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From: Bloomington Peak Oil Task Force (2008-2009)
Subject: One year later: A growing urgency for Peak Oil preparation

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German Military Think Tank Quotes 2009 Report of Bloomington's Peak Oil Task Force, Warns of Imminent Peak Oil

Bloomington, IN – Dec. 16, 2010 -- In Dec. 2009, the City of Bloomington Peak Oil Task Force (<http://bloomington.in.gov/peakoil>) completed its analysis of the looming problem known as “peak oil” -- the peaking and subsequent decline of world petroleum production -- and issued a report, *Redefining Prosperity: Energy Descent and Community Resilience* (<http://bloomington.in.gov/media/media/application/pdf/6239.pdf>) which described how Bloomington could respond. Since then, a number of significant developments have occurred that have further emphasized the urgency of the situation.

Among these developments are the following:

- A German military think tank cited Bloomington's *Redefining Prosperity* report and warned of imminent peak oil.
- Late in 2009, an anonymous International Energy Agency (IEA) whistleblower revealed that the IEA, under pressure from the U.S. government, had been deliberately underplaying the risk of near-term oil shortages. A year later, the agency, with little fanfare, quietly admitted that global production of “conventional” oil had peaked *in 2006*.
- A report emanating from the American military warned of near term shortages of oil.
- Private sector reports from Lloyd's of London/Chatham House and a consortium of industries in Great Britain warned of severe consequences of not preparing for coming oil shortages.
- An academic study from Oxford University significantly downgraded estimates of world petroleum reserve totals, while a second study from Kuwait University projected a peak in production by 2014.
- An oil expert with the federal government's Energy Information Agency (EIA), released information indicating an oil supply shortage beginning in 2012 without additional

production from “unidentified projects.” Without production from these unknown sources, shortfalls from expected demand begin as soon as 2012.

- Oil prices remained unusually high throughout 2010, and experts are warning of still higher prices ahead.

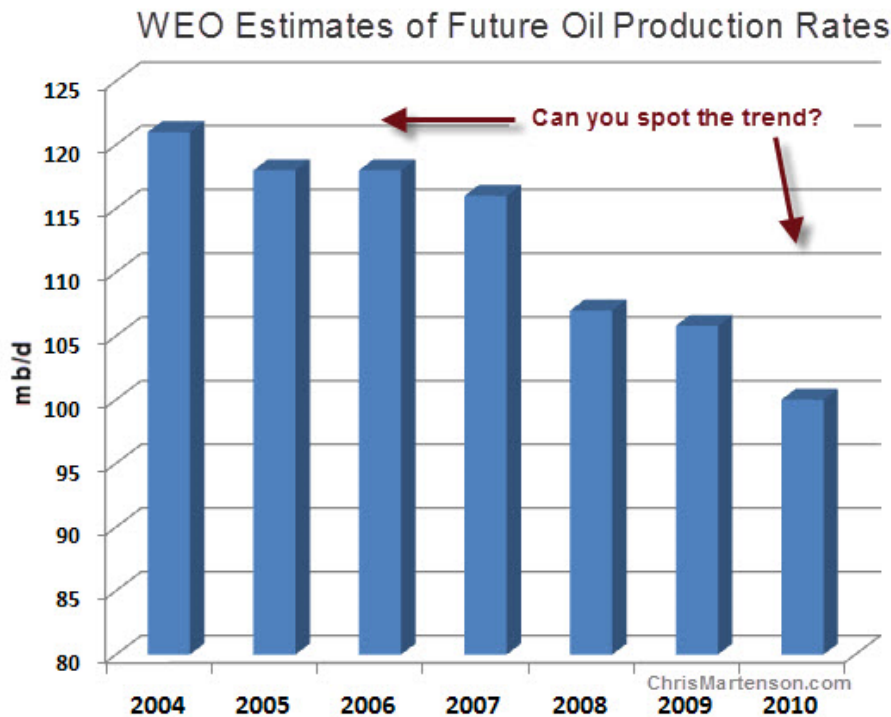
Because of these developments, for which we provide additional detail below, it is our considered opinion that our window of opportunity for preparing for the impending decline in world oil production is rapidly closing. Due to geological constraints, the probability is low that total liquids production can grow significantly beyond the current level of approximately 87 million barrels per day, and there is a significant risk that production levels will begin to decline from that level no later than 2015. Once they do, the impact on the national and international economies is likely to be severe. Because of inaction by federal and state governments, it is imperative that local governments, local communities, and individual citizens assess their own vulnerabilities and take steps immediately to prepare for a future of dwindling oil supplies, and the economic shocks that will follow.

