

# The Energy Blog

The Energy Revolution has begun and will change your lifestyle

## WELCOME TO THE ENERGY BLOG

The Energy Blog is where all topics relating to The Energy Revolution are presented. Increasingly, expensive oil, coal and global warming are causing an energy revolution by requiring fossil fuels to be supplemented by alternative energy sources and by requiring changes in lifestyle. Please contact me with your comments and questions. Further information about me can be found [HERE](#).

Jim

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Thin Film Solar - First Solar

The Return of The Energy Blog

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Worlds Largest, \$1.8 Billion, 500 MW, Wind Farm to be Built off the Coast of UK

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February 05, 2008

## Oil Shortages Start in 2010; Peak Oil Hits 2012-2015

[EnergyTechStocks.com](#) had a very interesting post on peak oil based on an interview with Charles T. Maxwell.

Maxwell spent 40 years on Wall Street, plus 12 years before that working for a major oil company, a lifetime of experience. Now a senior energy analyst at [Weeden & Co.](#), Maxwell is known as the "dean of energy analysts." Princeton and Oxford-educated Maxwell has laid out in stark, uncomplicated terms what might be called the "Nightmare on Main Street."

Some key points from the first of four posts in [EnergyTechStock.Com](#):

- There is only about 1.2% more oil available each year, not enough to keep up with 1.5% annual demand growth.
- Between now and 2010, this supply shortfall will be made up through a drawdown in inventories, helped out by a slowdown in demand in 2008 and 2009 due to a recession or near-recession in the U.S.
- In 2010, the shortfall will become greater than can be made up by what's still in inventory, thus beginning a period of global oil scarcity that will lead to a "peak" in conventional oil production in 2012 or 2013.
- It gets even worse in 2015, which is when he expects a peak in the production of all liquids, a category that includes condensates, tar sands oil and biodiesel.
- By 2025, "We can create some answers." He explained that both plug-in electric vehicles and cellulosic biofuel are "wonderful ideas"; however, given that it takes 10 to 15 years or longer to turn over the world's vehicular fleet, such technological breakthroughs won't happen quickly enough to prevent the nightmare from happening.

In [part 2](#) he forecasts \$12 to \$15 dollars a gallon gasoline "in a few years" with oil at \$180 a barrel in 2015 and \$300 a barrel in 2020.

**Not too far from what I expect, based on a "virtual" consensus that I have created in my mind. I don't have any idea whether his price forecasts are anywhere near reality, as few will stick there neck out that far on prices. I know the long term trend is up and any short term decreases are just a blip in the trend.**

February 05, 2008 at 04:26 AM in [Peak Oil](#) | [Permalink](#)

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[Alternative Energy in the 21st Century](#)

[Alternative Energy Info.](#)

[Alternative Energy News Source -- Alteneews.com](#)

[Alternative Energy Today](#)

[Alternative Energy - Renewable Energy](#)

[B100 Fuel, living on BioDiesel](#)

[BioConversion Blog](#)

[Bioenergy pact between Europe and Africa](#)

Cheap Abercrombie and Fitch on Plans for Coal-to-Liquids Facility Announced

Blu Electric Cigarettes on FYI: Smith Electric Vehicles Orders Drive Components for 4,000 Vehicles

small business search engine optimisation on About IGCC Power Plants

Mel on DuPont To Enter Thin Film Amorphous Silicon Market

cleaning services on Lithium Ion Powered Car Has Range of 230 Miles

μεταχειρισμενα αυτοκινητα on More Hype on the Volt

CATEGORIES

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- Biogas
- Biooil
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- Butanol
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Peak Oil Hits 2012-2015:

Comments



Plug-in hybrids, here we come!

I wonder what the scenario is for natural gas prices?

If they track that would make nuclear energy cheaper than anything except coal, and pressure would be likely on coal prices too as it would be in demand.

Posted by: DaveMart | February 05, 2008 at 07:29 AM



If you take this seriously, then life in the suburbs in America and Australia is going to be very difficult, much more so than in Europe where most people can manage pretty well without a car.

I would sell now and buy a place nearer the city centre if I lived in suburbia, preferably one that I could sub-divide into flats and show a good profit on.

Accommodation will get smaller in the States, perhaps falling to near European levels.

Suburban house prices will plummet.

Posted by: DaveMart | February 05, 2008 at 08:14 AM



This timescale seems consistent with what a number of others are saying as well.

I have heard a number of people say that as bad as the situation is with oil, with natural gas it is worse. I wouldn't view natural gas powered vehicles as any sort of panacea at all.

Other than that it is hard to predict much about the future. The less fuel you use for your daily life, the easier it will be to weather these changes, but I should also point out that food prices are closely tied to fuel prices for a variety of reasons.

Posted by: eric | February 05, 2008 at 08:28 AM



You would think that the 'oil barons' would realise the oil time is almost over and start properly investing in the the future of renewables!

Posted by: Nick | February 05, 2008 at 09:06 AM



Here is an analysis of natural gas supplies and prices: <http://europe.theoil Drum.com/node/3584#more>

For some weird reason the majors are predicting falling prices, whilst not investing in bringing more capacity online.

EnergyHack | Alternative Energy News, DIY & Green Information

GAVE (Dutch) biouels website

Heliotropic

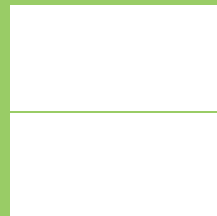
LOCE Wind and Wave Energy Weblog

Monkeysign

Solar Panel World

The Energy Crystal Ball

Wind Energy News



AdChoices

Australian Stock Report

Our Team will show you which Shares to Buy & Sell Everyday - Free Trial

[AustralianStockReport...](#)

BATTERIES / HYBRID VEHICLES

CalCars

Green Car Congress

Mixed Power.com

BIOMASS ENERGY

Biodiesel

Bioenergy pact between Europe and Africa

Chicago Board of Trade Ethanol Futures

DOE Biomass Program

DOE Biomass Publications

Ethanol from Cellulose: Too Good To Be True?

