

S. 47F

Sent: Thursday, 21 May 2009 12:04 AM

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Subject: RE: Australian peak oil research [SEC=UNCLASSIFIED]

Dear S. 47F

Sorry to have missed the deadline. Hereunder as promised are a couple of comments from our side that should not be much of a surprise to you

Hope it helps

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Outline: The paper examines past oil production and discovery trends to make a long-term production forecast, in order to reflect on the twin challenges of moving beyond heavy oil dependence in transport fuels and lowering emissions. It finds that *conventional* oil (excluding deepwater and oil sands/tar sands etc) output reached a plateau in 2006 and will remain at that level until around 2016, after which it will steadily and inevitably decline. The paper posits that increased *non-conventional* oil supplies are insufficient to offset this decline. It also finds that even substantially increased Middle Eastern conventional oil production will only serve to extend the plateau, after which decline will be even more rapid.

Critique: The problem with the approach of forecasting production purely on past production and discovery trends is that it underestimates the influence of a) oil price and b) enhanced recovery techniques, i.e. technological advances, which would appear to potentially enable far higher recovery rates in existing assets. The split into conventional and non-conventional also appears somewhat arbitrary, as oil from deepwater and oil sands/tar production is now fed into the global crude oil market as any other oil. Indeed, as the IEA has pointed out in the past, yesterday's 'non-conventional' oil supplies generally become tomorrow's 'conventional' supplies, once the challenges are mastered (and if prices are right, i.e. if there is sufficient demand). Hence formerly frontier North Sea oil is now considered by all to be conventional oil supply.

Generally speaking, the paper considers 'The main constraints on production are geological in nature', which stands in contrast to the IEA's long-held position that it is rather *above-ground factors* that are likely to constrain oil supplies in the short to medium-term. This is particularly relevant to the question of access to large proven reserves in the Middle East. Also given its use of data, the paper would seem to be too heavily dependent upon sources from 'peak oil' proponents. This is clear from the premises of the argument made, which rely heavily upon the familiar arguments made by Hubbert, Campbell and Laherrere et al. Thus, the paper seems to start from a given assumption, namely that 'peak oil' is inevitable, before searching for supportive evidence.