

They called us "pessimists." Said we were "too paranoid" and were "profiteers of doom and gloom." And just last month, the talking heads on Fox referred to us as "peak freaks." That's how the media has described us ever since we made a shocking prediction back on March 3, 2005. If you missed it, here's what we said that day...

"Peak oil is here. The price of a barrel could get as high as \$185 with oil hitting \$80 a barrel within the next two years. The investment potential Peak Oil represents will be 5x the size of the tech boom of the 1980s and 1990s."

Even the stodgy Steve Forbes couldn't resist taking a swipe. He called us out, and made his own "shocking" prediction...

"In 12 months, you're going to see oil down to \$35 to \$40 a barrel. It's a huge bubble, I don't know what's going to pop it but eventually it will pop - you cannot go against supply and demand, you cannot go against the fundamentals forever." We couldn't have said it better ourselves. You can't go against supply and demand forever. That was over 3 years ago.

And today? You know the story all too well. Oil is at record levels, hitting nearly \$130 a barrel on May 20. And everybody from President Bush to OPEC to the CEOs of Big Oil are now saying exactly what we were saying in 2005: The world's supply of easy oil is quickly running out...

"It's not enough."

That was President Bush's response when the Saudis agreed on May 10th to increase production by 300,000 barrels a day.

After his latest trip to the Middle East, he's practically begging OPEC to do something about high oil prices.

But it's increasingly clear that the Saudi Kingdom won't increase production... because it can't. It's maxed out.

Now knowing the dire truth, Bush spoke yesterday at the World Economic Forum in Egypt.

There, he told members of OPEC that their supplies (of oil) were running out, and urged them to reform and diversify their economies... and to "prepare for the economic changes ahead."

It's easy to understand why billions of investment capital are flooding into renewable energy.

Within the next 7 years, oil consumption is expected to increase from our current 87 million barrels per day to 103 million barrels per day. That's a net increase in consumption of 16 million barrels.

To put this into perspective, Saudi Arabia produces 9 million barrels per day. So between now and 2015, the world needs to find the equivalent of 1.8 Saudi Arabias!

The situation looks even more dire when you look to the year 2030. Oil consumption is expected to increase to between 118 and 123 million barrels per. So from today's demand of 87 million barrels per day, we have to find an extra 36 million barrels of oil per day! That's roughly the production of 4 Saudi Arabias!!!

You see, the world consumed its one-trillionth barrel of oil in December '05. In the blink of an eye, half the world's known recoverable oil reserves were gone.

With roughly 1 trillion barrels remaining, matched against our current rate of consumption of 87 million barrels per day, the world has just 31 years left of oil!

And as the world heads into the second half of the Oil Age, companies and governments alike are pouring hundreds of billions of dollars to find new oil reserves and to develop alternative energy like wind and solar.

But as we shall see, the stark reality of our current oil production will have much more immediate effects. Shortages and persistently higher prices are the first indicators, which are already here. Higher prices will undoubtedly lead to reduced demand, and the oil that remains will last a little longer.

But it appears certain that within the next decade, and possibly within the next three years, we will be forced to start living with progressively less oil each year, every year, for the next century - with profound effects on the economy and just about everything in life as we know it.

Let us be clear about this - This is the most serious challenge the world has ever faced.

From our current vantage point, most people still believe that cheap and abundant oil and natural gas will continue to provide us with low gasoline and grid electricity prices for at least several decades more, just as they have in the past.

This is especially true for the pundits and analysts who regularly appear on television to talk about how improved technology will continue to lower energy costs and bring as much energy to market as we demand... therefore forcing the price back down to \$35 a barrel.

Again, remember Steve Forbes' infamous prediction in 2005 that higher oil prices would cause supply to increase and outpace demand.

But, according to Matthew Simmons, the world's top oil investment banker and an energy adviser to President George W. Bush, the idea that cheap oil would last forever is a 21st-century myth: "The religion was faith-based, not fact-based! It was an illusion!"