Lave, NCEP forum, 6/13/2003 Could the U.S. Produce Sufficient Ethanol from Energy Crops to Fuel its Light Duty Vehicle Fleet?

Nouriel Roubini's Oil Crisis

Oilgae

Perlack, Robert D., ORNL, April, 2005 "Biomass as Feedstock for a Bioenergy and Bioproducts Industry: The Technical Feasibility of a Billion-Ton ammia; Supply"

Production and Properties of Biodiesels

Renewable Fuels Association

Natural Gas

News

Nuclear

Ocean Power

Oil

Overview

Peak Oil

Plug-in Hybrids

Recycling

Shale Oil

Solar-BIPV

Solar-Concentrating PV

Solar-General

Solar-PV

Solar-Thermal

Solar-thin-film

Statistics

Sustainable Buildings

Vehicles

Wind Power

ARCHIVES

December 2008

November 2008

May 2008

April 2008

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AFTER GUTENBERG

Attempt to appeal light bulb energy efficiency fails

Recycled Structural Composite Railroad Ties

Further Assault by the Pollutocracy upon the EPA

Heat Waves Destroy Crop Harvests

Just an Oil Spill into the Yellowstone River

Phoenix Dust Storm

Foundations for More Fascist Financing

T. Boone Terrorism

Studying the Early Anthropocene

More Effort to Deny Human Caused Climate Change

CLEAN BREAK

Library Journal review of Mad Like Tesla: "This book's strong appeal should transcend all borders"

New U.S. rules, industrial retrofit programs could do much to improve Ontario air quality come 2014

Fracking pioneer Chesapeake Energy invests in former solar gasification biofuels startup Sundrop Fuels

That is beside concerns that natural gas may be peaking anyway, and that future gas supplies will be more difficult and expensive to find and produce.

Posted by: DaveMart | February 05, 2008 at 09:08 AM



Hmmm...I think people who think plug-ins are the answer (DaveMart) have no concept of the scale of the problem we're facing.

Much more radical changes are needed i.e. mass transit.

Given that post-peak we'll lose the equivalent of Saudi Arabia's production within ten years (c.f. Campbell), there is no way individual cars will be able to be produced, never mind operated. The economy will be in shambles (mass unemployment, etc.).

The day of the individual driver is numbered except for the rich, in my view.

Posted by: aangel | February 05, 2008 at 09:26 AM



Mass transit faces similar problems of scale. And it is point-to-point mobility, meaning it cannot fully substitute individual transport anyway.

We'll need both mass-transit and PHEV, and much more if the doomsayers are even remotely correct.

Posted by: Cyril R. | February 05, 2008 at 09:32 AM



The oil barons in are in an interesting spot. Admitting peak oil is a huge paradigm shift, and many were in denial for years. Slowly people are starting to come around though, but they are still getting their heads wrapped around it, and they don't have any obvious answers.

Secondly, the experience in the 1970s was that higher prices inevitably leads to a decrease in demand and a crash in oil prices, and the oil companies lost bundles when this happened. So I think their nature is to be fairly conservative regarding changes in their industry.

Posted by: eric | February 05, 2008 at 09:41 AM



If the doomsayers are correct, then we will all need bicycles, vegetable gardens, and root cellars.

Posted by: eric | February 05, 2008 at 09:43 AM

These predictions are much too precise for me. I suspect that oil supply versus time curve will be a pretty lumpy one, as new

The Big Biofuels Blog

COAL POWER

DOE, 10/21/04 Southern Company, FL Clean Coal Project

DOE, 10/26/04, Mesaba Energy Project, MN

DOE, 12/14/04, FutureGen - Tomorrow's Pollution-Free Power Plant

International Energy Outlook 2004 - Coal

ENERGY INVESTMENT SITES

AEI altenergyinvestor

Alternative Energy Stocks: The Investor Resource for Alternative Energy Stocks

Clean Edge - The Clean-Tech Market Authority

Cleantech blog

Cleantech Investing

EE/RE Investing

Energy Stocks on SeekingAlpha

FinancialNirvana.com - Energy

GoG2G; Converting Green to Green

Inside Greentech | Greentech/cleantech technology and business news

InvestorIdeas.com

Maria Energia

Renewable Energy Stocks

RenewableEnergyStocks.com

Stockerblog - The Stock Market Blog

ENERGY NEWS BLOGS

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Energy Bulletin

Energy Information Administration (EIA) Portal

EyeForEnergy

Flannery's Green Guide

Free Energy News

Fuel Cell Today

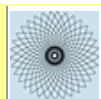
Fuel Cell Works/News

FuelCellonline.com

Ocean Renewable

ODAC - Oil Depletion Analysis Centre

Oil & Energy News



Pembina, Suzuki Foundation urge a slowdown on natural gas development, particularly shale gas

LoyaltyOne tries to influence positive "green" choices by dangling Air Miles in front of consumers — and it works

How big can wind turbines get? New technologies will be needed to get to 10 MW, and possibly beyond

The incentives are there, the signals have been sent: Where are the Ontario manufacturers of plug-in vehicles and technologies?

University of Western researchers quadruple algae growth using low-level magnetic fields. A solution for biofuels?

Toronto's AutoShare adds six plug-in vehicles to its local car-sharing fleet

Great post-debate TV debate between Tom Rand and Bjorn Lomborg

### THE OIL DRUM

Tech Talk - natural gas pipelines and regulation

TheOilDrum.com Archive 2005-2010

Drumbeat: July 18, 2011

The Link Between Peak Oil and Peak Debt - Part 2

The Link Between Peak Oil and Peak Debt - Part 1

Countdown to \$100 oil - a date with history?

