

I begin this newsletter quoting from an article appearing in the Third Quarter 2005 issue of the North American Technocrat Magazine, mailed out last week to Subscribers. It is titled "Birth of the Technical Alliance", and is a reprint of an interview by Howard Scott, then Chief engineer of the Technical Alliance, to Charles H. Wood Associate Editor, published in THE NEW YORK WORLD Feb. 21, 1921. "There is no insurmountable problem ahead of the American people. We can have prosperity just as soon as we are willing to go after it... All that we need in order to get prosperity is sufficient natural wealth, sufficient skill, sufficient industrial equipment, sufficient labor power and intelligent direction. We have all of these things except the last..." Howard Scott" Unfortunately, America today has been stripped of many of our then abundant natural resources, and if you are well informed you will know that World Oil production is at or near its historic peak production. This means that the World must prepare for the inevitable end of the "Age of cheap Petroleum."

The Third Quarter Issue of the North American Technocrat is filled cover to cover with facts on this subject, included are the implications of what the Peak in Oil Production will have on our civilization? The information in this issue is important, and is available to anyone for \$2.00. Anyone who would like to Subscribe; one year's subscription (four issues) is \$6.00. For single issues or Subscriptions: Send Check or money order to The North American Technocrat, 2475 Harksell RD., Ferndale, WA 98248-9764.

With Oil into or near its peak in production, the search is on for replacement fuels to keep personal transportation viable. This is the subject of our first article "Ethanol's Potential." Consider the insanity of cutting down the last remaining forests on the Planet. Why? To produce biofuels and continue to waste vast quantities of energy transporting an individual (rarely more than two -- check out your HOV lanes.) in a 2 or 3 hundred horsepower vehicle. These vehicles are used mostly for only a few miles to shop, go to work or school and then park the vehicle for 20 or more hours each 24hr day.

Technocracy suggests communities be designed for people. Any place you would need to reach every day would be within a reasonable walking distance. For the disabled person accommodations such as moving walkways would be provided. An Automobile is a money pit! Take a close look at our society and you will see the city of today (our entire society) is designed for Automobiles and Trucks and that traveling by aircraft is the most extremely wasteful use of energy. All the world's Price System's are by design, wasteful energy users because the only criteria is that of profit and not that of function

Paul Cordsmeyer

ETIANCE SYSTEMAE: Looking Beyond com Danielle Murray

Danielle Murray

At the fuel pumps in São Paulo, customers have a choice: gas or alcohol? Since the mid-1970s, Brazil has worked to replace imported gasoline with ethanol, an alcohol distilled from locally grown sugarcane. Today ethanol accounts for 40 percent of the fuel sold in Brazil.

Ethanol can be produced from a wide variety of plant-based feedstocks; most commonly grain or sugar crops. It is then blended with gasoline as an oxygenate or fuel extender for use in gasoline vehicles, or it can be used alone in "flexible-fuel vehicles" that run on any blend of ethanol and gasoline.

Brazil led world ethanol production in 2004, distilling 4 billion gallons (15 billion liters). The United States is rapidly catching up, however, producing 3.5 billion gallons last year, almost exclusively from corn. China's wheat- and corn-rich provinces produced nearly 1 billion gallons of ethanol, and India turned out 500 million gallons made from sugarcane. France, the front-runner in the European Union's attempt to boost ethanol use, produced over 200 million gallons from sugar beets and wheat. In all, the world produced enough ethanol to displace roughly two percent of total gasoline consumption. (For more examples of ethanol production by country, see data at <http://www.earth-policy.org/Updates/2005/Update49.htm>.)

Efforts to substitute alternative fuels for petroleum are gaining attention in a world threatened by climate change, rural economic decline, and instability in major oil-producing countries. Biofuel crops take in carbon dioxide from the atmosphere while they are growing, offsetting the greenhouse gases released when the fuel is subsequently burned. Replacing petroleum with biofuel can reduce air pollution, including emissions of fine particulates and carbon monoxide. Biofuel production also can improve rural economies by creating new jobs and raising farm incomes. As a locally produced, renewable fuel, ethanol has the potential to diversify energy portfolios, lower dependence on foreign oil, and improve trade balances in oil-importing nations.

