

ASPO-5 Live

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ASPO-5 Day 1: Chris Skrebowski Sees the Peak in 1,500 Days

"We have 1,500 days until peak and tomorrow we'll have one day less," Chris Skrebowski, the editor of Petroleum Review, told the ASPO-5 crowd today. Skrebowski's projections, which focus on oil flows instead of reserves, has the world peaking at between 92 and 94 million barrels per day. Unfortunately, he said, "collectively we're still in denial."

It's a tricky job to work up reliable projections, Skrebowski explained. "Decoding IEA statistics is like decoding the Da Vinci code." Complicating the matter is the overwhelming tendency among industry and government officials to propagate optimistic scenarios. "We've deceived ourselves, albeit with good intentions, but with disastrous results." The key he said is to examine what oil producers "are doing, not what the chairmen and CEOs are saying."

Skrebowski said the idea of peak oil is straightforward: "It's real, it's imminent and it's going to be unpleasant." Known for his detailed "Megaprojects" report that looks at new oil fields coming on line, Skrebowski emphasized the importance of focusing on oil "flows" rather than underground stocks or reserves. "If you go down to fill up your car and were told to come back six hours later--or a month later--you get a sense for the problem. Reserves are only important when we can turn them into flows. Otherwise they are just an academic concept. The fact that huge amounts can be produced over time doesn't mean it can meet the flow needs today."

Skrebowski joins a growing group that sees the peak occurring earlier than later. "It can't be far off," he said. And the consequences couldn't be more profound. "We've built an entire society around oil. Everything depends on cheap and plentiful oil. We will have to change everything we do."

The massive jump of oil prices since 2002 corroborates the emerging reality of tightening supplies, Skrebowski said. "What is the price telling us? Desperately it's saying 'send us more oil.' That's what economics does."

But new supplies aren't coming forth, he said. Nor is demand being appreciatively destroyed. "Neither is working. New supplies are not coming on line and demand is not falling, with the exception of the third world, which is getting priced out of the market. It just hasn't hit us yet."

Ultimately, though, demand destruction will hit the industrial economies because hopes for boosting production are long gone. "We're not finding it fast enough, the fields are old and weary, we've fired too many people in the industry, and costs are going through the roof," he said.

Skrebowski's comprehensive model balances incremental new oil flows with shrinking production for existing fields. Net increases seem possible for a few more years, he said, but by 2010-2011, declines will start outweighing gains—and that's when the world will hit the peak. He dismisses optimistic projections from organizations such as Cambridge Energy Associates (CERA) as "utter tosh."

Skrebowski says that mitigation efforts won't affect the peak date by much—a few months or a year at the most. Oil-producing countries, for example, could decide to divert more supplies to domestic consumption, tightening the price noose on industrialized nations. "It's an exquisite form of torturing us." And the result could lead to an interesting sight: "SUVs on the streets of Mexico and Smart Cars in Houston."

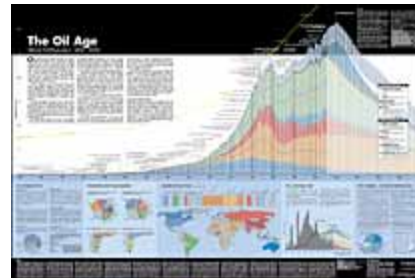
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