

The Price of Oil: \$500/bbl in 2030?

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For decades, the oil industry has been claiming that there is plenty of oil left in the ground and that the remaining oil will last for a very long time. Recently, however, energy industry experts are starting to believe in the theory of peak oil. Peak oil states that there is not much oil left to be discovered, and that oil will run out within the next hundred years. When that happens, the global economy will have to transition from oil to renewable energy, such as solar, wind, ethanol and hydrogen. Oil not only fuels power plants, which can be replaced by solar and wind, it also powers cars with gasoline, which can be replaced by ethanol and hydrogen.

The mechanism that the economy uses to predict the future of oil discovery is the price of oil. Oil is a traded commodity, and the price of oil reflects future expectations of oil supply and oil demand. The price of oil not only affects oil stocks, it also has a strong impact on renewable energy stocks, because the future of renewable energy is tied to the end of oil. As peak oil happens, the price of oil will shoot up, and investors can take advantage of this to make large profits.

The purpose of this report is to offer data relating to when peak oil will happen. The report will then conclude with a bold prediction of the price of oil in 25 years. The report will argue that, because of tight oil supply and the dynamics of the oil industry, the world may see \$500/bbl oil in 2030.

The United States Geological Survey (USGS), in its World Petroleum Assessment from 2000, lists oil reserves in billion of barrels. According to their data, which is divided between the USA and the rest of the world, the proven oil reserves that are present, and the oil that has not yet been discovered, are:

Oil in Billion Barrels:

Non-US:

Undiscovered conventional oil, 649

Total: 2,659

US:

Undiscovered conventional oil, 83

Total, 362

Worldwide Total: 3,021 billion bbl

Paul Roberts, in his book “The End of Oil,” offers details relating to peak oil. He states that the USGS claims that worldwide there are 1.7 trillion barrels proven reserves, 900 billion barrels of undiscovered oil, and an estimated 1.5 trillion barrels yet to be found. He claims that peak oil will happen in 2030 according to those estimates. A more

conservative estimate, calculated by a peak oil research group, claims that there are only 1 trillion barrels left, including both proven reserves and undiscovered oil. Peak Oil will take place in 2010, according to that estimate.

The Southern States Energy Board Report has published a research report relating to peak oil. In the report, it is claimed that:

If oil peaks in 2010, and nothing is done, \$4.6 trillion GDP will be lost.

If oil peaks in 2020, and nothing is done, \$13 trillion in GDP will be lost.

Oil consumption is: total, 83.6 MM bpd, 30,514 MM barrels per year

World conventional oil proven reserves are: total, are 1,188.5 billion barrels

Forecast of world oil consumption: in 2010, 91.0 MMbpd, in 2020, 103.7 MMbpd

Forecast of world oil prices, in 2010 \$62.65, in 2020 \$85.06

Based on these estimates, peak oil may happen as soon as in 20 years. Assuming global 5% economic growth per year, and taking into account faster growth in China and India, peak oil may happen in 10 years.

The EIA (energy information administration) report International Energy Outlook 2006 also offers interesting data on peak oil. The report claims that:

World oil demand will increase 47% from 2003 to 2030

World oil demand will be:

In 2015 it will be 98 MMbpd (million bbl/day)

In 2030 it will be 118 MMbpd

Oil demand will grow 1.4% per year until 2030

In 2025 oil demand will be 111 MMbpd

In 2030 it will be 118 MMbpd

There are proven oil reserves of 1,293 billion bbl according to "Oil & Gas Journal."

The proven oil reserves, global, are 1,292.5 billion bbl, and the total oil including proven reserves, reserve growth, and undiscovered oil, global, is 2,961.6.

The report also claims that the possible high oil price is \$96/bbl in 2030.

Based on these estimates, a safe guess would be that peak oil will happen in 2030, and the price of oil will be over \$100/bbl in 2030. However, Altenews is willing to make a more daring guess. Taking into account inflation and the profit margins of the Big Oil companies, as well as peak oil data, we guess that oil will be \$500/bbl in 2030. It may end up being even higher. This estimate is significantly higher than more conservative estimates, but with good reason.

This is because the above data does not factor in the nature of the oil industry. In oil, there are three types of oil reserve calculations: proven, probable, and possible. These relate to the likelihood of finding oil. Oil exploration technology is still limited in its ability to accurately determine the presence or absence of oil in geological formations, so nobody knows exactly how much oil is left. However, it is known that there are huge undiscovered unconventional oil reserves, which are more costly to extract than conventional oil. These include oil sand and oil shale. Thus, there is a great deal of oil in the ground that is unaccounted for. There are huge amounts of oil in the ground, vast

oceans of black gold, that could be exploited, but which it is not looked at or explored. This is because most of this oil is difficult and expensive to extract. When conventional reserves run out, it will be necessary to extract all unconventional oil to keep the economy running. When this becomes necessary, the price of oil will have to be high enough to motivate this extra oil extraction. The price of extracting a barrel of oil from oil sand or oil shale is significantly higher than the cost of a barrel of conventional oil, and the price of oil in the future will have to reflect higher production costs.

Also, not only will global warming destroy the planet if nothing is done, but it has also been claimed that peak oil will damage GDP and the economy if left unchecked. The cost of climate change and economic harm will also factor into the future price of oil. We at Altenews believe that the mechanism of the free market, the invisible hand, will move the price of oil up to \$500/bbl by 2030, to motivate new oil exploration and the extraction of unconventional oil, to protect the human ecology from climate change and to protect the economy during the transition to renewable energy.

This is not a forecast, it is just a guess. However, if \$500/bbl happens in 2030, it will be great for the unconventional oil industry, and it will also be great for renewable energy. Oil at that price will spark the renewable energy industry to new heights of success. The time to invest in alternative energy is now, while oil is relatively cheap, because it will only go up in the future.