Tech Talk - the development of a natural gas market and the GGFRP

Uranium Supply Update

An alternative version for three of the "key graphs" in IEA's 2010 World Energy Outlook

Peak Coal and China

### ... SYNDICATION ...



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discoveries come online, and old ones come off. Otherwise the timing is similar to what others are saying. Hopefully the transition will be fairly long, so that the needed infrastructure changes have a chance to take place. I don't belong to the doom of civilization crowd, but frustration, blame and politics can make for a volatile combination.

Posted by: bigTom | February 05, 2008 at 09:55 AM



Andre said:  
'Hmmm...I think people who think plug-ins are the answer (DaveMart) have no concept of the scale of the problem we're facing.'

I don't recall saying that they would provide such an effective and timely solution that they would provide for a painless transition in the near term.

It would however remove any idea that plug-ins were too expensive compared to ICC.

I do think that they would help a lot, and I find your predictions of total collapse not necessarily true.

Here in the UK most people could manage without a car, although not very conveniently, and there would be no real problem in ramping up public transport.

That is probably true in many regions of the world, and it is America and Australia that are the outliers in that respect.

Here in the UK it is natural gas prices which are of even greater concern, as it provides much of our heating and electric.

I provide some indication of what measures should be taken here: <http://energy-futures.blogspot.com/2008/02/conservationour-best-route-to-reduce.html>

this is largely based on German ideas and practises.

Nuclear power plants would also presumably be expedited, so any long-term concern for our ability to produce enough energy appears to me unfounded.

But getting to the long term won't be easy.

Posted by: DaveMart | February 05, 2008 at 10:15 AM



Is the 10-15 years for vehicle turn over based on past experience or an estimate of how long it would take given everyone is desperate to obtain an EV/PHEV? It would seem to me that these two approaches would give two quite different answers.

Posted by: Marcus | February 05, 2008 at 11:03 AM



The only thing I don't see is how a 100% increase in the price of crude (\$90 to \$180 per barrel) translates into a 400% to 500%

Oil Crunch

Peak Oil News

Peak Oil news & message boards

Peak Oil News and Information

Post Carbon Institute

Post Petroleum Clearinghouse

Power Engineering and PEI magazines

pvresources.com

reFOCUS

Renewable Energy

Renewable Energy Access

World Solar Energy News Center

Wyoming Gasification & Synfuels Company

### ENERGY STATISTICS

Total U.S. Weekly Refinery Inputs, Utilization & Production

EIA - International Energy Data and Analysis-index page

EIA - Short-Term Energy Outlook

Energy Information Administration (EIA) - Annual Energy Outlook with Projections to 2030

Energy Information Administration (EIA) - International Energy Outlook-index page

Energy Information Administration (EIA) - Monthly Energy Review (pdf)

This Week In Petroleum

U.S. Oxygenate Production

U.S. Stocks of Crude Oil and Petroleum Products

World Crude Oil Production, 1960-2005

World Oil Supply, 1997-Present

### FUEL CELLS

Ballard Power Systems

DOE Fuel Cell program home Page

DOE, Molten Carbonate Fuel Cell Technology

DOE, Phosphoric Acid Fuel Cell Technology

DOE, Solid Oxide Fuel Cell Technology

Energy and Environmental Building Association

Fuel Cell Today

The Hydrogen Economy

### GEOTHERMAL SITES

IGA International Geothermal Association

Geothermal Energy Association

Atlantic Geothermal (blog)

### GOVERNMENT LINKS

IEA Energy statistics

Natural Gas Weekly Update

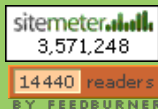
This Week In Petroleum



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increase in the price of gasoline (\$3 to \$12-\$15 per gallon).

Even with crude at \$300 per barrel, gas should still be under \$10 per gallon to maintain the same profit margins, in fact I don't see the cost of refining increasing at the same levels (or will refinery worker salaries be increased by 400% also?), so profits would be much bigger in proportion as well as in total.

Or is he projecting much larger taxes on gas at the pump?

Posted by: Buddy Ebsen | February 05, 2008 at 11:07 AM



"For some weird reason the majors are predicting falling prices, whilst not investing in bringing more capacity online."

LNG will bring stranded natural gas to market. New nuke and coal plants will reduce the demand for CCGT.

Posted by: Kit P | February 05, 2008 at 11:28 AM



For the inconsistency in price increases between crude and at-the-pump gasoline, look at the record profits of the oil companies. The \$40 billion profit of Exxon is a record for any US company to date, and the other oil majors aren't far behind.

But there is something that smells bad on this peak oil scenario. Huge new oil finds have been reported in Venezuela, Brazil and other areas. Canada and Alaska are full of oil shale. The Russians are finding oil in super deep boreholes, and previously exhausted fields are FILLING UP again.

There is no scientific evidence that oil is a finite resource or that it is made of decaying organic matter. Indications are instead that methane is extremely abundant.

<http://www.spiegel.de/international/world/0,1518,523178,00.html>

Also, there is much evidence that oil and gas are being continuously produced in deep geological layers of the earth. One recent article is

[http://wnd.com/news/article.asp?ARTICLE\\_ID=59991](http://wnd.com/news/article.asp?ARTICLE_ID=59991)

And by the way, US oil wells have been systematically and often forcibly closed since the late 1960s, while most of the natural gas is being flared off as if it was a nuisance, or is pumped back into the earth.

Too many inconsistencies in this peak oil scenario not to suspect oil industry self interest, especially looking at the RECORD profits being raked in.

Posted by: Sepp Hasslberger | February 05, 2008 at 11:46 AM



I think that the figure of \$12-15 gallon is arrived at by taking current prices of \$3, and when the oil price per barrel goes up to \$180 just doubling to \$6 gallon, with the figure of \$12 coming in 2020 for oil at \$300/barrel.

