

Past the Peak

The signs were there, but Americans drove right by.

By James Howard Kunstler

IN SO FAR as it epitomizes everything that is grotesquely out of whack with American living arrangements, Houston was the perfect place for the big “peak oil” conference of the year. The 500 or so attending—geologists, oil industry execs, economists, academics, alt. fuel freaks, and freelance journalists like myself—were marooned for four days in a convention center Hilton, in a district devoid of the least urban amenity, amid a wasteland of surface parking. You couldn’t buy a stick of gum within a mile of the hotel and venturing out on foot in the 90-degree heat would have been like re-enacting the Bataan Death March. The pharaonic grandiosity of the convention center next door—the size of three aircraft carriers and resembling one architecturally—was a baleful reminder of the floundering leviathan that government has become in the face of a crisis like peak oil.

As it happened, representatives of government and the mainstream media were conspicuously absent from this conference devoted to the crucial resource needed to run places like Houston—and, incidentally, industrial civilization. Clearly, the nation is having a hard time paying attention to its energy predicament.

My own theory as to why this is so goes something like this: having poured our collective wealth into an infrastructure for daily life based on incessant motoring—suburbia and all its accessories—we have become hostages to a pernicious psychology of previous

investment. We cannot face the awful fact that our way of life really has no future in the coming age of energy scarcities. Thus there is little coherent public conversation about it. This leaves those working on peak-oil issues consigned unfairly to the intellectual margins—with Sasquatch hunters and UFO abductees—while the nation ignores a wide range of ominous signals and parties on.

For those who have been distracted by the mainstream news diet headlining Britney Spears and the toilet communication techniques of Sen. Larry Craig, a *précis* on peak oil may be in order. Peak oil is shorthand for the geologic fact that oil is a finite resource and that credible signs indicate we have passed the world’s all-time oil production high point, with rather dire implications for how we live. Viewed through an admittedly short-range rearview mirror, the numbers suggest that July 2006 was the peak, at just over 86 million barrels a day (m/b/d). Since then, world production has fallen to the 84 m/b/d range. Meanwhile, world demand has risen to about 86 m/b/d and is widely predicted to reach 88 m/b/d next year. In short, the demand line has now crossed the production line, and the trend is almost certain to continue—with potential for oscillation as economies wobble in response to high oil prices and regional scarcities.

Crucial to understanding the peak-oil problem is that it is not strictly about the world running out of oil. It is about what happens as the world slides down the

slippery slope of depletion. There will always be oil. But quite a bit of it will never be extracted for one reason or another—unfavorable geography, deep water, armed conflict. The quality of the world’s oil supply is already trending firmly away from once abundant light-and-sweet crudes to the leftover heavy-and-sour crudes, which are harder to refine and yield less gasoline. All these pieces of the plot are subject additionally to “above-the-ground” geopolitical factors that will determine who gets how much of whatever is left.

I hasten to add that peak-oil theory—indeed oil geology itself—contradicts the popular wishful idea that the earth contains a creamy nougat center of oil that is continuously replenishing old fields. This is just not consistent with reality, and the broad circulation of the fantasy is a symptom of our desperation and cluelessness. In fact, much of the world’s production has relied on a handful of “super-giant” fields, such as Ghawar in Saudi Arabia and Cantarell in Mexico, which account for about 60 percent of their countries’ total production. There is absolutely no evidence that the super-giants—which also include China’s Daqing and Kuwait’s Burgan—are being replenished. They are playing out largely because the latest and greatest technology for oil recovery has had the paradoxical effect of draining the existing fields more efficiently. The same is true of the North Sea and Alaska’s Prudhoe Bay. It is also important to know that worldwide discovery of oil

peaked back in the 1960s and has been in such steep decline lately that that we are now offsetting only a tiny fraction of yearly depletion.

