

ABARE Disputes Peak Oil

Australia's rural and resource economic forecaster believes the world has enough oil reserves to last at least another 30 years.

Australian Bureau of Agriculture and Resource Economics (ABARE) executive director Phillip Glyde told a Senate estimates committee that the peak-oil school of thought, which holds that

reserves are entering a phase of depletion, was wrong.

"The rough level of reserves to production remains the same so we are confident that there is not a physical limit to supply over the next 30 years, which is the period that we're talking about - simple as that", he said.

Mr Glyde cited the trebling of spending on petroleum exploration in Australia alone to \$3.23 B in 2007-08 as a pointer to the heightened worldwide effort to find new sources of oil.

He noted BP said in 2006 that the reserve production ratio was about 40 years - the same prediction made in 1986.

"My view would be we're not going back to the (oil price) levels that we had in the 80s or 90s", Mr Glyde said.

"Because of the scarcity issue, we're probably going to be at a higher real level than what we were in the 70s, but we strongly believe it's going to come down", he said.

One of the factors influencing future oil prices would be a "carbon signal", Mr Glyde said.

Australia's planned new emissions trading scheme will set a price per tonne of carbon, which could push up petrol prices if applied to the greenhouse-polluting petroleum industry and its oil products.

In late May the federal government was warned by its economic adviser, the Productivity Commission, that the scheme could be undermined by its own mandatory renewable energy target, which favours solar, wind and other green technologies over fossil fuels.

Mr Glyde repeated the message, saying the government had to be careful "in picking winners in relation to a particular technology".

"I think the logic behind an emissions trading scheme about setting a price on carbon means that you leave markets free, and consumers and producers free, to be able to choose what is the least cost, best available technology to get you to an economy that has a lower carbon footprint", he said.

But the former Department of Prime Minister and Cabinet executive faced a hostile committee, which attacked the vast difference between ABARE's forecast oil price - of US\$82 per barrel (AU\$86 per barrel) for 2008-09 - and the average price this year - US\$106. ■