I am not familiar enough with US figures to know how much of the

INDUSTRY / NON - PROFIT ASSOCIATIONS

- American Petroleum Institute
  - American Wind Energy Association
  - ASES - The American Solar Energy Society
  - ASPO - The Association for the Study of Peak Oil and Gas
  - ASPO USA
  - BIO | Biotechnology Industry Organization
  - Earth Energy Society of Canada
  - Electricity Storage Association - Energy Storage - power quality, power supply
  - Energy Smart News
  - European Nuclear Society
  - European Solar Thermal Industry Federation
  - EUROSOLAR
  - Fuel Cell Europe
  - Global Wind Energy Council
  - National Association of Manufacturers: Energy Stuff
  - National Biodiesel Board
  - National Hydropower Association
  - National Petrochemical & Refiners Association
  - ODAC-Oil Depletion Analysis Centre
  - OHIO FUEL CELL COALITION
  - Prometheus Institute
  - RFA - Renewable Fuels Association
  - Rocky Mountain Institute
  - SEIA - Solar Energy Industries Association
  - Solar Electric Power Association
  - Solarsphere - Solar Power in Mass Production
  - The International Solar Energy Society (ISES)
  - US Fuel Cell Council
  - World Coal Institute
  - World Energy Efficiency Organization
- NATURAL GAS AND LNG**
- DOE, 12/04, LNG Risks Over Water
- NUCLEAR ENERGY**
- Atomic Insights Blog
  - Energy from Thorium (blog)
  - International Atomic Energy Agency (IAEA)
  - NEI Nuclear Notes (blog)
  - Nuclear Green (blog)
  - Schwartz and Reiss, Wired, 2/05 , Nuclear Now!
  - World Nuclear Association - Energy for Sustainable Development
  - World Nuclear Association, Energy for the World - Why Uranium
  - World Nuclear Association, Nuclear Energy Made Simple

cost of a gallon is due to refining, or the tax.

In Europe though price signals are going to be pretty confused due to high tax rates.

For example, in the UK cost to the motorist is \$8 gallon.

If you assume that all the difference in cost to the US is due to tax, then you have \$5 tax on a gallon.

To raise a constant amount of tax revenue you would just need to add that \$5 to the \$6 actual cost in 2015, plus a bit to allow for the decrease in demand caused by higher prices.

You might come out with \$12 a gallon in the UK when it is \$6 in the US.

This 50% increase when the oil has increased in cost by 100% means that you would not get as large a reduction in use as you would expect, putting further upward pressure on prices.

This would apply to Japan as well, so you have major areas of the world having larger demand than would be expected for the price.

I don't know if the original analysis allows for that, although it may be partly counteracted by countries which distribute oil at below cost being forced to up their prices.

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Posted by: DaveMart | February 05, 2008 at 12:05 PM



@Sepp

Yes, there are plenty of announcements for new discoveries, but let's not forget that these new resources are have some serious caveats.

[1] New sources are more expensive to produce. This is a double-edge sword. If prices are not high enough, there is no point for the major companies to invest into the project.

[2] New wells take a long time before it becomes available, and the crude will not be ALL available at once.

[3] There is already a shortage of experienced labor and equipment to work on the new wells, let alone maintaining the old wells. As Matt Simmons had pointed out, most petro engineers are about to retire in the next 10 years.

[4] These oil-rich nations may NOT be able to increase their exports, as their own internal demand will eat away at the surplus. Such is already the case for Iran.

[5] Countries like Venezuela which has nationalized its oil industry are now actually producing LESS oil, or at least less efficiently. The only reason why Venezuela is rolling in it is because the sharp increase in the price of oil.

The reality of oil production is not as rosey as what the industry like to portray.

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Posted by: Charles S | February 05, 2008 at 12:08 PM

Sepp,

## OVERVIEW

[BP Statistical Review of World Energy 2005](#)

[DOE National Renewable Energy Laboratory \(NREL\) Home Page](#)

[Energy Information Administration \(EIA\) Index to Energy Information](#)

[International Energy Outlook 2005](#)

[International Energy Outlook Products](#)

[National Commission on Energy Policy](#)

[USGS World Petroleum Assessment 2000](#)

[World Oil Outlook 2005 - Global output struggles to meet demand](#)

[World Population to 2300](#)

## PEAK OIL BLOGS

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[Peak Oil Debunked](#)

[Surviving Peak OIL](#)

[The Oil Drum](#)

[Vital Trivia](#)

[Wikipedia: Hubbert Peak](#)

## PEAK OIL

[Beyond Peak Oil](#)

[Campbell, 2002 "Oil Depletion - Updated through 2001"](#)

[Campbell, 7/2002, "Forecasting Global Oil Supply 2000-2050"](#)

[Hatfield, 1997, "Has the World entered a Permanent Oil Crisis?"](#)

[Hirsch, SAIC, 3/7/05, World Oil Production: Impact, Mitigation & Risk Management](#)

[Hood, EIA/DOE, 8/18/04 Long-Term World Oil Supply Scenarios](#)

[Kovarik, 2003, "The Oil Reserve Fallacy"](#)

[Laherrere, 3/22/05, Fossil fuels future production](#)

[McKillop, 10/10/04, Andrew McKillop: Energy transition and final energy crisis](#)

[Oil & Liquids Capacity to Outstrip Demand Until At Least 2010: New CERA Report](#)

[Oil Crises, 11/16/04 "New Oil Projects Cannot Meet World Needs This Decade"](#)

[Peak Oil Debunked](#)

[Peak Oil News](#)

[PFC Energy's Global Crude Oil](#)

[Proceedings of The First U.S. Conference on Peak Oil and Community Solutions, 10/12-10/14/05](#)

[Simmons, 2/8/05, The Status of Future Energy Sources](#)

[Stelzer, Standarad Press, 10/5/04, "The World at \\$50 per Barrel"](#)

## SOLAR ENERGY

[Aitken, Int'l Solar Energy Society, 11/21/04, Transitioning to a](#)



I think you are being a bit optimistic.

Huge new finds have indeed been made, but current fields are depleting at around 4.5% per annum, so you have to find a vast amount of oil just to stand still.

There are massive amount so methane hydrates, but it is not clear whether we will be able to exploit them as it is not clear how thick the individual layers are, so you might have to shift too much material for it to be useful.