As the oil runs out, the complex systems we depend on for daily life are certain to falter and, in many cases, fail. By complex systems, I mean, for instance, the way we produce food for the world's groaning population—relying heavily on oil-and-gas-based fertilizers and pesticides. The list would also include our Big Box mode of commerce, our cars-and-airplanes-only system of transportation, our suburban land-development habits, and our highly centralized secondary school systems utterly dependent on the yellow bus fleets. The finance system is especially susceptible to disruption, since one implication of peak oil is that industrial economies will cease to grow, and the investment paper that represents the expectation of growth will lose its credibility. Of course, the oil markets themselves are a complex system subject to severe disturbance in a post-peak situation of remorseless decline. Instability in any and all of these systems is certain to amplify the failures in the others. One way or another, these failures point ineluctably to a picture of long-term economic contraction, hardship, and political trouble. And despite the sedulous wishing now underway, all reality-based evidence suggests that alternative energy sources will not come close to mitigating our problems with fossil fuels. The public will be gravely disappointed by what things like biofuels, solar, and wind can actually do for us.

The opening speaker at the Houston conference was Robert Hirsch, co-author of the now-famous 2005 report commissioned by the U.S. Department of Energy that, much to the chagrin of the DOE, first told the nation in no uncertain terms that we were heading

for a potentially lethal set of disruptions in daily life due to our complacency about oil. Hirsch goes further now, two years on. He reminded the audience that the major private oil companies like Exxon-Mobil, BP, and Shell now account for a mere 5 percent of world production—"the old majors are the new babies"—and that the rest is controlled by national oil companies like Saudi Aramco, Mexico's Pemex, and Russia's Kremlin-controlled operations. This, Hirsch said, portends a new era of "resource nationalism" that will starkly alter the way oil is allocated to the importing nations. He predicted a future of "oil export withholding," panicked markets, and allocation disturbances that would make the 1973 OPEC embargo look like a golden age.

Matthew Simmons, America's leading oil industry investment banker, didn't have better news. He asserted that the U.S. is so woefully unprepared that at the first precipitating market upset, the nation is liable to fall into a deadly pattern of "hoarding behavior," a kind of "bank run on oil stockpiles," as he put it, which would lead to crippling scarcities as well as much higher prices. The likely outcome would be strict oil and gasoline rationing, which in and of itself would not mitigate the attending hardships. Simmons also reminded the crowd that the equipment now used throughout the oil industry—from drilling rigs to refineries to pipelines—is so uniformly old and decrepit that the oil business could collapse from that problem alone. He went even further and wondered aloud whether we had enough raw resources in iron and copper to rebuild the critical pieces of this system.

And the hits kept coming. Dallas geologist Jeffrey Brown revealed that something previously unrecognized is going on in the oil markets: export rates are dropping more steeply than sheer production decline rates. That is, not only

are the exporting nations getting less oil out of the ground, but they are sending an ever decreasing amount of that oil out to world markets, in part because they were using substantially more of their own declining production. The latest numbers show these export rates are dropping so quickly that within five years, the world's total export capacity could be half what it is now. To complicate matters, these conditions vary from one exporting country to another. Mexico's depletion rate, for instance, is so steep because of its dying Cantarell field that it could easily go from being America's number-two source of oil imports (after Canada and before Saudi Arabia) to being completely unable to send us any oil in five years. Now, with America currently importing over two-thirds of all the oil we use, imagine the implications.

These were the highlights, but there were plenty of other things to chew on—the fate of the airline industry (grim), the condition of the U.S. passenger rail system (laughable), the value of the ethanol boom (called "tragic" by Hirsch), the developing picture of scarcities among a range of metals and other resources crucial to industry (dire), and the supernatural indifference of the press and our political leaders to all of these very serious problems.

It was a sublime coincidence of fate and history that throughout the conference, the price of oil surged up through the high-\$80 range and briefly touched \$90 a barrel on Oct. 19. This only underscored the absence of the mainstream media and the inanity of the ongoing debates between the characters who are running for president, none of whom has ever publicly uttered the phrase "peak oil." ■

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California Schemin'

Don't like losing elections? Change the rules.

