-conservative agenda for OPEC and developing countries, using graphic and emotive language that goes beyond the tone of criticism one might expect from a mainstream publication.

The article describes the new role that the far right in Washington would like to see Iraq playing on the world oil scene. It alleges that "OPEC members are currently fussed that a rehabilitated, free and oil-pumping Iraq, with oil reserves second only to Saudi Arabia's, might ultimately bust the OPEC cartel – which jacks up prices by limiting supply. The OPEC hope, therefore, is that once the American-led coalition is gone, it can chivvy Iraq back into the OPEC price-fixing fold." Ms Rosett's suggestion is that "it should be left to the Iraqis to decide whether to rejoin OPEC, or to proceed toward the democratic world" and that "it would be a help not only to them, but to the rest of us, to stop treating OPEC as just another legitimate multilateral institution, and get back to the truth of just how ugly an outfit it really is – OPEC, the Outrageously Predatory Energy Cartel."

Ms Rosett also repeats the usual criticisms levied at OPEC and its role in the world economy. She states that "the great myth, heard even in some parts of the West, is that OPEC is doing us a favor," asserting that "OPEC's notion of what's fair and reasonable probably has less to do with consumer interests than with OPEC's basic problem, classic for any cartel, that above a certain price, it becomes so profitable for members to cheat, and for non-cartel members to increase supply, that there is no more holding the cartel together." The author then argues that the damage of high oil prices is not only economic but also political. "It consists of OPEC's reinforcement of state oil companies – OPEC itself being basically a club of despots who wield highly undemocratic control over their respective countries' oil wealth. That provides a degree of centralized power that makes OPEC quotas easier to enforce, certainly far easier than trying to curb the production of private companies. OPEC, in turn, confers unearned dignity and respect on its select bunch of oil thugs by way of being a rich established institution, with a regular place on the calendar of world events and a building in Vienna."

The final criticism is reserved for OPEC member states, particularly Saudi Arabia, alleging that the organization is "another Saudi-led affront to the free world," and that the other 10 members are as "unsavory as the Saudis." The article concludes: "Oil in any nation is a perilous treasure, but especially so when it is entirely owned or controlled by the state. In government hands, oil wealth helps rulers consolidate control to a degree that in Saudi Arabia today funds the totalitarian state – with its export of its Wahhabi terrorist creed. In Iraq, the state oil monopoly sustained Saddam Husain."

241 Bush's oil move backfires - Now he will have to try diplomacy

Leader Tuesday August 5, 2003 The Guardian

In a dream ending for the chapter of history being written now in Iraq, neo-conservatives fantasised before the war about a privatised, pro-American Iraqi oil industry. This would have access to the world's second largest hydrocarbon reserves and produce so much oil that Saudi Arabia, in charge of Opec, would lose its grip on petrol prices.

The world would then be swimming in inexpensive petrol - the cost of which would be dictated by the market, not by an anti-American price-fixing club run by Riyadh. Low prices would also mean falling revenues for oil-producers, which in the Middle East might precipitate the collapse of regimes hostile to the US. These hopes are now being dissipated like sand before the desert wind.

Oil is dribbling, rather than pumping, from Iraq's bomb-blasted oil industry. Sabotage and theft mean Iraq's oil production remains at a fraction of the levels achieved under Saddam. With reconstruction failing to take off, there is little sign of a post-Ba'athist dividend in the form of low oil prices. The result is that US action in Iraq has not weakened Opec, and hence Saudi Arabia, but strengthened it.

Last week's meeting of Opec ministers confirmed that with supplies being disrupted by political unrest in Venezuela and Nigeria, oil prices would remain where the Saudis want them to be - high. This is bad news for any putative global recovery and the US economy. Ever since Arab nations imposed an embargo on oil exports to America in 1973, the United States has tried, in theory, to wean itself off foreign oil. George Bush declared hydrocarbon independence a priority. But the real issue is not where the oil spurts from, but how much it costs to buy.

If politics is the pursuit of economics by other means, then Mr Bush needs now to display a deftness previously absent. Oil ministers are already talking of cutting production, with the implicit, Exocet-shaped threat of rising petrol costs. Every major economic recession in the past 40 years has been preceded by a jump in the oil price.

