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## **Dwindling reserves will force U.S. change on oil**

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By Barry Raleigh  
Special to the Star-Bulletin

In about five years we will have burned half of all the oil the world will ever produce.

M. King Hubbert, probably the greatest of the 20th century's geophysicists, predicted in 1958 that the United States would have used up half of its oil in 1970. To the surprise of nearly everyone, he proved to be right on target. Several experts on oil have since used Hubbert's general approach, and 2010 is the consensus year for Hubbert's peak to be topped. If, as one expert believes,

the Middle Eastern producers have substantially overstated their reserves to artificially increase their share of the Organization of Petroleum Exporting Countries production allowances, we may already have reached the peak.



The consequence is easily predictable. Demand will continue to rise, production will fall by 2 percent a year and oil prices will rise.

If that scenario has an eerie resemblance to 2004, it is because OPEC has instituted production cuts three times in the past year, and the non-OPEC producers are no longer able to make up the difference by increasing their production. China, already the world's second-largest consumer of oil, increased its imports by 37 percent in the past year, 18 percent in the first quarter alone.

Even if OPEC production cuts don't hold up, they serve to remind that we are not in control of the price of the U.S. economy's most essential commodity, oil. An increasingly hostile group of Middle Eastern nations are in control, and unless we kick our addiction to oil, they can hold us hostage.

The counter to this scenario is that we have always found more oil, that the marketplace will spur exploration efforts to find vast new reserves. However, not since 1980 have additions of new reserves exceeded consumption. We now are discovering fewer than 8 billion barrels annually compared with the 28 billion barrels we consume.

Putting it another way, suppose that an amount of oil equal to all that the United States will ever produce, a 200 billion-barrel bonanza, is found. At our projected rate of consumption, the 200 billion barrels would be burned in seven years!

Optimists cite the Athabaska tar sands, which contain 900 billion barrels of oil so viscous that the sand has to be mined and treated with hot water. But it is costly to process and environmentally damaging.

There are no fossil fuel panaceas. Natural gas production in the United States will peak soon.

What does the future hold?

The price of oil, now at about \$40 a barrel, will probably rise to more than \$100 a barrel in less than 10 years. In 2004 dollars that is comparable to the peak price reached in 1981. Oil-driven additions to the cost of nearly

everything are likely to drive us into recession.

Making some sacrifices by reducing consumption and investing in transitional energy resources now while relatively cheap oil is still available are the alternatives to waiting until a crisis forces our political leaders to act. Whether the federal government can act in time is questionable, but we in Hawaii can act independently and we can act soon.

It is a fact that more than 90 percent of all our energy resources are derived from oil. This year's oil imports will raise the energy bill by 40 percent, to somewhere around \$2 billion -- all cash exported out of Hawaii's economy. The even larger price increases in the future will freeze our state's economic growth unless we find cost-competitive alternatives and conserve.

There are legislative carrots in place to conserve energy and stimulate alternatives to oil that already have begun to work. The goal is to use money saved by importing less fuel to create alternative fuel industries. If we are determined, we might be able to escape the worst of the coming oil crisis economically even stronger than before.

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Barry Raleigh is executive director of the Center for a Sustainable Future and Hawaii Natural Energy Institute, University of Hawaii.

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