



## What we're about to learn about Peak Oil

Most people, by now, have heard the term “peak oil”. Peak oil is what happens when the whole planet is pumping as much oil as it ever will. This wouldn't be a problem if it weren't for the fact that the people of our planet want to use more and more, not less and less. If people want more oil, but can't get it, the price goes up. More and more people are thinking this is what's going on with oil prices.

I remember sharing my concerns about peak oil ten years ago with my boss at the California Energy Commission. He laughed me off by saying “Aw, they've been saying we're going to run out of oil in 50 years for the last 50 years”. Fortunately, fewer and fewer people in authority think such concerns are funny anymore.

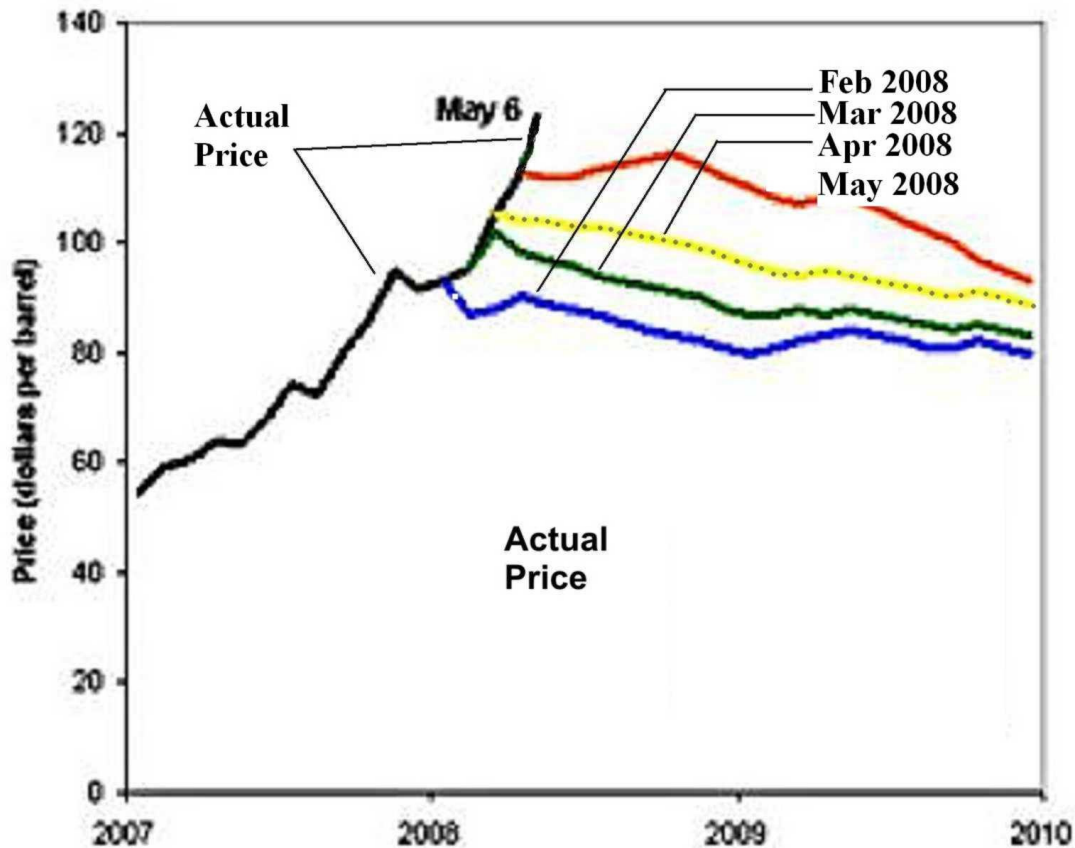
As you can probably imagine, there's a lot of discussion going on right now about this in the oil industry. What you may not know is that it's been going on for decades “under the radar screen” of government leaders and the media. We needed high oil prices from the market before the “powers that be” decided they might want to look into it.

Our government has the Energy Information Administration (EIA). The international body is called the International Energy Agency (IEA), an assemblage of experts from 27 countries. The IEA was formed after the 1973 oil embargo and subsequent supply disruptions in an attempt to stay on top of such issues.

The recent news from each of these players has been discomfoting, to say the least. The bad news is they've been painting a rosier-than-realistic picture of the “big picture” when it comes to oil for decades. The good news is they've both been very busy recently, revising their forecasts for the future.

Here's an example of the EIA's predictions on the future cost of oil. Back in February they said the price would drop. Whoops – the “actual” line shows what actually happened. Then, in March, April and May they did the same thing – whoops, whoops, whoops!