The Saudi foreign minister's fury last week over a Congressional report that implicated his nation in terrorism will not have gone unnoticed. The neo-conservatives' project for Opec has been exposed as counterproductive. Instead Washington will have to revert to diplomacy to win over Riyadh. The question is whether they do so by being crude - or by being refined.

(Reference furnished by Ugo Bardi)

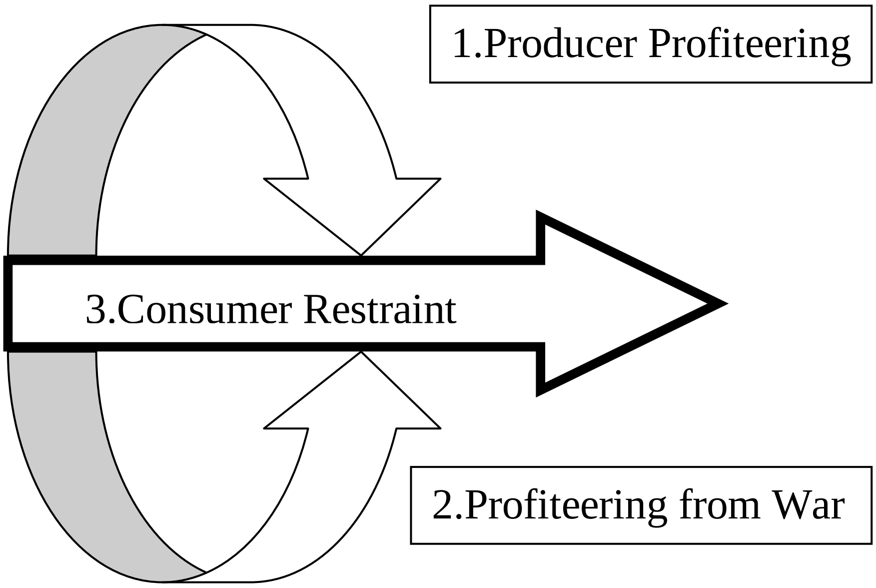
242. The Morality of Profiteering

Oil prices again reach the $30 threshold, which is far above the cost of production. In earlier years, profiteering was regarded as immoral, if not illegal. At the end of the Second World War, for example, many European governments imposed rent controls and security of tenure to tenants in order to prevent landlords "unfairly" exploiting housing shortages. To this day, the European Union moves to prevent companies profiteering from control of a particular market. Even the free-wheeling United States passed anti-Trust legislation. In one sense, the flat-earth economist resents this intrusion on the open market, yet in another he accepts it on the grounds that monopoly or shortage must be a distortion of the open market, in which he has an unremitting faith as the path to eternal virtue. But in practice, governments do move widely to interfere with the open market. There are graduated tax regimes that penalise the rich. Companies are allowed to take expense as a charge against taxable income providing huge hidden benefits and distortions. Capital appreciation is taxed less than income. Tax-free fuel is given to airlines.

But in times of affluence, the flat-earth economist is sufficiently well fed to ignore these minor intrusions, confident that his gloved hand will continue to exert a sinister control on the politicians who set the rules. However, the opening years of this Century have seen new tensions arising directly and indirectly from what could be described as profiteering from shortage – oil shortage. It is imposed by the fact that oil is a finite fossil fuel formed in the geological past, such that no amount of market force can change the Earth's endowment.

Three alternative reactions to the problem suggest themselves. Two of them convey short –term benefits to different factions but eventually the immutable laws of Nature deliver a common outcome.

The first approach is to leave the oil producing governments of the Middle East in control of their national assets to exploit as they see fit. By 2010, they will be supplying about 40% of world oil, giving them ample opportunity to profiteer from the control of this scarce and essentially irreplaceable commodity. If oil prices soar as a consequence, that would involve massive financial transfers to the Middle East to be spent on arms and reinvested in the capitalist industrial world, leading to a corresponding transfer of ownership. While it would give a short-term benefit to the Middle East countries, or rather those who control them, it would leave the people less prepared for the inevitable decline of unearned oil-based revenue as depletion bites them too in due course.



