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By Andrew DeWit

The October 2 edition of the Nikkei, Japan's leading business newspaper, carried a review, by Tokyo University Professor Kikkawa Takeo, of two recently translated books that discuss peak oil. As most readers will know, peak oil is the theory that the global supply of oil is about to peak in production and then irrevocably decline, leading to enormous challenges for our oil-dependent societies. The books the Nikkei decided to review are Paul Robert's "The End of Oil," and Linda McQuaig's "It's the Crude, Dude: War, Big Oil, and the Fight for the Planet" (the latter misleadingly titled "Peak Oil" in Japanese). The Nikkei gives peak oil theory gets a thumbs down. The review approvingly cites a 2005 Nikkei publication "Reading Oil" (Sekiyu wo Yomu), which argues that technology and new investment will increase oil reserve recovery rates and ensure new finds. And to cap the rebuttal, an appeal to authority: an article in the May 2005 edition of the Japanese Oil and Natural Gas Review that essentially dismisses peak oil theory.

On the other hand, as we can see with the Japanese translation of McQuaig's book getting the "Peak Oil" title, there is increasing interest in the subject in Japan. The Nikkei editors, having studiously ignored peak oil until now, decided that it was necessary to carry something soothing about it. So the review concedes that peak oil theory as a social phenomenon deserves attention. The author, Kikkawa, remarks that Japan is just behind America and China in its consumption of oil, but that in contrast to them it has a weak level of concern for energy security. The campaign leading up to the September 11 election in fact was notable for the virtual absence of comment in the contending parties' platforms. Keep in mind that Japan essentially has no domestic reserves of oil and gas, and relies on America to protect the sea lanes from the Middle East (from whence Japan gets about 85% of its oil). Kikkawa maintains that Japan's limited concern with energy security is due to endaka (increasing exchange value of the yen), which limits the effect of oil-price increases in the domestic economy.

The review concludes with a warning that Japan risks being left behind in the global race for energy security due to negligence. Thus it grants a smidgeon of praise to the peak oil books as warnings of the need to pay more attention to oil issues.

The present critical comment on the Nikkei review is directed at the media's responsibility to present informed and balanced coverage of such important issues as peak oil. But first let me note that the Nikkei is hardly the only media outlet lacking in this regard, nor is Japan particularly poorly served by its media. Recall that the Bush Administration and its allies in the US have been able to manipulate the American media so thoroughly on global warming that about 40 percent of the public believes it is not a problem.

Much of the US public debate has indeed become so bizarrely detached from scientifically demonstrated reality that, on September 28, fiction writer Michael Crichton, author of the notorious book Rising Sun and other techno-thrillers, was called to testify in the august chambers of the Senate against the global warming theory.

That said, one can readily see the Japanese media's shortcomings in the Nikkei review's suggestion that the lack of concern in Japan has to do with the high yen. In fact, the dollar-yen rate hasn't shifted much in recent years years, and certainly not over the past year when oil doubled. Like everywhere else, Japanese producers have been biting the bullet on oil and oil-based product costs rather than pass them on to consumers. That's limited the pressure on domestic price levels. Because Japanese oil, like that in much of the world, is taxed at a much higher rate than in the US, prices at the pump have risen far more slowly than in the US. But like everywhere else, the protracted oil-price hikes and the realization that prices won't go down for a long while, if ever, is felt in many ways. One way or the other producers are passing on the costs as they realize that oil price hikes will not decline in the foreseeable future.

To the extent that Japanese concerns about oil supplies lag behind concerns elsewhere, perhaps this has more to do with an elite that assumed stable oil supplies were ensured through small deals (such as those with Iran) and the big prize of Iraq, which is reputed to have the world's second largest reserves of oil. Surely expanded access to this bounty was one reason Japanese troops were sent to the Iraqi city of Samawa. Their very presence in Samawa was of course downplayed in the recent election campaign and media coverage. No mainstream media outlet even bothered to send a reporter over to interview the troops, though their Australian military protectors and general inability to leave camp certainly ought to strengthen suspicions about why they are over there at all. And NHK's summer documentary on the troops in Iraq restricted its interviews to the brass. The idea that oil has absolutely nothing to do with it is too reminiscent of US Defence Secretary Rumsfeld's prewar assertions that the war itself "has nothing to do with oil, literally nothing to do with oil." Yet notwithstanding the silence on the home front about the Japanese troops in the desert, few observers in Japan could fail to note that the prospect of getting massive volumes of Iraqi oil onto the market is receding by the day. Two and a half years after the US invasion, Iraqi oil output remains far below earlier peak levels. And as the chaos from Iraq threatens to spread, even Saudi and other Middle Eastern supplies must seem a little shaky. Hence the increasing concern about oil may be due in part to waking up to the fiscal illusion of endaka, but it might also be that the Japanese elite has come to realize that relying on the Bush regime is now largely a null and void guarantee of energy security.

