

# Past the peak

**If oil's running out, it's sure to mean higher prices and economic woe. But just what will it mean for investment in renewables?**

By **Ben Hargreaves**

**O**il lubricated the 20th century. The massive advances in technology that characterised the last 100 years and the economic prosperity that we enjoy in the West are dependent upon it. But oil is a finite resource, and some believe we have already pumped more out than remains in the ground.

Dr Colin Campbell is an expert in "peak oil" theory, which aims to determine the time when the maximum rate of global extraction of oil is reached, after which it must enter terminal decline. He believes that such a point was reached in 2008, based on an estimate of remaining reserves of conventional and non-conventional, expensive-to-exploit sources of oil such as tar sands. The consequences herald massive, stressful change for a world dependent on fossil fuels, he argues.

Not everyone welcomes Campbell's theories. The *Wall Street Journal* described him as a "doomsayer" six years ago.

Quibbling about the exact date of peak oil production is irrelevant, says Campbell. The point is that we have either just passed the peak or are on the verge of it – and there are vested interests, member nations of Opec and fossil-fuel giants, that don't want that message to leak out.

"Arguing about the date of peak misses the point, when what matters is the vision of the long decline on the other side of it," says Campbell. His best initial estimates suggested that global oil supply would peak in 2005. After that the shortfall was made up by expensive sources of oil such as deepwater drilling and tar sands.



**Sunset industry? If output really has peaked, oil producers would rather you didn't know about it**

This sowed the seeds of the global financial crisis and recession, Campbell suggests. Oil traders, spotting a trend of constricted supply, higher production costs and increased demand, bet on oil prices going up, which they did, spiking from the beginning of 2007 before reaching a peak of almost \$150 a barrel in mid-2008.

Oil-producing nations were flooded with petrodollars as prices rose, says Campbell. The surplus of cash found its way into the global banking system – where it was invested in risky bets such as sub-prime mortgages in the US in that now-notorious era of "boom and no bust". "This surge in oil prices triggered the recession, the demand for oil fell, traders spotted the limit and started selling short [betting on the price going down]," says Campbell. "Prices fell back to 2005 levels before edging up to around \$80 a barrel today."

Campbell believes that, as peak oil has been reached, production will now decline by 1-2% each year. He used to think that this constraint on supply would put sustained upward pressure on the oil price, but now believes that prices reaching \$100 a barrel inevitably will trigger economic slowdown. "This is just a fundamental turning point in history of unbelievable magnitude," Campbell claims.

What is required, he believes, is a change in governmental policies on oil globally and transparent reporting of reserves by oil-producing nations and companies. Historically, he says, Opec nations have exaggerated reserves to boost their quotas while oil companies in the West have under-reported and subsequently upwardly revised estimates of reserves to give the impression to investors of steady, year-on-year growth.

One of the ironies about advances in technology is that, the better the technology, the quicker the depletion of the oil on which that technology depends, says Campbell. Whether a wider awareness of this depletion could lead to greater investment in renewable energy – instead of being driven by environmental concerns – is a moot point. Campbell suggests that there are organisations better placed to do that than oil companies. "The last thing we need is for BP to turn its hand to renewable energy. It hasn't got the ethic or mindset.

"Chairmen of oil companies should now say: 'Gentlemen, I want to thank you for your support over the last 100 years. We've been very successful, we'll continue to be profitable – but we're in decline, and in 20 years we are going to close our doors.'"

## Climate change could be made worse

Dr Stuart Parkinson, director of Scientists for Global Responsibility, says peak oil theory is an issue that "very much concerns" his organisation. He notes that the peak drives up production from sources of oil such as tar sands.

"The peak leads the oil industry to exploit more 'hard to reach' oil, exacerbating climate change – as much as it will lead to a switch to renewable energy or improved energy

efficiency," says Parkinson.

"To ensure funding goes into cleaner technologies, we need a clear, reliable carbon price, through a robust carbon trading system or internationally agreed taxation. We also need greater investment in renewables R&D. These aren't happening to anything like the extent needed.

"There is a real risk that peak oil will make climate change worse."