The second approach is to invade the Middle East and step up production, flooding the world with cheap oil so as to give a boost to the economies of the conquerors. But that too is a short-term solution, leaving them even less prepared for the inevitable consequences of depletion. By increasing production, they would raise and advance the global peak of production, thereby steepening the subsequent decline to make a bad situation worse. The long-suffering people of the Middle East would have the last laugh because they would have been forced to learn how to survive without unearned income from oil profiteering.

The third approach is for the importing countries to cut their imports to match the world depletion rate, now running at about 2.5% a year. The world price of oil would then remain fairly low in reasonable relationship with actual production costs. It would allow the poor countries to obtain at least modest supplies at a price they could afford. Admittedly that would conflict with the precepts of the free market, which basically seeks their impoverishment, but perhaps it could be tolerated on humanitarian grounds. The importing countries could manage their allocation in alternative ways as suited their inclinations and political orientations. They could auction the available supply to the highest bidder under open market principles; or they cut demand by raising taxes on oil, (with corresponding reductions of other taxes); or they could ration the available supply so that even the less privileged could have a share; or they could operate a combination of these methods.

By reducing the internal supply, the importing countries would encourage their people both to avoid waste and develop renewable energies, even safe nuclear ones. More important, it would force them to adapt their life-styles to better conform with the resource and environmental constraints of the planet, on which they live.

It is worth remembering that at some point in the future, the three alternative routes come together, as oil supply diminishes from depletion, irrespective of control, management or ownership. Under optimal conditions, production by 2050 will have fallen to approximately what it was 100 years before.

Those who believe that Man has some special God-given place on the Planet are surely justified in planning a successor to the subspecies, *Hydrocarbon Man,* who will be virtually extinct by the end of the Century. Planning is anathema to the flat-earth sect, who believes in the Darwinian survival of the fittest, but that also means the extinction of the least fit, which may include themselves.

243. Country Assessment - Argentina

Argentina

Argentina covers an area of 2.7 million square kilometers at the southern end of the South American continent, and supports a population of about 38 million. The impressive Andes Mountains form the western boundary with Chile, while to the east lie extensive plains, known as *Pampas*. The climate is temperate, having made it an attractive destination for European emigrants. Argentina lays claim to territories in Antarctica and islands in the South Atlantic, including the Malvinas (Falklands).

Some 300 000 hunters and fishermen may have lived in Argentina prior to the arrival of the first European explorers from Spain. Ferdinand Magellan made his famous voyage in 1520 passing through the straits carrying his name into the Pacific, and was followed six years later by Sabastian Cabot who explored the eastern seaboard. Settlement commenced in 1536 following another expedition from Spain. It was not as vigorous as in Mexico or Peru, where there was the lure of gold and silver, but several farming colonies established themselves. Buenos Aires developed as a port in the late 18th Century as trade with Europe increased, but faced a certain threat from Brasil.

Moves to independence began in the early 19th Century when the Spanish motherland was preoccupied with the Napoleonic wars. Buenos Aires declared a form of independence in 1810, but conflict with royalists continued. Full independence was declared six years later for what was described as the United Provinces of the Rio de la Plata, but internal disputes later led to the secession of what is now Bolivia, Uruguay and Paraguay. As in other South American countries, Argentina faced the eternal conflict between centralist and federalist forms of government.

Large-scale immigration from Europe commenced in the 1860s bringing economic expansion, including the construction of railways, which helped unify the country. British capital flowed in during the early years of the 20th Century, which saw the establishment of successful cattle ranching and a degree of political stability. The population had grown to 8 million by the outbreak of the First World War, but new conflicts began to emerge between the land-owning and industrial elite and the people at large. Financial mismanagement led to defaults on foreign loans and new uncertainties. In 1933, Britain entered into a special trade arrangement with Argentina, guaranteeing meat imports and removing tariffs on wheat, which in practice almost brought the country into the British Empire in economic terms. Argentina declared its neutrality in the Second World War under a military government, which had certain national socialist (or fascist) leanings.

Colonel Juan Peron rose to power in the 1940s bringing in social reform with welfare legislation and greater political freedom, having the support of the trade unions. He became a charismatic and popular socialist dictator, ably assisted by his beautiful wife, Evita, who succeeded in describing herself as one of the “shirtless” (*descamisadas*) while haranguing the workers in a fur coat.

