

## PEAK OIL PRODUCTION

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**Matrix File :** 01.08.01.02/

Approved by Mike O'Brien 25 March 2009

**Standard introduction**, about peak oil production.

As part of the Government's goal to deliver affordable, secure and clean energy to UK businesses and citizens, DECC looks at a wide range of academic and industry studies that analyse future world oil supplies. DECC also meets with experts to discuss this and other oil market issues, including investment and exploitation of new reserves.

One of the more thorough analyses in the area of global oil reserves is conducted by the International Energy Agency (IEA), which published its World Energy Outlook (WEO '08) in November 2008. Based on its extensive analysis of oil reserves, demand trends and field decline rates, the WEO '08 states that, "[the] world is far from running short of oil" and that, "the immediate risk to supply is not one of a lack of global resources, but rather a lack of investment where it is needed". This is based on a detailed analysis of, among other things, 800 of the world's largest oilfields.

The UK is an active member of the IEA and also looks to other sources, but sees no compelling evidence that runs counter to the IEA's assessment. We agree with the IEA that the risk to supply is not one of resources but of converting these reserves into production. Thus, additional investment will be required to meet oil demand in the future and the challenge lies in bringing these resources to market in a way that ensures sustainable, timely, reliable, and affordable supplies of energy. We need to ensure that there is a well-functioning oil market that helps market participants have the confidence to make these necessary investments and respond in a timely manner.

The risks of underinvestment, which could imply higher fossil fuel prices in the future, are also a key reason why we are already putting in place policies that will reduce the energy intensity of the UK economy and help increase its resilience to shocks in energy supplies. Indeed, many of our

climate change policies, such as the Renewable Energy Strategy, that will promote more renewable heat and transport, and the Government's energy efficiency policies, have the added benefit, in addition to reducing carbon emissions, of increasing the diversity and hence resilience of our energy system.

In summary, with sufficient investment, the Government does not believe that global oil production will peak between now and 2020 and we are actively encouraging investment in the oil market to ensure secure, competitively priced supplies.