



Richard Heinberg (via the ABC): "Nothing governments can do about rising oil prices"

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For those who didn't see it last night, Tony Jones [interviewed Richard Heinberg](#) about peak oil on the ABC's "Lateline" program.

Video - [RealPlayer](#) and [Windows Media](#).

TONY JONES: Now to tonight's interview with Richard Heinberg. He's one of the world's leading experts on the phenomenon of peak oil. That's the point at which the world's oil reserves go into decline. The idea is that having reached its peak it's all downhill from there and there's evidence that global rates of oil discovery have been declining since the 1960s, and that new oilfields are becoming more and more inaccessible.

So as demand increases and supply decreases the price of oil goes up and up and up, as we've painfully experienced in recent years. No one really knows when we'll reach peak oil. It may have already happened, it may take another three decades. Why has the price of oil gone up so fast and so high in recent years? How much higher could it go and can anything be done to reverse this relentless process?

Richard Heinberg has written a series of books on the oil crisis including 'The Party's over', 'Power Down' and his latest 'The Oil Depletion Protocol'. I spoke to him a short time ago in Santa Rosa, California.

Richard Heinberg, thanks for joining us.

RICHARD HEINBERG, oil expert and author: My pleasure.

TONY JONES: Now let's start with the recent oil price predictions. Goldman Sachs is saying within two years oil could reach US \$200 a barrel. Other analysts have a different view and say it could go down back to \$40 a barrel. Where do you sit on this? What do you think is going to happen?

RICHARD HEINBERG: I think the price could lose some ground temporarily but over the long term there's nowhere for oil prices to go but up. And we could, in fact, see prices considerably above \$200 a barrel within the next two or three years.

TONY JONES: What does this mean for governments like Australia? We're just about to have our Budget released in this country. The Federal, the new Labor Government

came to power promising to try and do something about rising food prices in supermarkets and rising oil prices. It sounds like their hands are going to be tied for the foreseeable future?

RICHARD HEINBERG: Yes, I think that's true. I don't think there's anything that the Australian Government can do or the US Government can do about rising oil and food prices and by the way, these two things are connected. The rising oil prices create increased costs for farmers. Also the cost of shipping, food and just about everything else is increasing, so these high prices are going to have knock on effects through the economy. The airline industry is going to be hard hit and again, there's very little that governments can do other than to start planning for high oil prices. We should be redesigning our economies to operate with less oil. Fundamentally that's the only sane policy response. We can't just hope somehow for oil prices to come back down to \$40 a barrel. It's not going to happen. ...

TONY JONES: Do we know the truth, though? The global oil industry has consistently revised oil reserves upwards over a period of time. It is estimated there's more than a trillion barrels left underground just from known reserves at the moment which would last for a considerable amount of time obviously?

RICHARD HEINBERG: Well, yes. If we could use those reserves at any arbitrary rate, the problem is oil is getting harder and hard to get out of the ground. We've used the cheap, easy stuff. We've used the oil we could get from Texas and Oklahoma and even the North Sea and now what we're finding are oilfields in ultra deep water and places that are extremely difficult to access from a technical standpoint. We're also starting to get more from places like the Canadian tar sands where there's an enormous amount of resource in place, but it's not liquid oil. It's the stuff that has to be converted into synthetic fuel using enormous amounts of water and natural gas. Very resource intensive and environmentally ruinous process. So the easy glory days of the oil industry are over and just about everybody in the industry would agree with that statement.

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TONY JONES: I suppose that is the key question. If they were hiding behind the notion of peak oil that notion is terribly unclear, because we may have already passed the peak oil point or, in fact, we may not pass it I think you acknowledge yourself for another three decades which puts a completely different time scale on the whole event?

RICHARD HEINBERG: There are a few holdout analysts who are saying we may not see global oil production peak for two or three decades, but they're substantially in the minority these days and becoming ever more so. I think that the evidence is lining up very strongly in favour of a notion of a near term global oil production peak. For the last two years oil declines have led oil advances, I think a pretty good argument can be made that we're there right now.

TONY JONES: So in the meantime, how much pressure is there going to be to open up brand new areas for exploration, parts of the Arctic which haven't been drilled and even the Antarctic which currently where oil drilling and exploration are forbidden because it's considered to be a world park at the moment?

RICHARD HEINBERG: There is tremendous competition to gain access to these areas. Russia, Canada and some other nations are laying claim to areas of the Arctic to be able to drill there in the future. This is not very prospective area. In other words, from a geological standpoint it's very unlikely we'll find substantial amounts of recoverable oil in the Arctic, and I think it's a sign of the desperation of the industry that there's so much excitement about going into a place that will have unprecedented challenges from a

technical standpoint just in operating there. We don't have the equipment that can operate in the Arctic. It's going to be decades before oil can be commercially produced there and yet, we see this enormous competition for access to the place. I think it's, as I said, a sign of desperation.

TONY JONES: At what point in the price cycle does it become economic to convert coal into synthetic fuel, gas into liquids, for example?

RICHARD HEINBERG: Well, the technology for turning either coal or natural gas into liquid fuels is already in place. South Africa has been turning coal into liquid fuel for many years. A company called Sassa operates in South Africa and produces 150,000 barrels a day. That's only a small part of South Africa's oil consumption. They use about 450,000 barrels a day. Even in the one country using this technology they're not getting even a majority of their oil from it. So it's going to take an enormous amount of investment to build coal to liquids plants. These are very expensive facilities to build. We're taking a low grade hydro carbon, namely coal, we're putting it through an intensive process that costs about 40 per cent of the energy in the coal to produce a expensive synthetic fuel. Again, it can be done. I think probably the US Department of Defence is going to go in the direction of coal to liquids but frankly I think it's unlikely we'll see a very large scale implementation of this technology, just because it is so expensive and it's so inefficient from an energy standpoint.

TONY JONES: Then you have the incoming problems obviously of the economic viability of doing that once you add into it the global warming costs?

RICHARD HEINBERG: Well, of course, yes. We're talking about again an environmentally ruinous practice. The Sassa plant in South Africa can be seen from space. It's the greatest single point source of pollution on the entire African continent and that's just 150,000 barrels a day and the world is using 85 million barrels a day of liquid fuel. If we were to try to replace any substantial portion of that with coal to liquids we would be looking at a climate doomsday scenario. ...



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