

## SUBMISSION

The Petrol Pricing Select Committee

Dear Members,

Last Friday I attended the meeting held at the Yeronga RSL but could only stay for about an hour and a half and so did not get a chance to hear the full proceedings or offer a few insights into the problem, hence this submission.

I am retired and do not have an association with the oil industry but have done some very extensive research over the past four years on the topic of oil and what the Caltex representatives said about pricing is correct. The simple facts are that petrol is too cheap and will but a lot dearer in the coming years. There is such a thing as PEAK OIL where the supply can no longer meet the demand and that is what is driving the price of oil at present. We are at that point now and it will have profound ramifications on economies everywhere as the world is using four barrels of oil for every one that it finds.

Over the past years I have had the opportunity to meet some oil industry experts who do know the true situation as regards to oil supply and reserves, and in May this year I attended the ASPO conference in Lisbon on world oil depletion, which was attended by over three hundred people with expertise in this area. I was able to speak with people who have either visited or worked on the big Saudi Arabian oil fields and the truth is there is far less oil in the Middle East than commonly supposed. The world currently produces about 84 million barrels of oil per day with demand slightly above this figure, but the real problem is that light sweet crude, the oil that is best suited to petroleum production has now declined by about two million barrels per day. The rest is either medium heavy to very heavy crude which is more suited to bitument or requires very sophisticated refineries of which there are a limited number.

This is what is causing the price of oil to rise and it has a long way to go yet. A further factor which will cause this increase is the critical situation now facing the US with it's natural gas supply and to a similar extent Great Britain, where their production is in decline with rapidly rising demand, especially from their gas fired power stations. A predicted cold winter in the northern hemisphere will make the problem more acute and cause some switching to oil with a further impact on prices. Senator Mark Dayton of the US Senate was recently told by Chinese officials in Beijing that China's car and truck numbers will rise from a current 24 million to 140 million by 2020. Where will the oil come from and at what price?

On the 5th of November Bloomberg News was told by the head of the Kuwait Oil Company that Burgan, their giant oil field discovered in 1938 had gone into irreversible decline. One per cent of the world's oil fields provide around 50 per cent of the world's oil supply and all are over fifty years old. Fifty four of the sixty eight oil producing countries have their oil fields in decline and the last major oil field discovered was Prudhoe Bay in 1968. WE HAVE A PROBLEM and governments everywhere are in denial. Dr. Colin Campbell, a retired oil geologist who worked for the major oil companies all over the world and is probably the foremost expert in the world on the subject, told me in Lisbon that his address in 1999 to an all party energy committee of the House of Commons had been a complete waste of time. They did nothing.

The push to ramp up Ethanol is misguided. The energy input is far greater than the energy output and extensive studies by Professor David Pimental, Ecology and the Environment at Cornell University, and Professor Tad Patzek, Civil and Environmental Engineering at Berkeley University have shown that ethanol and biodiesel from Corn, Sugar, Soybean, Sunflower and a variety of grasses are an energy sink, all of varying degrees. Many of Australia's heavy mining trucks are now being converted to LP Gas and this is one way we should be proceeding to offset our oil usage. In 2000 Australia produced about 805 thousand barrels per day and last year it was down to about 445 thousand with only 64% self sufficiency and our oil production declining by about 15% over the previous year.

The oil companies are certainly not causing the increase in petrol prices. It is a supply and demand problem. Should the members of the committee wish to contact me I would be happy to discuss the whole subject and provide further information sourced from experts on the whole energy problem.

Yours sincerely

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