Although ethanol's popularity is growing, today's inefficient production methods and conversion technologies mean that this fuel will only produce modest environmental and economic benefits and could impinge on international food security. The largest obstacle to biofuel production is land availability. Expanding cropland for energy production will likely worsen the already intense competition for land between agriculture, forests, and urban sprawl. With temperatures rising and water tables falling worldwide, global food supply and demand are precariously balanced. World grain reserves are near all-time lows, and there is little idle cropland to be brought back into cultivation. Shifting food crops to fuel production could further tighten food supplies and raise prices, pitting affluent automobile owners against low-income food consumers.

Placing greater emphasis on land efficiency—that is, maximizing energy yield per acre—will be essential to making the best use of ethanol. Though corn has broad political support as a feedstock in the United States, it is one of the least efficient sources of ethanol. For example, ethanol yields per acre for French sugar beets and Brazilian sugarcane are roughly double those for American corn.

Also important is the amount of energy used to produce ethanol. Growing, transporting, and distilling corn to make a gallon of ethanol uses almost as much energy as is contained in the ethanol itself. Sugar beets are a better source, producing nearly two units of energy for every unit used in production. Sugarcane, though, is by far the most efficient of the current feed stocks—yielding eight times as much energy as is needed to produce the ethanol. Given their positive energy balances and higher yields, it makes more sense to produce ethanol from sugar crops than from grains.

Ethanol could quickly take off in sugarcane-producing tropical countries, which have the advantage of year-round growing seasons, large labor supplies, and low production costs. As fuel demand rises in these developing nations, biofuel production could check oil imports while bolstering rural economies. Brazil, for example, could produce enough ethanol to meet total domestic fuel demand by increasing the area used to grow sugarcane for alcohol from 6.6 million acres to 13.8 million acres (5.6 million hectares) or by shifting all current sugarcane acreage to ethanol production. Unfortunately, new fields may cut further into already shrinking rainforests, making them a serious environmental liability.

If ethanol is to become a major part of the world fuel supply without competing with food and forests, its primary source will not be grains or even sugar crops; it will be more-abundant and land-efficient cellulosic feedstocks, such as agricultural and forest residues, grasses, and fast-growing trees. Promising new technologies are being developed that use enzymes to break

down cellulose and release the plants' sugars for fermentation into ethanol. A demonstration plant using this technology opened in Canada last year, and large-scale production is expected to be commercially viable by 2015.

Agricultural residues, such as corn stalks, wheat straw, and rice stalks, are normally left on the field, plowed under, or burned. Collecting just a third of these for biofuel production would allow farmers to reap a sort of second harvest, increasing farm income while leaving enough organic matter to maintain soil health and prevent erosion. The agricultural residues that could be harvested sustainably in the United States today, for example, could yield 14.5 billion gallons of ethanol—four times the current output—with no additional land demands.

"Energy crops," such as hardy grasses and fast-growing trees, have higher ethanol yields and better energy balances than conventional starch crops. One likely candidate is switchgrass, a tall perennial grass used by farmers to protect land from erosion. It requires minimal irrigation, fertilizer, or herbicides but yields 2-3 times more ethanol per acre than corn does. Such crops could potentially be harvested on marginal land, avoiding the conversion of healthy cropland or forests to energy-crop production.

Still, with world energy demands rising, biofuels will meet only a fraction of fuel needs unless there are substantial improvements in vehicle fuel economy. Fortunately, the technologies required are available and affordable. Shifting vehicle production to gas-electric hybrids, like those on the market today, and reducing weight and drag would decrease fuel use several fold. Adding an extra battery and plug-in capability to hybrid vehicles would allow short trips to be made using only electric power – preferably produced from wind – decreasing fuel demand to levels that could be met with ethanol alone.

Increasing the role of ethanol in meeting fuel demand will require ongoing research and development to improve biomass-ethanol conversion technologies, along with consistent legislative support for biofuel production and greater fuel efficiency in the automotive industry. Shifting government energy subsidies, such as from oil exploration to biofuel development, is a clear choice as new oil fields prove increasingly elusive. With improved vehicle fuel economy and the use of more-efficient cellulosic feedstocks, biofuel has the potential to supply a substantial share of the world's automotive fuel.

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China to quench growing petrol thirst... Financial Times, June 29,2005
By FT.COM

With oil prices over \$60 a barrel, the Chinese government could not have picked a better time to begin introducing tough fuel economy standards in cars.

From next week, carmakers in China will be required to meet stricter standards for engines than those in the US. The new engine rules are part of a raft of measures Beijing is preparing for the sector.