At the first Association for the Study of Peak Oil and Gas (ASPO) conference in 2005, Simmons observed that the peak oil problem had started to look like a "theological debate," and quoted Dr. Herman Franssen, saying, "It is time to leave 'I believe' inside a church."

Here are the facts: The largest oil reservoirs are mature, and their production is falling.

Approximately three-quarters of the world's current oil production is from fields that are two or three decades old, past their peaks and beginning their declines.

Death of the Giants

Cantarell, The Third Largest Oil Field in the World Is Dying

Petróleos Mexicanos (Pemex), Mexico's state oil monopoly, said it expects production at its Cantarell oil field to begin declining this year, earlier than previously forecast.

The chief executive of Mexican state oil monopoly Petroleos Mexicanos, or Pemex, said the company expects production at its Cantarell oil field to decline by an average of 14% a year between 2007 and 2015.

Kuwait's Burgan Oil Field in Terminal Decline

Kuwait's Biggest Field Starts to Run Out of Oil (World's 2nd Largest)

It was an incredible revelation last week that the second largest oil field in the world is exhausted and past its peak output. Yet that is what the Kuwait Oil Company revealed about its Burgan field.

Much of the remaining quarter comes from fields that are 10 to 15 years old. New fields are diminishing in number and size every year, and this trend has held for over a decade.

And enhanced oil recovery technology, rather than making ever-greater amounts of oil available, has had the perverse effect of simply allowing us to deplete the existing oil basins more quickly.

Instead of creating future supplies of cheaper energy, enhanced oil recovery has caused us to sell the supply of those high-quality, nonrenewable resources as quickly and as cheaply as possible - leaving little for the future, and that at a much higher price.

To put oil depletion in context, consider these facts:

For every calorie of food that we consume in the United States, 10 calories of fossil fuel input were needed in the form of fertilizers (made from natural gas); pesticides and herbicides (made from oil); fuel to run the machines that plant, tend, harvest, transport, and process the goods; and fuel to deliver them to your grocery store and keep them cold there.

And that doesn't even count the energy needed to transport you to the store, and you and your groceries back home, nor the energy used to cook the meal.

The massive inputs of fossil fuels into food production are what have permitted the world population to increase from around 1.5 billion people at the turn of the twentieth century to its current level of around 6.7 billion people.

In a very straightforward way, food is oil and gas. Food travels an average of 1,300 miles from the farm to the plate in North America, leading critics such as James Howard Kunstler to decry the "3,000-mile Caesar salad" that travels from California's breadbasket, the San Joaquin Valley, to his table in Scranton, Pennsylvania.

But peak oil challenges more than our ability to feed ourselves.

The security costs alone of having the U.S. military protect the oil supplies of the Persian Gulf are around \$44 billion per year.

In fact, an in-depth analysis of the true total economic cost of the nation's growing dependence on imported oil is estimated at \$825.1 billion - almost twice the President's \$419.3 billion defense budget request. And much of that goes into the pockets of people who despise the U.S.

Our dependence on oil - of which nearly two-thirds is imported - is a constant drain on the nation's treasury, not to mention the blood of its soldiers.

We need oil for nearly everything we do, and our entire infrastructure is built on the assumption that there will always be more when we want it, with very little storage or slack along the way. We have a serious challenge ahead of us.

Saudi oil output hike would not solve US problems: Bush

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US President George W. Bush said on Saturday that a hike in oil output by Saudi Arabia would not solve American energy problems.

"It's not enough, it's something but it doesn't solve our problem," Bush told reporters in Egypt's Red Sea resort of Sharm el-Sheikh.

Bush said he was "pleased" with a Saudi decision taken on May 10 to increase its oil production by 300,000 barrels per day in response to customers, but said that he was "also realistic" about what the Americans should do.

"Our problem in America gets solved when we aggressively go for domestic exploration. Our problem in America gets solved if we expand our refining capacity, promote nuclear energy and continue our strategy for the advancing of alternative energies as well as conservation," he said.