By Steven Greenhut

LET'S SAY YOU'RE A diehard GOP activist and you realize that the Republican Party has become irrelevant in the nation's most populous state, so much so that the GOP candidate—any GOP presidential candidate—has no chance of winning the state's 55 electoral votes in your lifetime. How do you put the state's electoral votes in play in time for November 2008, thus sparing the nation a Hillary Clinton presidency?

Well, you rig the election rules, as proponents of one recent initiative are trying to do. The idea is to change California from a state that awards its electoral votes on a winner-takes-all basis to one that hands them out proportionally. The proponents' main goal is to scrape up another 20 electoral votes for the Republican candidate, which—given the closeness of recent elections—could be the difference between President Hillary and President Rudy (although many of us find either prospect equally distasteful).

This being California, there's always an opportunity to bypass the Legislature and take your pet issue directly to the people, provided you've got enough dough to collect 434,000 valid signatures and then to run campaign ads in the nation's costliest media markets. Changing the electoral system—a complex issue that would face stiff Democratic resistance—is a long-shot, but Republicans in California are used to having nothing in their playbook other than the Hail Mary pass.

These plays usually fail. On Sept. 28, the *Los Angeles Times* reported that the initiative was in shambles after its author

and a top consultant quit. "Despite having [Gov. Arnold] Schwarzenegger's former political lawyer, Tom Hiltachk, and his fundraising consultant, Marty Wilson, the effort had raised only about \$200,000, most of it from a shadowy group seemingly based in Missouri that won't say where the money came from," wrote Bill Bradley in his political blog, *New West Notes*. The two men resigned after the donor, the hastily formed "Take Initiative America" committee, refused to disclose the real source of the donation.

A few days later, the media reported that the source of the only substantial donation made to the initiative was Paul Singer, the billionaire hedge-fund executive and fundraiser for Republican Rudy Giuliani. Democrats went on the offensive, bringing in Clinton-era consultant Chris Lehane, who filed a complaint with the Federal Election Commission and started pounding Republicans for their dirty tricks. "This puts this money-laundering operation right inside the Giuliani campaign ... with Rudy's top donor and his closest confidants," Lehane told the *San Francisco Chronicle* in September. "Federal election law is clear. If you're a presidential candidate, you or your agents can't direct money to a campaign that impacts the presidential campaign ... and there's no better way to rig the campaign than to impact the Electoral College system."

On Oct. 23, however, a group of prominent Republicans, including Sacramento consultant Dave Gilliard and GOP strategist Ed Rollins, announced that they were reviving the effort and would spend

whatever is needed to get the initiative on the June ballot. They haven't identified any big new donors, although the *Sacramento Bee* and a statewide blog reported that recall financier, U.S. Congressman Darrell Issa, is behind it. The new effort has only until Nov. 13 to gather about 550,000 signatures. (The campaign already has 100,000 signatures and a total of 650,000 are needed to get enough valid ones, according to a *Los Angeles Times* report. Count me as skeptical.)

It's rather telling that such a potentially significant initiative drive has received so little support. Perhaps most Republican donors have accepted the coming Hillary presidency or this plan is too much of a self-serving scam, even by the low standards in California, where the initiative process has become a means for well-heeled interest groups to tap into the public treasury, as happened with the \$3-billion stem-cell initiative passed in 2004.

Former Republican Party Chairman Shawn Steel published an Oct. 2 opinion piece on a conservative blog that was clear about its intent: "What could be more important than electing a Republican to the White House in 2008? ... Our friend, attorney Tom Hiltachk submitted an initiative proposal that absolutely rocks the Democrats. Squeals could be heard ranging from Howard Dean to every California Democrat elected official, crying about everything from disenfranchisement to 'stealing' elections. Everyone understands if proportional voting is legal in California in 2008, Democrats will not win the White House."