

news release: Gasoline Price Reflects Dwindling Global Oil Reserves, Not Merely Oil Price

Contributed by Jan Lundberg
15 August 2005

Editorial note: Being misinformed is common, but sometimes it is due to disinformation from the industrial state. The public is kept from knowing about peak oil and the full implications including petrocollapse and a new paradigm to follow. As long as money is a society's raison d'etre, and no opposition movement arises, we are driving over the ecological cliff like motorized lemmings. This news release attempts to set the record straight about record gasoline prices, and offer a real solution. - JL

Berkeley, Aug. 15 - Jan Lundberg, veteran petroleum analyst who joined the environmental movement and fought industry expansion, has a different explanation for record gasoline prices than the one provided by his former firm, Lundberg Survey, which on Aug. 14 attributed them only to high crude oil prices.

"The peak of world oil extraction is approximately now, although reserves data from the oil industry and OPEC are notoriously unreliable. Shortage of crude oil has started to make itself felt, as strained production levels of the most useful crudes reflect tight supply. It is true that oil demand has managed to reach record levels (82.2 million barrels a day; source: IEA), but oil fields inevitably peter out," he told Fox News Radio on Sunday.

Nearly 20 oil-exporting countries are past their peak in production. Also, Saudi Arabia is showing signs of leveling off. Another sign of dwindling geological resources is when industry does not invest in drilling new wells - despite record profits for oil - and rather buys up oil reserves via corporate mergers. "Refining capacity is almost maxed out, but industry sees little point in building more refineries when crude supply is in doubt," Lundberg added. World discoveries peaked by 1965, and the trend in declining discovery is unalterable. U.S. production peaked in 1970.

"Growth of the economy ends when petroleum is in short supply. When the market really feels the gap between supply and demand widen, the price will go through the roof. Alternative energy sources are not ready. The coming oil shock will signal an historic flip-over from expanding our civilization via petroleum dependence to seeing the commencement - after "petrocollapse" - of a reversion to sustainable living based on local ecological capacity. The short answer to 'What do we do now?' is conserve, radically."

Lundberg also told Fox News that it is erroneous to calculate that the adjusted price for gasoline, including inflation, is under the price of two and a half decades ago. This is because "subsidies - direct, indirect and hidden, such as the War on Iraq -- to oil and refined products, if included in the price, would make oil cost perhaps \$120 per barrel today. This is one reason people must work longer hours and obtain extra jobs," he explained.

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Background: Jan Lundberg ran Lundberg Survey in the 1980s and founded the Sustainable Energy Institute to promote conservation and fight urban sprawl. He was quoted in the House of Representatives on the effects of peak oil on May 12, 2005 by Congressman Roscoe Bartlett (R - MD). Lundberg's syndicated Culture Change Letter has appeared in the newsletter of The Association for the Study of Peak Oil and Gas, in Truthout.org, Bluegreeneearth.com, From The Wilderness, The Social Contract, The-Edge, and other publications. His writings have appeared in such newspapers as the San Francisco Chronicle and the Financial Post (Canada).

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