

## Drilling for an oil crisis

**AMHERST, MASSACHUSETTS** As WikiLeaks's trove of diplomatic dispatches continues to trickle out, one recent release has caused quite a stir: a cable from an American diplomat who said he was told by a Saudi oil executive that both official estimates of Saudi oil reserves and their ability to meet global demand in the long run have been vastly exaggerated. In turn, many proponents of "peak oil" theory, the idea that the global rate of oil production has entered a terminal decline, have insisted that the cable confirms their view on resource scarcity.

Actually, it does nothing of the sort. The Saudi executive, Sadad al – Hussein, a former head of exploration for the Saudi oil monopoly Aramco, has been making such claims for years. Finding them repeated in a confidential cable is news only to those unfamiliar with the field. More important, his claims don't stand up to scrutiny. For one thing, according to the cable, Dr. Hussein said that estimate of Saudi "reserves" were exaggerated by some 300 billion barrels. But this is impossible, as the Saudi government's estimate of proven reserves is actually less than that amount – roughly 267 billion barrels.

More likely, Dr. Hussein was referring to claims by some Saudi oil executives that, over the long term, they expect to find 900 billion barrels in the ground, and that 51 percent of it will be recoverable. So the dispute has nothing to do with current reserves, but with projections that are speculative by definition. Aramco's numbers may be an educated guess, but they are just a guess.

And, in fact, they are hardly an unreasonable estimate. While peak – oil – advocates have in the past ridiculed optimistic industry expectations, the evidence continues to confound them.

Over recent decades, the consensus estimates of the amount of recoverable oil on the planet have roughly doubled. And recovery rates – the percentage of those reserves that we are technologically able to collect – have grown from 10 percent a century ago, to 25 percent a half – century ago, to an estimated 35 percent now. In some areas, like the North Sea, the figure is above 60 percent.

There are several other reasons to remain calm about Saudi reserves. Officials there have discovered approximately 70 major oil fields that they have left untapped over concerns that increased Saudi production would cause global oil prices to collapse.

And while Aramco is hardly likely to find anything on the scale of the Ghawar oil field, the world's largest; they haven't been looking very hard. The Saudis drilled about 500 wells last year; some 11,000 are drilled every year in the United States alone.

So why is this big deal? Because advocates of peak – oil theory love to latch on to such press reports to push their political and environmental agenda.

A similar event occurred in the 1970s, when Americans who had worked in the Saudi fields contributed to a Congressional report that claimed Aramco's production practices were damaging the reservoirs. The problem turned out to be vastly overblown, but not before it had become part of the era's conventional wisdom about general resource scarcity.

Little wonder that by 1977 we had President Jimmy Carter claiming that, in terms of oil, "Just to stay even we need... a new Saudi Arabia every three years." Mr. Carter's solution to the imaginary crisis was

Synthetic Fuels Corporation, an alternative – energy boondoggle that cost taxpayers millions and never produced a gallon of gas.

Now, history may be repeating itself. Much to the satisfaction of the peak – oil crowd, the Obama administration is throwing federal subsidies – some \$8 billion in its 2012 budget – at all sorts of unproven, unrealistic and inefficient energy technologies like wind farms and electric cars.

None of this is to say that importing Saudi oil – or any oil – is desirable in and of itself. Oil remains a political commodity and price fluctuations can create economic havoc, so the more good choices we have for meeting our energy needs, the better. But we should not let a false panic over disappearing oil reserves lead to rushed government investments in “technologies of the future” that, all too often, end up only wasting taxpayer money.

Excerpted from Michael c. Lynch