A disservice to the world: Oil-industry consultant CERA denies peak oil

Contributed by Jan Lundberg
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Culture Change Letter #144

Editor's note: Congressman Roscoe Bartlett's office asked for our reaction to the new report from Cambridge Energy Research Associates, Inc. (CERA) that seeks to refute the increasingly accepted belief that global oil extraction is peaking now or in the near future. Bartlett, a Republican representing western Maryland, is a co-founder of the Peak Oil Caucus.

The following letter was sent immediately, and was shared with Dow Jones News which interviewed us and covered the story. As the nation is at a crossroads of either waking up to its tragic errors of war on Iraq and failing to rein in energy waste that distorts the Earth's climate, or, persisting in undermining humanity and the web of life, the CERA report is a gross disservice to the nation and the planet -- if the report is believed with the aid of irresponsible news media coverage. But, if an information-campaign to counter CERA succeeds, this dispute is beneficial. At the bottom of this page is the Peak Oil Caucus response to the CERA report.

I started reading the news release and immediately my strong feelings started to bubble up, prompting me to give a general reaction (1) before I subject myself to the rest of CERA's Big-Oil propaganda in its report. Then I'll give a more detailed reaction, (2). I invite you to use my text as you wish. As you may guess, I would like to testify in Congress on the nation's oil reality and what might be pursued as doable mitigation (considering the realities made clear by Roscoe Bartlett, Robert Hirsch, Matt Simmons and others).
(1) It is inevitable that peak oil "theory" be attacked just as CERA and its clients are doing, precisely because peak oil is gaining credibility and cheap oil is gone forever. It is vital to keep in mind that oil prices are far, far higher than the apparent levels we've seen to date because of massive subsidies (direct and hidden). CERA's report comes at a time of relative lull in the volatile oil and energy market, when crude prices have not yet returned to or surpassed $70-plus levels.

CERA's idea of oil's role being too important to question, as to oil's [implied] infinite longevity and reliability, is tantamount to a "Stay the course" attachment to nonsensical overdependence on petroleum that IS dwindling rapidly and inexorably daily. Reserves are not really increasing, and when anyone tries to portray this otherwise, such persons are seen to not be dealing with hard data or reliable sources of information. It is an unfortunate distraction for CERA to throw their questionable analysis into the public arena just when the citizenry should find convergence to deal with petroleum issues such as the agriculture sector's vulnerability to dwindling [petroleum] supply and growth of population.

The role of petroleum in warming the globe is of course not part of CERA's concerns, as if life itself is an ancillary aspect of existence. Big business's blinders involve the specialization of disciplines, such as petrochemistry and mega projects of engineering, to keep the world industrial economy humming, while CERA forgoes the systems-approach of considering the environment and physical limits of resources.

Smaller-scale economics that revolves around local communities' sustainable ecological endowment of their region is, by inference, CERA's and Big Oil's foe. CERA, with its position negating peak oil, is automatically against conservation on any level that would harm profit-maximization from shrinking the demand pie. (I know how the oil industry acts and thinks, from long-time first hand experience.) Thus, CERA is against any mitigating strategy to deal with a serious shortage any time in the future. To deny a possible shortage up ahead relating to supply constraints -- even as we see conventional oil starting to dry up from easily accessed fields, and oil discoveries lag extraction by more and more -- is tantamount to betrayal of the nation and humanity, and belongs in the dustbin of rigid Free Market ideological faith. The religion of "growth" no matter what the facts or consequences are is similar to the old belief in a flat Earth.

(2) The specious reasoning that just because past warnings of shortage and total depletion did not pan out already, is not valid evidence that today's knowledge of trends and oil fields is faulty. Moreover, we have seen massive growth in demand that is unprecedented. To ignore today's situation and point instead to the possibility or fantasy of continued growth for growth's sake is much like the climate-change naysayers' pathetic logic who cannot admit that global warming from human activity is upon us. Nor do the peak-oil and climate-change naysayers even admit that a reasonable "insurance policy" is called for, even if it would offer added benefits.

In CERA's statement, "it (post-peak depletion curve) will be asymmetrical - with the slope of decline more gradual and not mirroring the rapid rate of increase -- and strongly skewed past the geometric peak. It will be an undulating plateau that may well last for decades.",

denial is evident, regarding the industry's and the economy's inability to function in any way other than endless growth. In my analysis of the advent of peak and its implications and impacts, based on my former career of analyzing supply

and shortage, I hold a diametrically opposite view to CERA's about the looming energy descent. But, I agree that it will "not (be) mirroring the rapid rate of increase" that CERA cites is going to occur; the trend line will not be in CERA's hoped-for slower fall of production, but rather as a much faster and precipitous fall (as indicated by Robert Hirsch's findings on nations' post-peak oil extraction rates).

When CERA tries to back off from claiming that conventional liquid fuels will meet demand, by pointing to technology's potential for unconventional fuels, this unscientific and unproven view does not acknowledge the concept of net energy return on energy invested. Instead, like other proponents of alternative energy (renewable as well as nonrenewable), CERA shamefully tries to obfuscate the issues by implying that one form of energy is just like another (e.g., cheap oil and liquified coal) -- something the average member of the public knows little about.