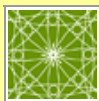
Japan is going to start experiments soon on extracting methane, so we will know more in a few years, but even if it is successful would still take many years to ramp up.

As for oil being non-biological, it is a definite maybe, but again the implications are not clear, as it might only pool under certain conditions, the ones in current oil fields.

It is probably worth drilling a few bores to find out, but don't bet your house on it.

The situation should ease somewhat by around 2025 anyway as new technologies come on stream, but I don't find anything persuasive in what you say to show that getting there will be any easier.

Posted by: DaveMart | February 05, 2008 at 12:15 PM



The predictions don't make sense to me. Look at what happened to prices after Jimmy Carter's conservation measures went into effect - rise in price, the reduction in demand kicked in, then a crash in price.

In the short term, prices go up rapidly because there is no alternative. In the long term, alternate fuel sources or less consuming vehicles come into play. I saw no analysis of these factors-- just the ever increasing demand and decreasing supply.

Posted by: technofossil | February 05, 2008 at 12:35 PM



technofossil, essentially the analyst has bought into the idea of Peak Oil, which says that although more oil finds will be made in future, it is getting tougher as we have already developed the biggest fields, or most of them, so future supply will not keep up as there is less oil per capita to go around.

You can also improve extraction rates, but at some stage you will still have declining resources.

The analysis also allows for things like coal to oil technology and eventually cellulosic biofuel, but doing all the substitution is not easy and takes time.

My own preferred option of nuclear energy and plug-in hybrids would take time to implement, and so would all alternatives.

The situation in the 70's was different, with increased supplies available from many countries, although it should be noted that in the US oil production had already peaked and never recovered in

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[CalCars \(news blog\)](#)

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[Hybrid Cars and Vehicles - MixedPower.com \(blog\)](#)

[Hybrid Cars Blog](#)

[Hybrid Center: Hybrid Cars, Trucks, and Suvs](#)

[Hybridblog.org \(blog\)](#)

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spite of the strong price signal.

The same thing applies today, for instance to the UK, where North sea oil has peaked and is not going to go up again, although it might decline a bit slower with higher prices.

The argument is that the same thing has now happened to the whole world, or will do according to this analysis, and that includes non-conventional fuels, IOW he has already taken technological progress into account in his assessment.

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Posted by: [DaveMart](#) | February 05, 2008 at 01:12 PM



"In the long term, alternate fuel sources or less consuming vehicles come into play."

That is certainly a possibility, but today's prices have already factored in such things.

Sales of fuel-efficient vehicles is more like a lag-indicator. Even after high gas prices today, sales of fuel-efficient vehicles have only gone up a few percent. Things will have to be a lot worse before we really can count on the turnover all the old fleet to newer efficiency-standard, probably that 10-15 years mentioned.

US actually consumed less petroleum liquids in 2007, but overall liquid demand is still up from previous years. The delta was made up by alt. fuels. There is a finite amount that alt fuel can replace, and again, alt fuels will not be profitable if gas prices do not remain high.

Looking at the big (global) picture, fuel that used to go to poor nations have been diverted to wealthier regions, thus there is already an involuntary rationing somewhere in the world. As economies around the globe continue to grow, the new middle-class will likely gobble up any surplus from either conservation or efficiency.

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Posted by: [Charles S](#) | February 05, 2008 at 01:40 PM



Heh - peak oil was supposed to start in 2006 - what happened? Where are the mea culpas?

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Posted by: [JDT](#) | February 05, 2008 at 03:30 PM



Kit P, what sector of power generation are you in?

I am also in this business.

JDT

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Posted by: [JDT](#) | February 05, 2008 at 03:35 PM



JDT said:

'Heh - peak oil was supposed to start in 2006 - what happened? Where are the mea culpas?'

[earthfamilyalpha](#)

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[Future Pundit](#)

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[Joel Makower](#)

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#### UNCONVENTIONAL ENERGY

[Barbajosa, China Daily, 2/21/05, Shell, Exxon Tap 'High Cost' Oil Sands, Gas as Reserves Dwindle](#)

[Snyder, World Oil, 8/04, "Oil shale back in the picture"](#)

#### WIND POWER

[AWEA Wind Power Tutorial](#)

[Milborrow, Windpower Monthly, 1/04 Becoming Respectable in Serious Circles](#)

[NREL National Wind Technology Center](#)

[the Wind Energy Blog](#)

Huh? Output has been pretty flat since 2005 - there is bound to be a little bit of wiggling about.

In any case, supposed to start according to who?

The author of the report we are discussing here does not think peak oil will hit until 2012 for conventional oil, and around 2015 for all liquid fuels including oil from tar sands and everything.

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Posted by: DaveMart | February 05, 2008 at 04:00 PM



I wish people would stop getting so hung up about the words "peak oil." If only we can just keep the debate around the topic of supply and demand, then we can ignore the silly distractions.

If some bother to read the comments, much has already been said about why supply cannot keep up with the demand. All the solutions needed to boost supply range from difficult to expensive to wishful thinking. I will not say that there will never be a dip in fuel prices in the near-term, but as mentioned here, in the long-term, there just isn't any solution out there that can keep up with the problems we're going to face.

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Posted by: Charles S | February 05, 2008 at 05:22 PM



If gasoline is \$12/gallon, then a car might burn \$10K of gas per year. No one would wait 10-15 years to replace such a car if they could at all afford to do so.

There would also be an enormous global demand for small turnkey synfuel plants (biomass, refuse, or coal based). The ROI would be tremendous.

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Posted by: Paul F. Dietz | February 05, 2008 at 05:46 PM



Honestly, if it comes to \$12/gal, there will be no such thing an "affordable" automobile.

Just as higher cost for fuel will lead to higher food prices, any alternative fuel vehicle will cost more to make. If the price spike so fast that manufacturers cannot make enough parts (say batteries) for EVs or PHEVs, then the price premium for such will also skyrocket.