Even so, he eventually lost control in 1955 and went into exile having failed to curb growing influence of the military and the Church in political life. But political conflict and financial mismanagement paved the way for his return, now with his third wife, Isabel, for one year in office before he died in 1974. She succeeded him as the first lady President, but a combination of high oil prices associated with the First Oil Shock and an outbreak of foot-and-mouth disease caused an economic recession, paving the way from yet another military government two years later.

The new regime under General Videla ruled with an iron hand, closing congress and banning trade unions. It initiated a reign of terror in which some 15 000 members of the opposition lost their lives, often after torture and imprisonment. Videla was succeeded in 1981 by General Galtieri who endeavoured to retrieve the Malvinas Islands, to be robustly repulsed by Mrs Thatcher.

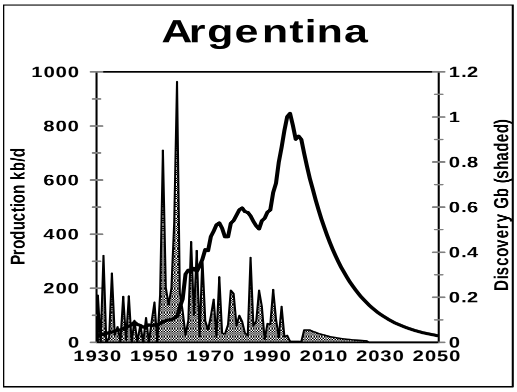
So-called democratic government returned and has persisted to the present day, but the country has been plagued by recurring economic crises, culminating in the recent collapse of the currency. As in many countries, democracy was a cloak for various forms of exploitation by a privileged elite. We may conclude from this long story of alternating political and economic difficulties that Argentina, which is a rich country of farmland, is truly the victim of globalism. Its wealth flowed to foreign investors and local elites, who no doubt promptly exported their capital, leaving the people to suffer, complain and periodically revolt. The eternal conflict of federalism and centralism has a further expression in the hidden role of the currency with the national peso falling victim to the dollar.

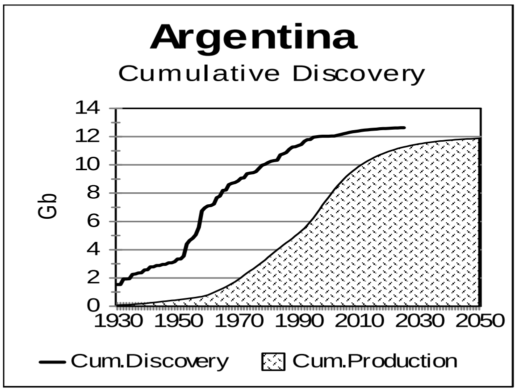
Lying in the southern hemisphere, Argentina lay outside the most prolific zones of oil generation, but it has nevertheless supported a modest oil industry for many years. There are four discrete oil provinces : the Mendoza and Neuquen Basins in the sub-Andean province of the north; Comadoro-Rivadavia on the Atlantic Coast; and the Austral Basin in the extreme south. Jurassic and Cretaceous source rocks have charged Cretaceous and Tertiary reservoirs. The Mendoza Basin has some additional Palaeozoic potential.

Esso took a strong early position, followed in the 1960s by Amoco. A state company YFP is active along with various private national companies. The fields are mainly small to moderate in size. Discovery from the early years of the 20th Century had grown gradually to two billion barrels by 1935, before peaking in the early 1960s. A total of almost 4000 wildcats have been drilled. The rate of drilling has fluctuated widely with an overall peak of 137 in 1985 before falling to about 30 today. It is by all means a mature province. Production peaked in 1998, four years after the midpoint of depletion, and is now set to decline at about 7% a year. Depletion would likely be more advanced but for the uncertain political and economic climate which may have slowed the pace of extraction. Most of the production is onshore, and hopes of new finds off the east coast in the vicinity of the Malvinas Islands have been dented by the results of drilling, although some minor shows were encountered. Consumption is running at about 400 kb/d (or 3.8 b/a per capita). Production peaked in 1998 declining to 750 kb/d in 2002. It means that Argentina will become a net importer by around 2010 assuming no increase in demand, which will no doubt further stress its economy and financial stability. The country has gas reserves of some 40 Tcf ., producing 1.6 Tcf/a, compared with consumption at 1.3 Tcf/a., which if the statistics are to be believed allows small net exports.

