

NEWS RELEASE

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OVER A MILLION BARRELS OF OIL A DAY LOST TO DEPLETION

The world is now losing more than a million barrels of oil a day to depletion – twice the rate of two years ago – according to a new analysis published this month in *Petroleum Review*, the oil and gas magazine of the Energy Institute in London.

The analysis shows that output from 18 significant oil-producing countries, accounting for almost 29 percent of total world production, declined by 1.14 million barrels a day (mb/d) in 2003. The annual rate of decline also appears to be accelerating, contrary to the widely held view that depletion progresses slowly.

Based on data in the latest *BP Statistical Review of World Energy*, production from this group of 18 countries peaked in 1997 at 24.7 mb/d and by 2003 it had fallen to 22.1 mb/d. In 1998 their total production dropped by less than one percent, whereas last year it declined by nearly five percent.

“It appears that depletion is now becoming a much more significant, though largely unrecognised, consideration in the supply-demand equation, and may be contributing to the rise in oil prices,” said Chris Skrebowski, Editor of *Petroleum Review* and a Board member of The Oil Depletion Analysis Centre (ODAC), who prepared the new analysis.

“With world oil demand surging faster than anyone expected, it is no wonder that current supplies are stretched to the limit,” he said.

By re-ordering the BP data on a continuum from those producers with the largest declines to those with the largest gains, his analysis shows that in 2003 the producers still able to expand production had to increase their total output by over 7.5 percent to achieve overall world production growth of about 3.7 percent.

“Looked at in this way, you see a quite different and more worrisome picture from the one presented in the BP report,” Mr Skrebowski said.

“Those producers still with expansion potential are having to work harder and harder just to make up for the accelerating losses of the large number that have clearly peaked and are now in continuous decline,” he said.

Declining oil production from entire countries, as opposed to individual fields or regions, is a recent development. Until the 1990s, only two countries were in decline, including the United States where production peaked in 1971 and began continuously to decline in 1985. By the late 1990s, the BP statistics showed at least 10 significant producers in decline. Two more were added each year from 1999 to 2001.

These are some other key findings in the *Petroleum Review* report:

- Gabon, where output peaked in 1996, tops the list of countries in sustained decline with production there falling over 18 percent in 2003, more than double its average decline rate for the last three years.
- Australia saw its production drop more than 14 percent in 2003, almost twice the average decline rate since it peaked in 2000.
- UK production from the North Sea, which peaked in 1999, posted the world’s fourth largest decline in 2003 at nearly 9 percent.
- Indonesia, an OPEC member, has been in decline for 12 years, averaging 2.6 percent a year, but over the past few years this has accelerated to 8.5 percent last year.
- Having confirmed that its two largest producing regions are now in decline, China, with only modest production growth of 1.5 percent last year, looks likely to go into decline soon.

“We have also seen quite spectacular growth rates from some of the countries that are still expanding their production, but in most cases it seems unlikely that such large increases can be repeated or sustained without massive new investment,” Mr Skrebowski noted.

“With little or no spare production capacity now available around the world, production expansion will depend mainly on new project start-ups. However, at the moment we see very few of these scheduled to come onstream after 2008,” he said.

“Clearly at some point – perhaps sooner than many might expect – the losses and gains will balance out and global oil production will then tip into decline.”

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Note to editors:

1. The full report in *Petroleum Review*, 'Depletion now running at over 1 mn b/d' (August 2004) can be downloaded in PDF from the ODAC website: <http://www.odac-info.org>
2. The Oil Depletion Analysis Centre (ODAC) is a UK-registered educational charity working to raise international public awareness and promote better understanding of the world's oil-depletion problem. Further information is available on its website.
3. Chris Skrebowski is one of seven members of ODAC's Board of Directors. He previously edited *Petroleum Economist* and was an oil market analyst for the Saudis in London for eight years. He started his career in the oil industry as a long-term planner for BP, then joined *Petroleum Times* as a journalist and edited *Offshore Services* magazine in the late 1970s.