Peak Oil Developments in 2010

- A German military think tank, *Zentrum für Transformation der Bundeswehr*, produced a report (<http://peak-oil.com/download/Peak%20Oil.%20Sicherheitspolitische%20Implikationen%20knapper%20Ressourcen%2011082010.pdf>) which declared that there is “some probability that peak oil will occur around the year 2010.” The report was not originally intended for publication but was leaked to the German media and publicized by the well-known news periodical *Der Spiegel* (Stefan Schultz, *Military Study Warns of a Potentially Drastic Oil Crisis*, 09/01/10, <http://www.spiegel.de/international/germany/0,1518,715138,00.html>). It quoted in full the summary of “vulnerabilities and strategies” from the Bloomington Peak Oil Task Force report, noting that “the following examples from a city in the USA can provide to the barracks and field camps of the German Armed Forces suggestions and examples for reducing direct and indirect oil demand, from which further ideas can be developed.”
- Late in 2009, an anonymous senior official from the International Energy Agency (IEA) declared that the agency had “been deliberately underplaying a looming shortage for fear of triggering panic buying” and that “the US has played an influential role in encouraging the watchdog to underplay the rate of decline from existing oil fields while overplaying the chances of finding new reserves” (*Key Oil Figures Were Distorted by US Pressure, Says Whistleblower*, <http://www.guardian.co.uk/environment/2009/nov/09/peak-oil-international-energy-agency>). A year later, the agency quietly announced that, under an anticipated “New Policies Scenario,” “[Conventional] crude oil output reaches an undulating plateau of around 68-69 mb/d [million barrels/day], *but never regains its all-time peak of 70 mb/d reached in 2006,*” though production of expensive “unconventional” oil (such as that extracted from Canadian tar sands) “grows strongly” (*World Energy Outlook 2010, Executive Summary*, http://www.worldenergyoutlook.org/docs/weo2009/WEO2009_es_english.pdf, p. 6).

For the past several years, the IEA has steadily downgraded the amount of oil it thought would be produced at peak in its annual *World Energy Outlook* projections. In 2004 it thought that production at peak would be 120 million barrels per day, but has since reduced that to less than 100 million barrels per day (Fig. 1). Even that, we think, is extremely optimistic.

Fig. 1



- The United States Joint Forces Command stated in its 2010 *Joint Operations Environment* report (http://www.jfcom.mil/newslink/storyarchive/2010/JOE_2010_o.pdf), that “By 2012, surplus oil production capacity could entirely disappear, and as early as 2015, the shortfall in output could reach nearly 10 MBD [million barrels per day]” (p. 29).
- Sir David King (former chief scientist of the British government) and research colleagues from Oxford University asserted that estimates of global conventional oil reserves should be downgraded by one-third because of inflated estimates introduced by OPEC in the 1980’s (*Oil Reserves Exaggerated by One Third*, <http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/7500669/Oil-reserves-exaggerated-by-one-third.html>)
- One of the most respected British financial institutions, Lloyd’s of London, warned of “catastrophic consequences” for businesses that fail to prepare for a world of increasing

oil scarcity” (Terry Macalister, *Lloyd’s Adds Its Voice to Dire “Peak Oil” Warnings*, <http://www.guardian.co.uk/business/2010/jul/11/peak-oil-energy-disruption>)