## Oil prices and EIA predictions



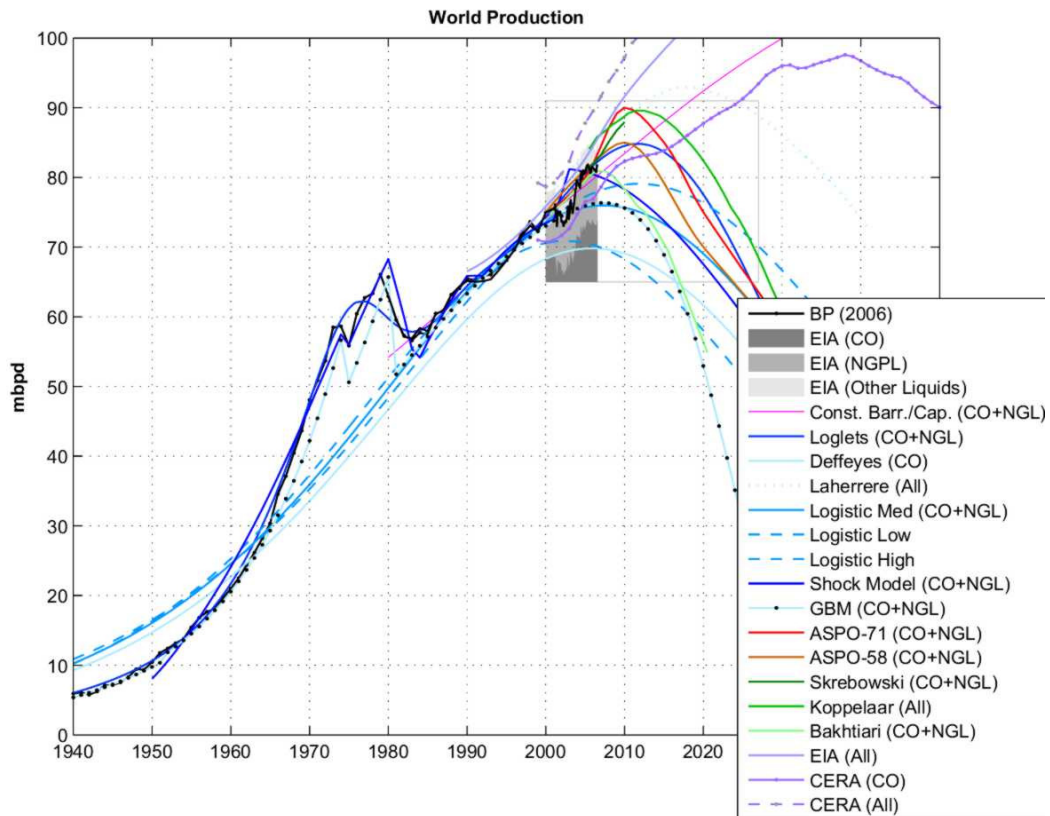
What the average person hasn't been privy to is possibly the most important news of their lifetime – more and more industry experts are saying that oil has peaked as we speak. Others say oil is about to peak – within about 3 years or less. Some, an ever decreasing minority, still cling to the “won't happen until 2030” point of view.

All this up-front discussion of peak oil brought to mind a report I'd read from the U.S. Department of Energy's National Energy Technology Library. Written in 2005, the title is “Peaking of World Oil Production: Impacts, Mitigation, & Risk Management”. The report begins with the following paragraph –

*“The peaking of world oil production presents the U.S. and the world with an unprecedented risk management problem. As peaking is approached, liquid fuel prices and price volatility will increase dramatically, and, without timely mitigation, the economic, social, and political costs will be unprecedented. Viable mitigation options exist on both the supply and demand sides, but to have substantial impact, they must be initiated more than a decade in advance of peaking.”*

With reports like this being produced you might expect folks in your gov'mint have been reading them. And then, after reading them, you'd think they'd let us know we're in trouble – that what we all need to do is “whatever is feasible to reduce demand and increase supply.” Nope. Didn't happen. Back in 2005 oil was pretty cheap but, after all, “it takes a crisis”.

Three years after that report was published we now know that “conventional” oil peaked that same year. That’s what oil fields do over time, except now it’s the whole planet’s production of oil (conventional and unconventional) that could drop like the right-hand side of a bell curve. And we won’t know when that has happened until after it’s happened. The following graph shows where we are right now and a various opinions as to the shape of the curve and when the peak will really take place. I’d throw my hat into the ring but, as my Mom used to say, “God only knows and He won’t tell!” The best I’ve done is to say, for the last three years or so, “my guess is that oil will peak within the next five years.”



While there’s no way to stop the peak, there are two basic ways to slow it down. The first is to increase supply and the second is to reduce demand. You can expect the energy industry to go after what’s left, and I mean “yesterday”. The problem is that what’s left is downright harder to get to, takes longer to produce, and – no surprise here – it’ll be a lot more expensive. Will the industry increase supply fast enough to keep up with demand? Not likely. Will the people reduce demand fast enough to slow future price increases? I remain hopeful.

This will definately help – Saturday, June 7, 2008 – Don Baggett Theatre at Nevada Union High School – mark your calendars now for “Kiss Your Gas Goodbye! Living Well in the New Economy”, a presentation by Richard Heinberg (tickets at BriarPatch, Yabobo, The Book Seller, and California Organics). Don’t miss it. I won’t!

Ray Darby is President of Sustainable Energy Group Inc., a Grass Valley company offering energy efficiency and solar services for residential and commercial buildings, from comparing the alternatives through installation and servicing of energy systems of all types. You can reach him at 530-273-4422, via email [RayDarby@SustainableEnergyGroup.com](mailto:RayDarby@SustainableEnergyGroup.com), or visit their web site at [www.SustainableEnergyGroup.com](http://www.SustainableEnergyGroup.com).

