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Peak Oil Letter from Energy Minister

Posted by Chris Vernon on May 8, 2006 - 5:15pm in The Oil Drum: Europe
Topic: Policy/Politics
Tags: government, peak oil, united kingdom [list all tags]

The Energy Minister Malcolm Wicks has recently responded to a letter from energy awareness organisation PowerSwitch. The letter directly addresses peak oil, dismissing peak before 2030 provided the necessary investments are made. On discovery he believes the decline in discovery since the sixties was due to lack of drilling in the Middle East and FSU caused by the large proved reserves but he expects this trend to change, with more and larger fields being discovered as drilling picks up.

There are weaknesses with this position. It is clear that Wicks is subscribing to the flawed 'Economic View' of oil supply as described by Roger Bentley here. Although Wicks doesn't state how much investment would be needed, a government report from the Foreign and Commonwealth Office recently stated $17 trillion would needed by 2030, can/will this investment be made?

What is the contingency plan in event that this investment isn't made and the peak occurs far sooner? Surely if the best case sees peak extraction rates within 24 years we had better get on with an aggressive mitigation strategy rather than building new airport infrastructure?

Complete letter below.

> Thank you for your letter of 24 February regarding the issue of "Peak Oil". The Government is aware of the arguments surrounding this issue that global oil (and gas) production will one day peak, which cannot be disputed. However, we believe that such a peak is not imminent and will not be reached until some time after 2030, provided the necessary investments in expanding and replacing production capacity are made.
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> The International Energy Agency is currently developing detailed medium-term (to 2010) projections for global oil production based on field-by-field analysis of active development projects and existing decline rates. Full results will be published later this quarter, but provisional findings were presented in the IEA's December 2005 Monthly Oil Market report (available at http://omrpublic.iea.org) . Rather than showing any imminent decline in production, these findings showed global oil production capacity rising steadily to 2010 (by around 2 million barrels per day each year).
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> Further into the future, new oil discoveries will be needed to renew reserves. While discoveries of new oilfields have fallen sharply since the 1960s, this fall has been most dramatic in the Middle East and the former Soviet Union and is largely the result of reduced exploration activity in those regions with the largest reserves, and also of a fall in the average size of fields discovered. Exploration drilling in the Middle East has been minimal for many years because existing proven reserves are very large. Rather, drilling has been concentrated in North America and Europe, which are both mature regions. Only 3% of wildcat wells drilled in the ten years to 2002 were in the Middle East, even though the region is thought to hold over a quarter of the world's

undiscovered resources of oil and gas. However, we are already seeing signs of a rebound in exploration and appraisal drilling in the Middle East, which can be expected to accelerate in the coming decades. Not only will this help to renew reserves, but it will also increase the average size of fields discovered. In addition to the Middle East and former Soviet Union, North and West Africa, deepwater Gulf of Mexico, and Latin America are also regions where new oil discoveries can be expected. It is also worth noting that reserves growth - increases in the estimated size of reserves in discovered oilfields as they are developed and produced - would also add to global reserves.

Notwithstanding this, however, the Government is putting in place a broad range of policies - as set out in the Energy White Paper 2003 - that will help move the UK economy away from power supplied primarily through fossil fuel supply. The Prime Minister has reportedly spelled out his objective that the UK should lead the global shift to the low-carbon economy. This will not only provide environmental benefits but will also improve UK energy security.

I would like to reassure you that the Government remains actively engaged in the debate on the issue of global oil reserves, and continues to pursue a number of areas of work in this area. For example, throughout the UK's Presidency of the G7, Finance Ministers endorsed the need for the development of a global common standard for reporting oil reserves in order to improve transparency and reduce uncertainty. DTI officials and those from other governments and relevant international organisations are already working through the United Nations Economic Commission for Europe (UNECE) to take this forward. One of my officials, Claire Durkin (Head, Energy Markets Unit, DTI) also participated in an Energy Institute debate on "Oil Depletion - Facing the Challenges" in November 2005. Ms Durkin's presentation, along with those made by other speakers, can be found at the following web address: http://www.energyinst.org.uk/index.cfm?PageID=1037. Furthermore, officials are in contact with the U.S Government Accountability Office (GAO), which has been asked by Congress to examine issues related to the potential peaking of world oil production.

Finally, as you may be aware, the Government is currently conducting a wide-ranging review of UK Energy Policy announced by the Prime Minister in November 2005. The Review has a broad scope and will consider aspects of both energy supply and demand focussing on policy measures for the medium and long term. A consultation phase for the review recently finished and details can be found at: http://www.dti.gov.uk/news/newsarticle-230106.html. The Review will report in early summer.

Yours sincerely

Malcolm Wicks