- The Industry Taskforce for Peak Oil and Energy Security, “a group of British companies concerned that threats to energy security are not receiving the attention they merit,” forecast an “oil crunch” by 2015, <http://peakoiltaskforce.net/download-the-report/2010-peak-oil-report/>).
- Scholars in the Department of Petroleum Engineering at Kuwait University predicted that world oil production would peak by 2014 (*Forecasting World Crude Oil Production Using Multicyclic Hubbert Model*, <http://pubs.acs.org/stoken/presspac/presspac/full/10.1021/ef901240p>).
- Glen Sweetnam, an oil expert with the federal government’s Energy Information Agency (EIA), declared that by 2030 liquid fuel production will require enormous inputs from “unidentified projects” (Fig. 2). There is no guarantee that by 2030 enough projects will have been “identified” to fill the projected yawning gap between supply (based on what is actually now known to be available) and presumed demand. The undisputed reality of declining oil discovery (Fig. 3) belies the contention that significant quantities are likely to be “identified” in the future. Oil discovery peaked in 1964, and has been trending down for the past 4 1/2 decades.

Fig. 2. Oil trends presentation by Glen Sweetnam, U.S. Energy Information Agency

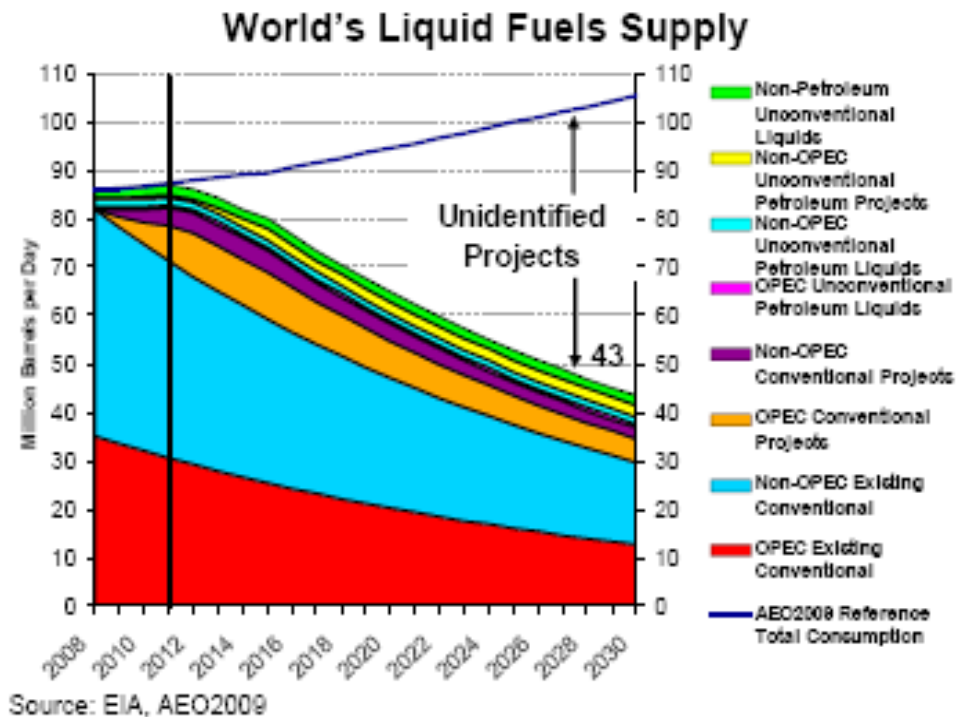
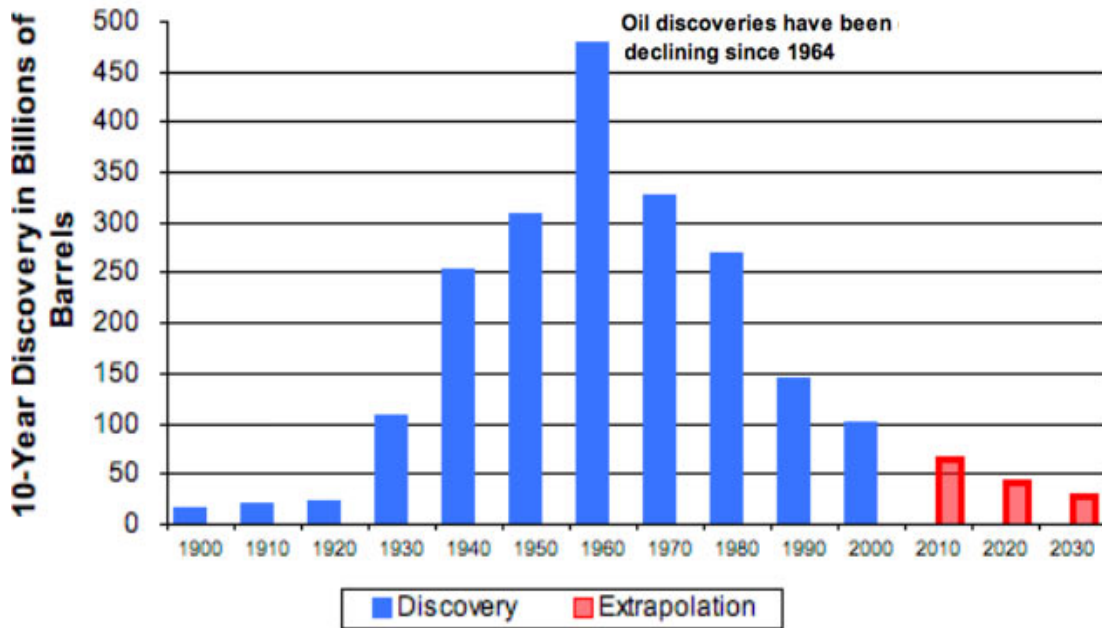


