

\$200 Oil Is a Very Real Possibility

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A decade or so ago, sustainable energy was thought more in terms of availability relative to the rate of use.

In today's global economy however, with the constant growing shortage of energy and in light of great demand from the emerging markets, there is clearly growing concern as to how the energy needs are being addressed and what's being done in prolonging energy sustainability prospects. This includes the overconsumption factor, which consequently elevates the risk of resource depletion.

Currently, the subject of resource sustainability ranks the highest on the world agenda and remains directed at a very critical question. How will the developing countries, including the emerging markets of India and China (which alone constitute 40% of humanity and are fast advancing economically), meet their rapidly intensifying energy needs?

The world presently consumes energy at a steady 15 trillion watts, 86.5% of which comes from burning fossil fuels. By 2050, experts expect demand to increase by another 30 trillion watts. For those aware of the real state of our global energy situation - the next logical question would be : Where is this oil going to come from?!

The sad reality is that despite all the spin and hype about oil, limited supplies of oil simply can not keep up with soaring global demand. During fiscal '05, despite the unquestionable fundamentals of the oil market at the time, almost every Wall Street firm projected that oil would cost no more than \$25-\$45 a barrel in three year's time.

According to reports, world oil production may have peaked since 2005. If we accept the reality of peak oil production, what are the implications? Unquestionably, price instability. An instability that we continue to experience as of 2008 in both oil and gas markets. (Peak oil does not mean an abrupt end to oil. It does mean that demand of conventional oil will exceed supplies of conventional crude, thus marking the end to cheap crude.)

The idea that oil reserves will be there forever is a non-realistic notion. It is concept that we should disengage rapidly from and instead accept the reality, that world's wells are at full capacity and at some point will run dry.

A good indication of this theory is that of Saudi engineers injecting close to 7 million barrels of seawater daily into the Gawhar field in Saudi Arabia, which produces over half of Saudi output. This is a fatal sign that the world's largest oil field is nearing a collapse of output. Keep in mind, Saudi Arabia is responsible for approximately one eighth of the world's oil. As Saudi Arabia goes, so goes the world.

What's more, besides the fact that no significant world-scale oil discoveries have been made since the North Sea and Alaska in the 1970s - for the first time ever, Saudi officials admitted to the world's leading industrial powers - that OPEC will not be able to meet Western oil demand in 10 - 15 years.

Additionally, on average, production in the world's oil and gas fields is declining between four and six percent and more significantly, almost all the spare capacity has disappeared.

As energy supplies decline the complexity of human enterprise unavoidably will get effected - and whether we like admitting it or not: \$200 oil barrel, by the end of this decade - is very much a possibility, if not a certainty.