In short, the review lacks a broader perspective on the issues it covers. This problem extends to the books reviewed as well, both written by journalists rather than specialists. Moreover, while the books do include sections on peak oil, they are in fact devoted to a variety of issues relating to oil. These facts set off warning bells about the review being an unfair match. One hesitates to say the review was a rigged match, since the Nikkei likely chose the books it did because they are recent and readily available translations. Even so, the sharpest and most intellectually responsible criticism of any theory is to take its most persuasive works and show where they are wrong. Without demeaning Roberts and McQuaig's important contributions in the slightest, these surveys by journalists for the mass-market are far from the best or most authoritative accounts of a theory as complex and important as peak oil.

So let us imagine that the Nikkei looked a little farther afield for specialist information on peak

oil, if only to supplement its discussion of the two it had in hand. Though the resources of a major newspaper clearly extend to access to Petroleum Review, Petroleum Economist, WorldOil magazine and the other specialist publications where peak oil is debated, let's make it very easy and restrict ourselves to just the internet. What would the Nikkei have found on the net through even a cursory look?

Certainly the Nikkei would notice one of the best books on peak oil, the June 2005 work "Twilight in the Desert," since it already gets about 100,000 hits on google. This in-depth analysis is by Matthew Simmons, the head of the large oil investment bank Simmons International. His over 400 page book centred on the condition of Saudi oilfields, calls into question their capacity to continue acting as the linchpin of global supply. The core elements of his argument are in his numerous speeches, which can be downloaded from his firm's website. Simmons believes that we are either at peak already or shortly will be.

His book has been heavily criticized, especially by the Saudi government, while receiving glowing praise from petroleum geologists and other observers. One of Simmons' critics is Sadad al Husseini, the recently retired head of exploration and production for Saudi Aramco. But even he now argues that, after looking at the data, it appears that global oil production is likely to peak in 2015.

Another example of persuasive and readily available expert work is a report titled "Peaking of World Oil Production: Impacts, Mitigation, and Risk Management," submitted to the US Department of Defence in February of this year. The report, generally referred to as the Hirsch Report, was supervised by Robert Hirsch of Science Applications International Corporation. Anyone can download the report. Hirsch's report warns that peak is probable within 20 years and will certainly cause enormous hardship. It thus advises immediate action on mitigation, as getting sufficient liquid fuel substitutes in place will require "a minimum of a decade of intense, expensive effort." It is precisely the absence of concerted research into alternative energies that is striking, as Pollyanna thinking dominates not only in the US by internationally.

And note the arguments of J. Robinson West, the Chairman of PFC Energy, the world's best-known strategic advisory firm on energy. West testified to the US Senate on September 25, 2005. His testimony is available on the web. West reviews the optimistic accounts of endless oil production (generally an assumption of economists), but says peak is likely in a decade or so. As for the new production technology that the Nikkei places its faith in, West argues that "if breakthrough technology is not in the pipeline now it will have no impact for years." As he also points out in his testimony, discovered volumes of oil had began to decline in the mid-1980s, "although the exploration efforts of the industry continued aggressively where they were permitted. We are now consuming about three times as much conventional crude oil as we are discovering through exploration. Even counting unconventional oil, natural gas liquids and enhanced oil recovery, the ratio of production to new reserves is still greater than two-to one." (Italics added) He highlights this problem and the fact that Americans "guzzled cheap gasoline" while Asian economies grew as the dual roots of the current squeeze on supplies. West contends that we have entered an "Age of Energy Insecurity," and face not only peak oil but the sobering consequences of skyrocketing prices, economic shocks and possibly even "energy wars." And if one views the Iraq War as at least to some extent an "energy war," then clearly the human and economic costs of even worse threaten to be enormous.

Perhaps the strangest thing about the Nikkei piece is that it deals with peak oil as a fringe argument when in fact entered the mainstream as

a subject of debate. The newspaper might have realized just how mainstream peak oil has become through looking at the oil major Chevron's "manhole ad". The ad boils down the peak oil argument into a readily understood one-minute spot that nicely displaces the peak oil opposition's frequent charge that the theory means oil will run out all of a sudden. Of course, being mainstream and readily understood is no measure of credibility. But the fact that one of the oil majors is warning about peak oil suggests that the theory itself deserves a balanced treatment and a much more considered refutation than it got from the Nikkei. Peak oil is clearly more than "a social phenomenon."

Indeed, not only do we not have a breakthrough technology waiting on the production side, we don't have it on the petroleum supply either. There is no alternative energy technology in the pipeline that can rival oil for its costs, convertibility, energy density and other attractive features. Serious research into realistic alternative energy sources has not even begun; and even after it does, and then finally gets the heavy financing it needs, it will likely be years before a feasible alternative is discovered. Then that lag will in turn be followed by a further lag of several years in installing the new technology. That is why even these mainstream studies conclude that the time to act is now. One wonders if the Nikkei actually finds fault with that core assertion of the peak oil specialists.

Andrew DeWit is Associate Professor of Economics at Rikkyo University in Tokyo and a Japan Focus coordinator. He wrote this for Japan Focus, developing an earlier analysis that appeared in Shukan Kinyobi. Posted October 11, 2005. The author can be contacted at dewit@rikkyo.ne.jp.