CERA's critique of Hubbert analysis of peak is weak and grasps at straws. Hubbert was still correct in general, and to say otherwise reveals a seriously flawed orientation to short-term thinking. A ten-year error and an eight-year error by Hubbert, for example, as cited by CERA, is "but a pip" in human history, as Hubbert said about fossil fuels use in general. It should be obvious that CERA is simply adhering to the philosophy of the corporate bottom line that cares nothing about the longer term, even if massive unemployment in the petroleum sector and worse is written on the wall.

The chart of reserves for the main sources of oil both conventional and unconventional looks padded, as anyone familiar with the ill advisability of oil shale production already knows, when the numbers, technologies, and sources are considered.

"The peak argument is an incomplete and therefore misleading analysis because it ignores the role of development (vs exploration) projects in expanding reserves..." My response: although there is some truth in this, the fact that field production is also being massively propped up for short-term considerations -- losing the longer-term potential though deliberate mismanagement, as reported by knowldedgable industry observers -- more than offsets the strident faith in technology and growth that CERA relies upon (to keep enjoying its profitable business and energy-intensive lifestyles of the personnel).

Finally, in my personal experience, Daniel Yergin, like another oil cheerleader who now runs my former firm Lundberg Survey, was once a more honorable, innocent and idealistic analyst in the 1970s when there was more widespread openness about the need to conserve energy and develop alternatives to fossil fuels and nuclear power. But, after decades of serving the master of Big Oil and seeing no end to "growth" of the industrial and economic system, Yergin and Lundberg Survey have become more rabid and reactionary. They have lost their souls, and so the American people and the planet suffer the consequences of such intellectual dishonesty that props up a destructive, rigid market-system that cannot endure much longer in its present form of wasteful practice.

Respectfully,

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Note: CERA has not had a wonderful record for accurate predictions, reportedly on natural gas prices which it seriously got wrong recently.

In CERA's new report, CERA: "PEAK OIL THEORY – 'WORLD RUNNING OUT OF OIL SOON' – IS FAULTY; COULD DISTORT POLICY & ENERGY DEBATE", it said up front: "We hold that aboveground factors will play the major role in dictating the end of the age of oil." This can mean that CERA implies there's an absolutely humongous amount of oil in the ground. Or, that they mock the idea of "end of the age of oil" as anything soon -- due to the wonders of technology and the dirtier fossil fuels' coming to the aid of oil just like gentlemenly friends. - JL

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Culture Change Letters: "Peak Oil naysayers partying on for growth"

http://culturechange.org/cms/ and

"Peak oil activism that denies petrocollapse"

http://culturechange.org/cms/

CERA: "PEAK OIL THEORY – 'WORLD RUNNING OUT OF OIL SOON' – IS FAULTY;
COULD DISTORT POLICY & ENERGY DEBATE"

http://cera.com

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CERA Peak Oil Study Confirms Urgency of Mitigation Say U.S. Congressional Peak Oil Caucus Co-Chairmen Reps. Bartlett & Udall

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Congressional Peak Oil Caucus Co-Chairmen Reps. Roscoe Bartlett and Tom Udall Say CERA Study Confirms Urgency for Crash Mitigation Program by the U.S. Government

Washington, DC - Congressmen Roscoe G. Bartlett (R-MD) and Tom Udall (D-NM), cofounders and cochairmen of the Congressional Peak Oil Caucus, said that a new report released today by Cambridge Energy Research Associates (CERA), Why the Peak Oil Theory Falls Down: Myths, Legends, and the Future of Oil Resources, confirms the urgency for the United States government to adopt a crash program to mitigate the devastating consequences of peak oil.

Congressman Bartlett said, "The CERA report agrees that world oil production will peak and projects it will occur within 20-25 years. However, world demand is growing exponentially - faster than production so the CERA report confirms the likelihood of future shortages of liquid fuel and much higher and volatile prices. A major flaw in the CERA report is its reliance upon questionable assessments of global reserves by the USGS. USGS estimates of future world reserves equate a 50 percent probability with a 50th percentile or mean. That is a bizarre and totally inaccurate use of statistics. It almost doubles the amount of projected reserves compared to the 95 percent probable estimate. Actual discoveries are tracking the 95 percent probable trend. That means world oil production will peak much sooner than CERA projects in this report."

Congressman Udall said, "CERA's report is one of the most optimistic predictions for the peak in global oil production to date, and it still underscores the need to address this problem immediately. Whether it is Peak Oil, global warming, or the fact that some of the money we send overseas to support our oil addiction comes back to us in the form of terrorism, the U.S. cannot wait any longer to develop sensible and sustainable alternatives to oil."

Congressman Bartlett added, "The February 2005 'Hirsch' report by the U.S. Department of Energy and a September 2005 report by the U.S. Army Corps of Engineers both note that it would take a minimum of 20 years to avoid devastating consequences from peak oil. The CERA report supports the urgency and necessity for the U.S. government to adopt a crash mitigation program. A crash program will need the total participation of the American public like we had with WWII Victory Gardens, the technological focus of the Apollo Moon program and the urgency of the Manhattan project."

"I look forward to two forthcoming reports about peak oil to move this policy debate forward," said Congressman Bartlett. "A report that I requested from the Government Accountability Office (GAO) is expected in early 2007."

Department of Energy Secretary Samuel Bodman commissioned a report by the National Petroleum Council (NPC) expected to be released in mid-2007.
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