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Posted by: Charles S | February 05, 2008 at 06:55 PM



Eric noted "You would think that the 'oil barons' would realise the oil time is almost over and start properly investing in the the future of renewables!"

Well, BP have been very actively investigating, supporting and investing in alternate energy for a very long time now.

The majority (to the best of my 18 month old last checked knowledge) of solar voltaics sold in Oz have for years been manufactured by BP

No involvement here, but lots of respect for their board.

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Posted by: Jen Cluse | February 05, 2008 at 07:57 PM



DaveMart, Australia would be completely self-sufficient if we converted more cars to LPG or CNG. Gas reserves in Australia are huge. LPG conversions are subsidised to the point of being free or close to free here. Most taxis in Australia run on LPG and the only reason more people don't convert is they don't like to lose most of their boot space for the extra tank. Expect that to change fast if oil keeps heading up.

There are also hundreds of years of coal reserves here. Fischer-Tropsch conversion of both gas and coal reserves here could keep things running for a very long time.

Australia also has a third of the world's uranium, a huge sugar industry for ethanol if we need it, enough geothermal energy in just one part of South Australia to power the entire country at current levels for 70 years, constant sunshine, wind and waves and only 21 million people. Somehow, I don't think we'll be the hardest hit!

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Posted by: Tim | February 05, 2008 at 08:15 PM



@Charles S

I think \$12/gal is likely and, indeed, even on the low end. Consider that the energy contained in one barrel of oil is equivalent to the energy expended by a human during 2,000 hours of hard labor. At \$10/hr, that's \$20,000. Now consider the premium that must be placed for having that energy in such a contained space. Oil is truly at bargain prices right now....

There are a lot of replies up on this, and I doubt anyone will even read my post (I skipped about a dozen) but I figured I'd throw this out there:

I live on a golf course in Florida (read on, it's relevant) and we are having work done on our greens. Part of the work involves engineers using ground penetrating radar....

I asked one of the engineers how their tech compared to what is currently deployed in the oil field services industry. He told me it was similar and that ALL THREE OF THEM USED TO WORK FOR SCHLUMBERGER! Needless to say, I was ecstatic.

He went on to tell me that they were under contract by PEMEX in the 80s and 90s and were among the first to work on deep sea oil rigs. They were also all engineers on the Cantarell field. A brief interview:

"The Cantarell field is an excellent example of what has gone on all over the world. Instead of producing the fields in a way that will insure longevity and ultimate recovery, they are pumped to maximize returns given current market conditions. They treat the fields as if they were batteries that can be drawn upon without damage."

How do they get damaged?

"When pressure declines rapidly or a fluid moves across the rock formation rapidly or you have unlike fluids in contact with each other, you can cause fracturing and can compromise the porous nature of the rock. Nobody fully understands how this happens or the degree of damage done, but it is clear from an engineering standpoint that past production practices have not been designed to minimize these risks."

What about secondary recovery techniques

"I was out of the game before they started using Nitrogen injection at Cantarell, so I can't say too much about it. We started to bounce ideas around in the early 90s as we saw pressures decline. Before I left, water injection looked like the best option. I'd guess that they later determined that nitrogen was better suited to the nature of the rock. What I will say about secondary production is that it is usually abused. Executives want to see high flow rates again so engineers deliver them, but it is always at the cost of total recovery."

How screwed are we?

"Very. I read Matt Simmons' book back in 06 and attended many of the SPE conferences that he cited. While I've never worked on a Saudi field, and trust me, no two fields are alike, I think Simmons' analysis that the Saudi fields, particularly Ghawar, were abused and damaged."

Any solutions?

"I'm just an engineer that specializes in imaging. What I can tell you is that a lot of mothballed fields are now economically viable at these prices and that technologies whose economics were laughable just a few years ago are viable today."

Most of that was verbatim. He was a great guy to talk to. One thing bothers me though:

If the oil majors know that this is coming, why aren't they setting up an alternative infrastructure? Why don't they start building and warehousing batteries or H2 tanks? What do they know that we don't know?

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Posted by: GreenPlease | February 05, 2008 at 08:24 PM



Charles S,

Fuel here in Britain is already at around \$8 gallon, and plenty of people run cars.

On average they are a lot smaller than in the States, but there are lots of SUVs too.

I am sure a lot of people will still be driving around here if the oil goes up to \$12 gallon, allowing for the same rate of tax take that would be around \$18 here - Expensive, but an awful lot of people do not have to worry too much when they fill their tanks.

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Posted by: DaveMart | February 05, 2008 at 08:24 PM



Tim, I hadn't known about your gas reserves in Aus.

The rest of the resources you quoted I was familiar with, but I was focused here on difficulties caused by the wide dispersion of the suburbs, and the gas supplies should avoid that.

I am pretty sure that amorphous silicon and solar thermal will be economic at your latitude by around 2015 in any case.

I think I will call Aus 'the lucky country' - I am surprised no-one has thought of that before! ;-)

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Posted by: DaveMart | February 05, 2008 at 08:32 PM



There is an excellent article explaining the idea and numbers behind Peak Oil here:

<http://www.theoilrum.com/node/3586>

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Posted by: DaveMart | February 05, 2008 at 08:34 PM



World crude demand probably hit a peak in 2007. Check out BP annual demand stats. If the trend of the last three years continues, we see flat demand in 2007 vs. 2006.

Production may rise at more than 1 percent a year, as estimated by Maxwell. Liquids production probably more.

The mistake Maxwell makes is in assuming that demand will rise. I don't know why demand will rise at \$90 a barrel, or even \$60 a barrel. Such prices lead to alternative fuels and conservation. Demand fell in the 1980s, following a price spike. Demand did not recover for 10 years.

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Posted by: Benjamin | February 05, 2008 at 08:47 PM



If gas went to \$18/gallon, our auto fleet would turn over in 5 years as the Hummers, SUVs and other low-mileage vehicles would be functionally obsolete. It would cost twice as much in annual gas bills as the lease on a brand new vehicle.