ARGENTINA		*Regular Oil*
Rates Mb/d		
Consumption	2002	0.4
per person b/a		3.8
Production	2002	0.75
	Forecast 2010	0.43
	Forecast 2020	0.2
Discovery 5-yr average Gb		0.1
Amounts Gb		
Past Production		8.3
Reported *Proved Reserves**		2.9
Future Production - total		3.7
	From Known Fields	3.2
	From New Fields	0.5
Past and Future Production		130
Current Depletion Rate		6.8%
Depletion Midpoint Date		1994
Peak Discovery Date		1960
Peak Production Date		1998

*Oil & Gas Journal





244 Smoking Gun: The CIA's Interest in Peak Oil by Richard Heinberg

A recently declassified CIA document casts new light on some of the most significant geopolitical events of the past quarter century. This document, an Intelligence Memorandum titled "The Impending Soviet Oil Crisis (ER 77-10147)," was issued in March 1977 by the Office of Economic Research and classified "Secret" until its public release in January 2001 in response to a Freedom of Information Act (FOIA) request. (1) Until now the document has prompted little discussion.

The Memorandum predicts an impending peak in Soviet oil production "not later than the early 1980s" (the actual peak occurred in 1987 at 12.6 million barrels per day, following a preliminary peak in 1983 of 12.5 Mb/d). "During the next decade," the unnamed authors of the document conclude, "the USSR may well find itself not only unable to supply oil to Eastern Europe and the West on the present scale, but also having to compete for OPEC oil for its own use." The Memorandum predicts that the oil peak will have important economic impacts: "When oil production stops growing, and perhaps even before, profound repercussions will be felt on the domestic economy of the USSR and on its international economic relations."

The significance of the document requires some unpacking. First, we must understand the historical context in which it appeared.

Oil production in the US had peaked in 1970, just a few years earlier. This was arguably the most important economic event of the past half-century: until then America was the world's foremost oil producer; for much of the twentieth century it was also the world's foremost oil exporter. American oil won both World Wars for the Allies and made the US the world's richest and most powerful nation. Meanwhile, throughout most of this same period the USSR remained the world's second foremost oil-producing nation.

The American oil peak signalled the end of an era: from that point on, the US would become increasingly dependent on imports—and this dependence would entail serious costs, as became apparent with the Arab OPEC oil embargo of 1973, which sent the US economy into a tailspin. (2) Clearly, CIA analysts in 1977 understood the importance of the American oil peak and believed that a peak of petroleum production in the USSR would have similar or even graver consequences for that nation.

This much is clear and indisputable. Less clear is what was done with the information. Soon after assuming office in 1981, the Reagan Administration abandoned the established policy of pursuing détente with the Soviet Union and instead instituted a massive arms buildup; it also fomented proxy wars in areas of Soviet influence, while denying the Soviets desperately needed oil equipment and technology. Then, in the mid-1980s, Washington persuaded Saudi Arabia to flood the world market with cheap oil. Throughout the last decade of its existence, the USSR pumped and sold its oil at the maximum possible rate in order to earn foreign exchange income with which to keep up in the arms race and prosecute its war in Afghanistan. Yet with markets awash with cheap Saudi oil, the Soviets were earning less even as they pumped more. Two years after their oil production peaked, the economy of the USSR crumbled and its government collapsed.

Did the Reagan administration base its Cold War strategy on the CIA study, in the expectation that a Soviet Union economically weakened by oil depletion would collapse if pushed hard on other fronts?

That question is mostly of historical interest. But the Agency's focus on the phenomenon of oil peaks has important implications for the present. For the past decade, oil experts have been debating when *global* oil production will peak. Pessimists say the global peak may already have occurred in 2000; optimists say it won't come until 2025 or so. A growing consensus of petroleum geologists places this pivotal event in the mid-range period of 2006 to 2015. (3) From a certain perspective, the amount of time in dispute is not of great significance: whether we have a year or two or a decade or two before the supply of oil can no longer meet demand is relatively trivial from a historical, analytical point of view (though of considerable significance for billions of individual humans needing to make plans for the years ahead); the result in either case will be the same—a slow-motion global economic and industrial collapse.

