



**Weekly Letter from the  
ASPO President Kjell Aleklett  
Week 41, October 8-14**

On June 22 I received an e-mail from Stephen Perkins, head of the OECD/ECMT Joint Transport Research Centre in Paris. He told me that they were organising a Round Table meeting of experts on November 15-16 to examine the short and long-term outlooks for oil prices and oil supply as well as the implications these issues will have for transport policy. Furthermore they wanted to focus on a Peak Oil and an economic resource debate.

In 2003 Colin Campbell and I wrote a peer reviewed paper for Minerals and Energy ([http://www.tsl.uu.se/uhdsg/Publications/Minerals&Energy\\_2003.doc](http://www.tsl.uu.se/uhdsg/Publications/Minerals&Energy_2003.doc)) and it was this paper that led to the OECD contacting me. Stephen Perkins asked if it was possible for me to present the Peak Oil arguments, starting with this paper, at the round table research meeting in Paris and if I could prepare a detailed paper with which to brief participants beforehand. Without hesitation the answer was yes.

The Round Table will examine the long-term outlook for oil supply and oil prices and the relationship between oil prices and demand in the transport sector. It is hoped that the round table will provide valuable support for the International Transport Forum's 2008 Ministerial meeting on Transport and Energy. My report ***“Peak-Oil and the Evolving strategies of Oil Importing and Oil Exporting Countries - Facing the hard truth about an import decline for the OECD countries”*** was delivered at the end of September and now it has been released for official use. I cannot publish it as the OECD and the International Transport Forum hold the copyright but they will be publishing this document after the meeting in November. However, I do have the right to hand it to interested parties. A summary of the arguments in the document is as follows:

*Statistical trends of oil intensity from individual countries and groups of countries show that an average increase of GDP of 3% per annum equates to a projected demand for liquids of 101 Million barrels per day (Mbpd) by the year 2030. This analysis shows that this demand cannot be fulfilled by production from current reserves and expected new discoveries.*

*Two models to assess peaks in production of oil are considered: the depletion model (DM), and the giant field model (GFM). The DM model shows Peak Oil (the maximum rate of production) date in the year 2011 with 90 Mbpd. Adding GFM we develop a “Worst Case” scenario of a plateau in production for the next 5 to 7 years at a rate of 84 Mbpd. A more optimistic case in the “Giant High Case” scenario is a peak in 2012 at 94 Mbpd. A less steep increase demand can move the peak to 2018. Both models show an oil production rate of the order of 50 to 60 Mbpd by 2030.*

*The demand for oil from countries that are importers is forecast to increase from current import levels of 50 Mbpd to 80 Mbpd. A detailed analysis shows that Saudi Arabia, Russia and Norway, today's largest oil exporters, will experience a decline in their*

*export volumes of the order of 4 to 6 Mbd by 2030. The projected shortfall cannot be offset by exports from other regions.*

***In a business-as-usual case, the shortage of fossil fuel liquids for transportation will be substantial by the year 2030. The necessary decisions for the economic transformation required to mitigate this decline in available oil supply should already have been made and efforts to deploy solutions under way.***

*We have climbed high on the “Oil Ladder” and yet we must descend one way or another. It may be too late for a gentle descent, but there may still be time to build a thick crash mat to cushion the fall.*

When I submitted my report Stephen Perkins asked me if I also could write report about CO2 emission, and I have now submitted that report ***“Reserve driven forecasts for oil, gas and coal and limits in carbon dioxide emissions; Peak Oil, Peak Gas, Peak Coal and Peak CO2”*** The recent award of the Nobel Prize to the IPCC and Al Gore makes this report very interesting and topical. From the abstract:

*“This analysis is based on realistic reserve assessments. Resources that cannot be transformed into reserves are not allowed. First, we conclude that CO2 emissions from burning reserves-based oil and gas are lower than what all of the IPCC scenarios predict, and emissions from coal are much lower than the majority of the scenarios. IPCC emission scenarios for the period 2020 to 2100 must be altered to more accurately reflect the fossil fuels that are practically available.”*

There are three other reports to be presented to the round table and they are:

**Price Instability: the determinants of oil prices in the short term**

*Lawrence Eagles, Head of the Oil Industry and Markets Division of the International Energy Agency.*

**The determinants of oil prices and supply in the long term**

*Dr David Greene, Oak Ridge National Laboratory, Center for Transportation Analysis, USA.*

**Long run trends in transport demand, fuel price elasticities and implications of the oil outlook for transport policy**

*Professor Kenneth Small, University of California Irvine, USA.*

Another important event this week was the presentation of Aram Mäkiwierikko’s, one of my students, diploma thesis ***“Russian Oil, an estimate of the future oil production and oil export potential of Russia using the Depletion rate model”***. It can be downloaded from [www.tsl.uu.se/uhdsg](http://www.tsl.uu.se/uhdsg).