Fig. 3. World oil discovery over 10-years periods
 (source: ASPO, the Association for the Study of Peak Oil)



- Oil prices remained high throughout the year. They ranged generally from \$70-\$90 a barrel, roughly quadruple the old “normal” price of \$20/barrel (Fig. 4). By the end of the year, they were approaching the \$90/barrel range. Gasoline prices were correspondingly high, generally ranging from \$2.70 to \$2.90 per gallon. These prices greatly exceed the 1990’s “normal” price of \$1.00/gallon and the 2000-2004 “normal” price of \$1.50/gallon (Fig. 5). These prices are quite extraordinary considering the weak state of the American economy, and reflect both static production levels (almost unchanged since 2005) and growing demand in Asia (in August, China experienced the largest traffic jam in history).

Fig. 4



Fig. 5



- Experts warn of still higher prices ahead. Canadian economist Jeff Rubin predicts that “With no let-up in China's fuel demand, the world should be looking at triple-digit oil prices again within a quarter” (*What Will 2011 Bring? Triple-Digit Oil*, <http://www.theglobeandmail.com/report-on-business/commentary/jeff-rubins-smaller-world/what-will-2011-bring-triple-digit-oil/article1826709/>). British entrepreneur Sir Richard Branson, meanwhile, is talking about oil at \$200 a barrel (the previous record, \$147/barrel, was set in July 2008). “We are going to have the mother of all recessions if we don’t sort out our energy policy fast,” Branson declared. “We think we’ve got it bad today. In five years time unemployment could go to 15 percent without any difficulty at all in America” (Kim Chapman, *Branson Says Oil Might Hit \$200 a Barrel without New Policies*, <http://www.bloomberg.com/news/2010-12-05/branson-says-oil-may-hit-200-a-barrel-without-new-clean-energy-policies.html>).

About the City of Bloomington Peak Oil Task Force

Established by a resolution of the Bloomington City Council in Dec. 2007, the Task Force worked from Mar. 2008 through Nov. 2009 on a report that was approved by the Council on Dec. 2, 2009. The Task Force then went out of formal existence under a sunset provision in the resolution under which it was established. Individual members of the task force remain active in monitoring developments in global petroleum and energy production.