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Posted by: Richard | February 06, 2008 at 10:15 AM



@Benjamin

How can you refute rising demand? BP and Shell in their annual revues (both of which are highly regarded) call for increases in demand? Much of that will come from the third world where people are starting to buy cars.

The production increases you speak of, aren't those coming from relatively small offshore fields and unconventional sources such as tar sands and GTL? While tar sands will continue to expand and will never "peak" in the traditional sense, GTL is tied to natural gas production which peaked in NA long ago.

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Posted by: GreenPlease | February 06, 2008 at 12:49 PM



The noise over new developments, alternative fuels, and possible recovery methods are a slim shim against exponential growth problems.

I remember the discussions about peak oil back in 1985 by my physics and chemistry teachers.

At the average of 7% growth of usage of energy on average, the doubling time is roughly  $72/7$  or about 10 years. It's been 20 plus years now and the model holds true so far with usage and growth. Every ten years or so, the total amount of oil/gas usage is equal to all the years preceding it. That's a ghastly rate of consumption.

Given that's proof of uncontrolled growth the Earth would have to be a complete oil well in 50-70 years. Yes, the entire volume of the Earth would have to be an oil well to supply demand. It's not possible. So it's going to run out sooner than we think.

The majority of the volume of the earth is rock, core, magma, air, and water. It's not oil and gas.

In the interim, costs of claiming the oil would drive prices to record highs and market forces take effect. There may well be false peaks and record profit taking before the final exit of the oil industry.

The oil barons will take their money and run, leaving the problem for the next generation to deal with. All they care for is their current stock holders and golden parachutes for themselves as they retire and exit.

Surely, there will be some oil somewhere that's cheap, or short term cheaper than current supplies. But it's finite, not infinite. It's just noise talking about short term fixes like solar, wind, and conservation.

I see a twisted future where we use the Nevada Test site, that's already polluted will be used to power nuclear reactors. Nobody wants them in their backyard. Antarctica real estate is looking pretty cheap for a good site.

Be it Thorium, Plutonium, Uranium or Fusion we are going to need it to power all the EVs, homes, and industry as we use it today. The waste can be nuclear burned, tossed into long exit orbits, or shipped to the moon for disposal. It our choice to bury it in Yucca flats, or legislate that our electric bills pay for a final solution.

A whole new electric grid will have to be recreated to support that kind of load and demand. There's an opportunity for long haul DC lines and superconductor manufacturing industries.

There are even prototype FLiBe Uranium/Thorium liquid salt reactors that could be installed to replace coal plants from 100-500 MW size and last 30 years. They even breed more fuel from Thorium. The waste is only a 600 year disposal problem, not a 200,000 year one.

We can use a few reactors to scavenge CO<sub>2</sub> and make DME fuel and reduce our CO<sub>2</sub> footprint. Some industrial processes like concrete manufacturing need lots of energy and generate CO<sub>2</sub> whilst making cement. They could use nuclear generated hydrogen cracked from water and make the DME fuel with CO<sub>2</sub> to deliver the concrete. It's all how much investment into the solution people are willing to commit. Small scale 100 MW, 30 year run, low waste disposal reactors are possible for industrial users.

Pick from the pallette of choices, there are plenty out there, costs abound. One thing for sure, the whole Earth is not a globule of oil to be burned.

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Posted by: Argonator | February 06, 2008 at 01:21 PM



I know that a lot of people visiting this blog are gripped by conspiracy theories about evil oil barons. But I can't believe no one has challenged the tired old "big oil" profits by pointing out the difference between a profit and a profit margin. Oil company profit margins are fairly modest by most standards. Is there no longer any basic economic education in this country?

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Posted by: RandalH | February 06, 2008 at 11:50 PM



Nope, not really. They taught supply and demand when I was in high school, and maybe profit, but if they taught about profit vs profit margin in high school, I don't remember it. I think I learned about profit margin in college.

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Posted by: Clee | February 07, 2008 at 04:09 AM



Here are the rest of Maxwell's posts:  
<http://energytechstocks.com/wp/?p=831>  
Oil part 3  
<http://energytechstocks.com/wp/?p=834>  
Oil part 4

So, ultra deep drilling becomes profitable, and Democracy in the US is in trouble whoever wins the election, and the crisis will go on and on.

Not cheery!

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Posted by: DaveMart | February 07, 2008 at 05:21 AM



Society needs to have a process in place whereby ordinary citizens can present their energy efficiency ideas and have them rapidly evaluated and implemented if they are viable. In 1990 my father, an engineer invented an engine that can get over 2 times the MPG of a comparable conventional internal combustion engine. He started with the premise that the contemporary engine was never designed with efficiency in mind. We mailed the patent to engine manufacturers and they never reached decision makers. We would like to make the patent available free from any royalties just for the recognition of the inventor, my father , who died the month after receiving his patent, US Patent No. 5,025,756. I will be glad to email copies to anyone interested.

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Posted by: Rudy Nyc | February 07, 2008 at 09:51 AM



Hi Jim! I'm a new subscriber to your blog, and my wife and I are new Optibike owners, the world's finest electric bicycle. I don't know if you're aware of this vehicle, but it has really changed our driving habits. The owner and designer is also a mechanical engineer. What a thrill it is to get on this thing instead of in my car! For our family, they are "causing an energy revolution by requiring oil to be supplemented by alternative energy sources and by requiring changes in lifestyle". I'd be glad to send you a couple of pics if you like. Take care.

Keith

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Posted by: [thesaxman](#) | February 07, 2008 at 10:19 AM



As the prices arise, many technologies will emerge, in the next 5, 10 and 15 years to mitigate the issue to an lesser degree than this view IMO.

First, I beleive they have not found all the oil, and barely scratched the surface of Alaska and the Artic, Russia and China.

Secondly, retrieval gets more advanced every day - shale Natural gas in the Appalachians for example. Shale oil will be next.