The following extract may be of interest to you:

*“Oil is a heavily used natural resource with a limited supply. Russia is one of the largest oil producers and the second largest oil exporting country in the world. Many surrounding countries are dependent on Russian energy. Swedish oil import from Russia has grown from 5% to 35% during 2001-2005.*

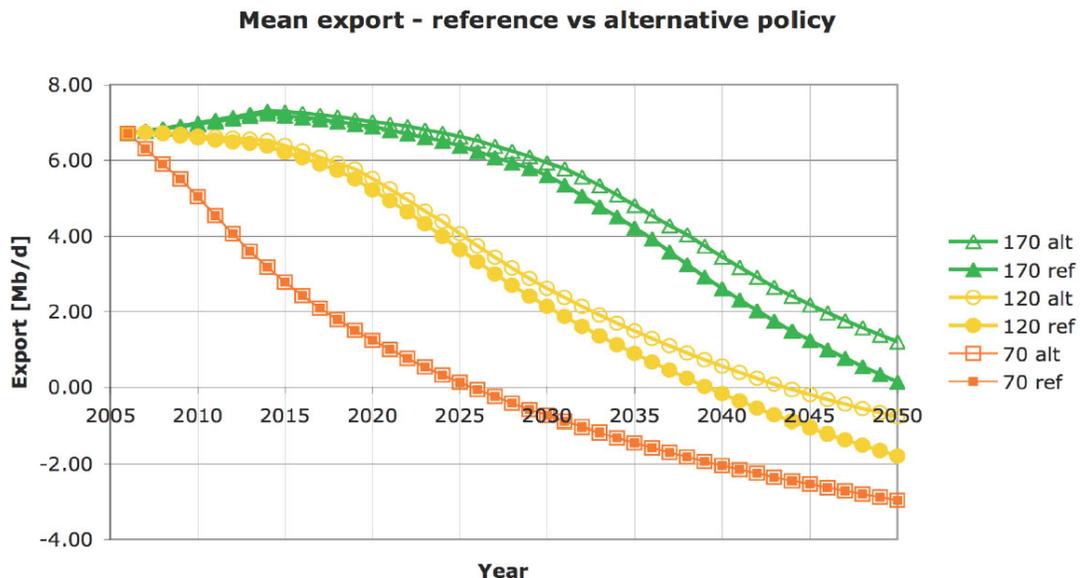
*The fall of the Soviet Union in 1991 caused the Russian oil production to drop by 50%. The production is currently growing again – but how will it develop in the future?*

*This report studies different scenarios for Russian oil production and export based on three different estimates of how much oil Russia has left today (70, 120 or 170 Gb), combined with estimates about how fast Russia can produce the oil (a depletion rate of 3%, 4.5% or 6%).*

*In the worst case, Russian oil production and also the oil export will peak very soon or has already done so in 2006. In the best case, a constant export can be held until 2036. It is not likely that the Russian production will increase more than 5-10% over today’s level.”*

There are different opinions about possible future Russian EUR grouped around the figures 70, 120 and 170 Gb. Today BP lists the number 79 Gb. With a modest increase in domestic use and depletion rates within acceptable values we have made predictions on future export capacity for Russia (see figure 1). The 70 Gb scenario appears pessimistic, the 170 Gb over optimistic leaving the 120 Gb scenario as the probable best case. The best case gives an export between 2 and 3 Mbpd for 2030 depending upon consumption within Russia.

Figure 1. Mean export comparison between the reference policy and the alternative policy for Russia with respectively 70, 120 and 170 Gb left to produce.



I like to end with the following statement from keynote speaker at ASPO6, Dr James R. Schlesinger, former US Energy Secretary:

”And therefore to the peakers I say, you can declare victory. You are no longer the beleaguered small minority of voices crying in the wilderness. You are now main streams. You must learn to take yes for an answer and be gracious in victory.” (Now on YouTube: <http://www.youtube.com/watch?v=1Ia-sk1OqHk&eurl=http%3A%2F%2Fwww%2Easpo%2Direland%2Eorg%2F>)

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My fall agenda can be found at: [www.peakoil.net](http://www.peakoil.net)