



global witness

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Government failure to acknowledge the looming oil supply crunch threatens the climate and risks international conflict

There is an imminent oil supply crunch that governments have failed to acknowledge or act upon, the impacts of which will be felt throughout every aspect of modern society which is heavily reliant on oil, according to a new report published by campaign group Global Witness today.

Governments have not taken on board the four underlying oil production factors which clearly show there is a problem. *Heads in the Sand* outlines these factors – declining output, declining discoveries, increasing demand and insufficient projects in the pipeline – which clearly show that the world is facing an imminent oil supply crunch. Some of these factors have been apparent for many years.¹ Governments and multi-lateral agencies have failed to recognise the imminence and scale of the global oil supply crunch, and most of them remain completely unprepared for its consequences. The report calls for governments to officially acknowledge the crunch and to shift urgently into safe sustainable energy alternatives.

“The world’s governments have been asleep at the wheel. Their collective failure to recognise the imminent end of the oil age means we have lost a decade in which action could have been taken to develop alternatives and avert the worst outcomes of a dramatic drop off in the supply of oil,” said Simon Taylor, Director of Global Witness. “Recognition of the oil supply crunch would have injected a sense of urgency and increased ambition for safer emissions reduction targets, both of which are sorely missing in the lead up to Copenhagen.”

For most of the past decade, the International Energy Agency (IEA) held an over-confident view about future oil production. But starting in 2007 and most dramatically in 2008, its position began to shift, when it projected a near 50% decline in conventional oil production by 2020 and a significant potential gap between supply and demand by 2015.² These factors should have rung alarm bells, yet the apparent lack of government response has been astonishing.

The report argues that it was a long-overdue breakthrough for the IEA to acknowledge the imminence of an oil supply crunch. But their suggested remedy of investment of over a billion dollars every day to 2030 is highly unlikely to bridge the supply-demand gap.³ Massive investment cannot change the underlying fundamentals which clearly indicate a need to move away from oil. Global Witness blames governments for not facing up to these factors and recommends that rather than spending increasingly large sums of money chasing increasingly hard to reach oil, the world should be investing in safe and sustainable alternatives.

“A world without enough oil is unlikely to be a peaceful place. Our near-total dependence on oil for food production and transport mean that decreasing availability of oil is likely to lead to food shortages and increased geopolitical tension. It threatens the nascent global governance reform agenda and could cause major international conflict over resources. The poorest will be pushed to the back of the queue and inequality will grow, which in turn will feed social unrest,” said Charmian Gooch, Director of Global Witness.

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“Heads in the Sand: Governments ignore the oil supply crunch and threaten the climate” can be downloaded from: www.globalwitness.org

Global Witness investigates and campaigns to prevent natural resource-related conflict and corruption and associated environmental and human rights abuses.

Notes:

1. See *Heads in the Sand* for full range of factors which include:

A. Between 2005 and 2008 conventional oil production ceased to grow, despite massive investment, increasing demand and prices. This failure to increase conventional oil production, despite all the right incentives, is unprecedented in the history of the oil industry.

B. By 2008 the annual drop in output from existing fields stood at 3.7 million barrels per day, which requires the same amount to be added every year just to keep the same level of output. This is the equivalent to more than one third to the entire output from Saudi Arabia.

C. 1965 was the year in which the largest volume of oil was discovered. Since then, the trend in the number and average size of discoveries has been in decline. In 1984 global conventional crude oil consumption exceeded the volume discovered, and the gap has continued to increase since then.

D. To meet the IEA's forecast demand for oil in 2030, it stated that the world would require "Some 64 mb/d [million barrels per day] of additional gross capacity – the equivalent of almost six times that of Saudi Arabia today – needs to be brought on stream between 2007 and 2030." (World Energy Outlook 2008).

2. In the IEA's WEO-2008 it projected a potential 7m bpd gap between supply and demand by 2015. A gap of this size represents 7.7% of projected world demand of 91m bpd (barrels per day) in 2015. It is also the equivalent to over 60% of China's projected demand, and 39% of that of the USA.

3. The IEA's WEO-2008, suggests that the expenditure of at least US\$450 billion per year would sustain oil production, and even increase overall output to 104 million barrels per day by 2030.