The 1977 CIA document shows clear and detailed awareness of oil issues, including depletion, extraction technologies, pipelines, areas of likely new discovery, the quality of existing reserves, and the dynamics of the global oil market. The CIA has obviously been studying oil very carefully for some time and must therefore understand the issue of global oil peak. This begs the questions: Does the Agency have a strategy for dealing with this impending mega-event? Or is the Agency's job merely to provide information, and allow the current Administration to formulate policy?

Here we must speculate. The developing semi-public row between the neoconservatives of the present Administration and CIA insiders suggests that the Bush team's plan for invading Iraq and subsequently redrawing the map of the Middle East may not exactly coincide with Agency recommendations. We know that the Bush-Cheney team is independently aware of the issue of peak oil because international oil investment banker Matthew Simmons, who has written extensively and forcefully on depletion issues, was an advisor to Vice President Cheney's now-infamous Energy Task Force in 2001. (4)

If policy makers and their intelligence analysts understand the phenomenon of peak oil, and perhaps even used it strategically during the 1980s to undermine the Soviet Union, and are aware of the upcoming global peak, they must be interested to direct geopolitical events accordingly. What thoughts may be occurring to them in this regard?

The Middle East boasts 70% of global proven reserves of oil. Saudi Arabia has the world's largest reserves (25% of the total), and most of the 9/11 hijackers are alleged to have come from that country. Osama bin Laden is a Saudi native, and his published statements center on the project of ejecting American influence from the nation of Medina and Mecca.

If, as the neoconservatives have repeatedly hinted, Iraq is only the first stage in a larger project of regional regime change, then the real prize must lie just to the south in the giant fields east of Riyadh. One cannot help but wonder if the long-coddled Saudi government is even now being set up for a fall.

As events unfold, it will be of more than passing interest to see whether the CIA and the Bush Administration reconcile their differences, or whether the neoconservatives' hubris and ideological monomania will be their undoing.

Meanwhile the real motives and long-term strategies of policy makers and intelligence gatherers alike will likely remain opaque to citizens who pay in blood and dollars for their government's military adventures. "The Impending Soviet Oil Crisis" gives us a rare, limited glimpse into the machinery of covert information analysis and decision-making that shape history as we live it.

Notes

1. To access the document, go to the web site <http://www.foia.cia.gov>. In the document search field type <er 77-10147>.

2. For a more thorough discussion of the role of oil in US history, see *The Party's Over: Oil, War and the Fate of Industrial Societies* (New Society, 2003), pp. 37–42, 69–84.

3. *Ibid.*, pp. 87–121.

4. See <http://www.simmonsco-intl.com/research.aspx?Type=researchspeeches>.

Richard Heinberg is the author of *The Party's Over: Oil, War and the Fate of Industrial Societies* (New Society, 2003). He is a journalist, educator, editor, and lecturer, and a Core Faculty member of New College of California, where he teaches courses on "Energy and Society" and "Culture, Ecology and Sustainable Community."

245. US Power Fails

A breakdown in the electricity supply system plunged large areas of the United States and Canada, including New York and Detroit, into darkness, causing up to 36 hours of widespread dislocation, costing billions of dollars of economic loss. Professor Fells, an ASPO member in the United Kingdom, was widely interviewed in the press, saying that Britain faces comparable risks this winter. Indeed, not long afterwards London suffered a cut bringing the underground rail system to a standstill. The culprit appears again to be flat-earth economics, which aims for short-term profit at the expense of long-term supply security, there being no profit in spare capacity.

These were evidently no more than mechanical breakdowns: what follows is the fuel supply itself, as OPEC too has discovered that there is no profit in spare capacity. It may be soon time to head for the hills, as the economic and consequential political system begins to unravel.