Alternative liquids - They will chip in more and more - from CTL to ethanol to Bio diesel from Algae. Thermal depolymerization of waste like tires and plastics - hospital waste.

Conservation - the 100 mpg car is less than a decade away. Carbon fiber and other materials reducing the weight of vehicles by half are close behind. Better engines and batteries and who knows, 200 mpg by 2020.

Plug in vehicles also shift usage from liquids to the grid - clean coal, nuclear, Thin film solar and offshore wind, Tidal. As soon as oil gets expensive, we will buy a roll of solar film and plug a PHEV into it. Oil is not largely used for grid generation. Economics will shift usage there. Batteries will become better and more economical in the face of oil prices.

Gases - Hydrogen, Natural Gas, and methane from clathrates. Biogas. All have rising futures.

There are plenty of alternatives to oil, and many are available now.

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Posted by: [John Flagge](#) | February 08, 2008 at 11:31 PM



*Argonator wrote: At the average of 7% growth of usage of energy on average, the doubling time is roughly 72/7 or about 10 years.*

The natural log of 2 is 0.6931. Moving the decimal would make that 69.31. Wherefrom did you get 72?

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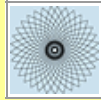
Posted by: [Nucbuddy](#) | February 14, 2008 at 05:55 PM



Eh, financial types like to use the Rule of 72 for estimating. I think they like 72 because it's divisible by so many integers.

[http://en.wikipedia.org/wiki/Rule\\_of\\_72](http://en.wikipedia.org/wiki/Rule_of_72)

Posted by: Clee | February 15, 2008 at 01:13 AM



America needs to stay FOCUSED, AWARE and EDUCATED.

History reminds us that every time oil prices peak and the North American market/consumers start to discuss alternative energy sources, the oil exporting countries start to trim down their prices. History also tells us that the oil exporting nations have been very successful in the past and in fact, we have lost our enthusiasm and dropped many of our alternative energy initiatives after oil prices are reduced.

WE need to stay focused this time.

- 1) Al Gore and his energy initiative is on course.
- 2) T. Boone Pickens and his wind power initiative is on course.
- 3) The BG Automotive Group mass production electric vehicle program is on course along with renewable solar energy charging option.
- 4) Richard Branson from the UK is on course.
- 5) The Gas Reduction Act of 2008 might not be the most environmentally sound solution, but yet it shows that Congress has finally realized that we have an energy crisis (again), and a real threat to our national security.

The continued dependence on foreign oil is a threat to our long term democratic values. We must become an energy independent nation, and with this, some sacrifices will have to be made by the American consumer.

Be aware!!

We are exporting approximately USD \$700 Billion dollars per year of U.S. currency. The majority of this money is being transferred to the Trillion dollar "sovereign wealth funds". This is USD \$700 Billion not being spent on America's educational system, health care and security.

The "sovereign wealth funds" are directly buying major interests (large blocks of stock) in U.S. companies, including most of the major banks. Also, billions of dollars of "sovereign wealth fund" money is being invested in our hedge funds, private equity firms, and the investment banking industry. A few of these firms are directly and indirectly investing large sums of money into our "gas combustion" automobile industry. Do we want our auto industry in the direct or indirect control of the firms that are supplying us oil? This is an interesting topic for an investigative reporter.

There are automotive consulting companies in Michigan (heart of our auto industry), lobbying States and our Federal Government, NOT to subsidize the Electric Vehicle industry. The latter seems to be contradictory to what the American public would like to see from our automobile industry. After the billions (excess of \$20 billion) the automotive companies have lost in the past 6 months producing gas combustion vehicles, you would think they too would change course. Changing course is not adding 2-4 miles per gallon w/Hybrids. Drastic measures in our auto industry must take place and NOW!

Do not let the temporary reduction in oil prices push us off course....AGAIN.

Read, Read, Read- Stay on top of the issues. Let's not be fooled again.

STAY FOCUSED, AWARE and EDUCATED!

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Posted by: BeGreen | July 25, 2008 at 11:39 PM



The U. S. is extremely vulnerable to supply cut-offs. In 1973, Arab states embargoed the sale of oil to the U. S. and other allies of Israel that were supporting Israel in the Yom Kippur war. As supply dropped, this embargo led to dramatic price increases in the U.S. and threatened the economy. While most experts believe that another embargo is unlikely, a supply cut-off could occur in the future as a result of the outbreak of conflict in the Middle East. One of the most frequently cited scenarios is that in a conflict with Iran, Iran may militarily shut down the Strait of Hormuz. Since 30% of the world's oil passes through the strait, closing it down would also likely result in a dramatic increase in oil prices.

The U.S. should use ethanol and methanol as fuel- we can produce it ourselves and it's green

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Posted by: Eco Panda | January 04, 2009 at 05:10 PM



i do not see a shortage in the future. I am not sure why you are saying this.

**Oilfield drilling rigs equipment**

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Posted by: drilling rig | March 23, 2009 at 07:55 PM



Kit P. Actually there is scientific evidence of oil being biological in nature, there are biological markers in crude oil, in fact scientists can tell where oil came from, what field etc, by these biological markers. So far to date, not one drop of so called non biological oil has been found. The theory that oil is not biological in nature was formed by a handful of Russian scientists many many years ago. It is not even widely excepted in Russia and never has been. Old previously closed wells have not refilled with oil, the oil that was unrecoverable at the old prices when they abandoned them and with the technology that existed then can now be extracted with new technology and higher prices.....thats all.

The non biological oil theory is like the flat earth theory, you can only believe it if you ignore or are ignorant of all the scientific facts. All of Russia's oil is being produced using technology is use around the world everywhere, there are ultra deep fields, but they are not non biological. By the way, Russia's oil production has peaked and the first signs of decline are happening now. This would never occur of their fields were refilling as you suggest.

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Posted by: Stu | March 26, 2009 at 07:28 PM



i do not see a shortage at all. i am not sure where you getting this information.




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Posted by: oilfield equipment | April 30, 2009 at 03:11 PM

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