246. Not in Oil's Name

An article by Leonardo Maugeri appears in the current issue of Foreign Affairs under the above title. It is interesting in that it reflects the subconscious tensions faced by oil company economists when they find that the real world no longer matches the dogma of their calling. The author is in charge of planning in the Italian national oil company, whose previous Chairman did call attention to the imminent world peak of oil production. It seems to be an effort to distance the oil companies from the recent invasion in the Middle East, and perhaps facilitate their eventual return to that region. It fears that increased production from Iraq, unlikely as that now seems, might have adverse impacts. It seeks to dispel myths about oil security, which may have been seen as the root cause of the invasion, but notably fails to mention the word *Depletion* at all. A subtitle proclaims that the world is not running out of oil, while the text states that discovery is running far below consumption, which means that it absolutely is. It dispels some myths but invokes others such that recovery has increased from 22% in 1980 to 35% to-day, and that reserves support current production for 43 years, when obviously production will last much longer but in ever decreasing amounts. It adds for good measure the old saw about the Stone Age not ending because we ran out of stone, saying that oil will inevitably be surpassed in convenience by a new source of energy without hinting what that might be. It gives the impression that the author intuitively understands the situation perfectly well, but can't quite rid himself of the flat-earth teachings of his profession or the vested interest of his position. He almost admits as much when he ends with the words "there is no absolute truth in human affairs", failing to add that Nature does not lie.

247. The Petroleum Review addresses Depletion

The *Petroleum Review* has been the mouthpiece of the prestigious Institute of Petroleum in Britain. Careful reading of past editorials reveals growing hints of concern about the impact of the depletion, which was evidently not an easy subject for the Institute to touch, given that the oil companies have so desperately sought to deny its very existence. But now, the Institute of Petroleum has merged with the Institute of Energy, which is no longer beholden to the oil industry alone. An editorial of the first issue *Review* after the merger, not only mentions the dreaded D-word, but follows it with a table giving emphasis to the countries which have passed their production peak and are in terminal decline.

It points out that Britain will soon face the cold wind of the depletion of its oil and gas, becoming a net importer of both around 2006, having passed peak. It faces the steep rates of decline, typical of an offshore environment. The major companies are withdrawing from the North Sea fast, transferring their holdings to the tail-end scavangers, in the hope of somehow postponing the mammoth abandonment costs which remain with them.

Perhaps the government will have to reinvent the British National Oil Company to produce sub- or non-commercial indigenous oil as still being better than importing it and suffering a balance of payments drain.

Perhaps the newly structured Institute of Energy will be able to finally lift the veils of denial and obfuscation that have for so long blinded the government. It, or better a successor after the Iraqi fiasco, must now address the energy issue with new purpose. Time is short, with world production set to peak around 2010, but much could be done to ameliorate the transition with intelligent planning.

248 Iraq Oil to Israel

The following is an extract from an article in the Israeli Newspaper Haaretz of August 25th

(Reference furnished by Virginia Abernethy)

U.S. checking possibility of pumping oil from northern Iraq to Haifa, via Jordan

By Amiram Cohen

The United States has asked Israel to check the possibility of pumping oil from Iraq to the oil refineries in Haifa. The request came in a telegram last week from a senior Pentagon official to a top Foreign Ministry official in Jerusalem.

249 The Evolution of Truth

The philosopher, Arthur Shopenhauer, states that truth passes through three stages :

First: it is ridiculed;
Second: it is opposed; and
Third: it is accepted as self-evident.

ASPO appears to have reached Stage Three when it observes that oil has to be found before it can be produced, drawing the self-evident conclusion that the peak of discovery more than thirty years ago must herald a corresponding peak of production.

Robert Arnott from the Oxford Institute for Energy Studies appears to be still somewhere between Stages One and Two. Writing in the Journal of Energy Literature (IX.1.2003 p.95), he states dismissively that the issue of peak oil is being promoted to raise money or by oil companies to secure greater access to existing reserves. Elsewhere in the same journal (p.61) it states that “a self-feeding and self-sustaining depletion industry is growing, driven increasingly by more extreme and unscientific arguments”. The tone of these articles ranges from ridicule to virulent opposition, which are predictable reactions from flat-earth economists who see the foundations of their edifice being undermined.

250. Article on peak oil

An article by Kjell Aleklett and Colin Campbell of Uppsala University in *Minerals & Energy v18 no 1* explains how the atrociously unreliable status of public data has allowed conflicting views of oil depletion. On one side is the *Natural Science Approach*, which applies immutable physical laws, recognising that oil and gas were formed in the geological past and have to be found before they can be produced. On the other side is the *Flat Earth Approach,* which deems the resource to be limitless, with extraction being controlled by economic, political and technological factors.

The Newsletter very much welcomes contributions from ASPO members and other readers, who wish to draw attention to items of interest or the progress of their own research.

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