It is easy to understand why Beijing is talking tough with the carmakers. A dozen years ago, China was self-sufficient in oil. Today, with economic growth raging at around 9 per cent a year, China has become the world's third-biggest importer of oil. (*Error: China passed Japan last year and is now 2nd-largest importer of oil...Paul C.*)

According to Cambridge Energy Research Associates, the Massachusetts-based leading energy consultancy, China accounted for 40 per cent of the increase in world demand for oil last year. Such strong demand lies behind the controversial bid for Unocal, the US energy company, by state-owned China National Offshore Oil Corporation (CNOOC).

At the moment, vehicles consume about a third of China's fuel. Yet as demand for cars doubles to an expected 8m-9m a year by the end of the decade, this will rise to 65 per cent of the oil by 2015, the government says.

With environmental problems increasing in many of China's big cities because of vehicle emissions, the need to limit cars' fuel consumption has become imperative. The government's fuel efficiency offensive begins next week, with the introduction of a first stage of fuel economy standards. The second stage will come in 2008. "They are slightly more stringent than current fuel economy standards in the US," says Amanda Sauer of World Resources Institute in Washington DC.

The Chinese rules have a clear target: the sport utility vehicle (SUV). In the US, vehicle manufacturers are required to meet a standard for the average fuel economy of its entire fleet. Under the new Chinese rules, however, each vehicle has its own standards, with the toughest for the heaviest vehicles. The government hopes the rules will restrain the growth of the SUV and minivan sectors of the market.

Last month China also announced new standards for emissions based on the rules used in Europe which are to be introduced in 2007, and the government is discussing a fuel tax.

Moreover, a leading official disclosed this week that the government was considering linking a vehicle sales tax to engine emission levels. Feng Fei, head of the industry department at the State Council's Development and Research Centre, said cars with engine capacity of more than three litres could face a sales tax of up to 15 per cent.

However, many doubts remain about how effective the government's efforts to restrain oil demand will really be. The fuel tax, for instance, has been under discussion for two years, but the government has so far backed away from imposing it, partly because of the possible inflationary impact. The same fear has prevented the government from letting fuel prices rise to global levels, although it did agree at the weekend to a 4.5 per cent increase in petrol prices.

The level of vehicle emissions is not just connected to engine technology, but also to the quality of the fuel. Although Beijing has taken steps to reduce sulphur content in fuel, analysts say that fuel quality in China remains low due to insufficient refining capacity. The result is that the level of emissions can remain high despite the introduction of sophisticated engines. "Even companies which have brought in the latest vehicle technology to China complain they cannot meet the emissions standards," says Timothy Dunne, partner at Automotive Resources Asia, an industry consultancy, in Beijing.

The other big question is how aggressively the government will enforce its new rules. Although the first round of fuel economy standards is about to be introduced, the rules face considerable uncertainty. "At this stage, three days out, it is still not clear who will enforce the regulations, how they will be enforced and who has overall responsibility," says Mr. Dunne. The government's desire to limit fuel imports could run up against another of its stated objectives, the development of home-grown car companies.

Foreign carmakers have already developed systems that can meet most of the new rules for fuel use and emissions, but many of the more than 100 Chinese manufacturers will need to invest heavily to achieve the standards. "The foreign companies can meet these standards without too much difficulty," says Yale Zhang at CSM Worldwide, an industry consultancy, in Shanghai. "But some of the local companies might face difficulties."

Next Wave From China: Exporting Cars to the West NY Times, June 25,2005 By KEITH BRADSHER

XINSHA, China, June 24 - Honda Motor began loading cars onto a ship here on Friday for export to Europe in China's debut as a volume exporter of cars to the industrialized world.

The shipment follows DaimlerChrysler's disclosure two months ago at the Shanghai Auto Show that it was negotiating to build a factory near Beijing to make small cars for export to North America. It comes at the end of a week when the Haier Group's bid for Maytag and the China National Offshore Oil Corporation's bid for Unocal have fed Western concerns about China's rapid economic rise.

Automakers from around the globe, including General Motors, Ford Motor and Toyota Motor, are racing to build factories in China even as the rest of the world faces severe overcapacity in car manufacturing, raising the prospect that more factories may someday have to close in Western countries as Chinese exports grow.

China's swift development has already alarmed leaders of the UAW and other Western labor unions, who say their members cannot compete with workers earning \$100 a month in coastal Chinese provinces and who would earn half that at auto factories being built in inland provinces.

Following a path already blazed by Korea and Japan, China has built a large auto industry with increasingly high quality over the last decade while protecting its home market behind steep trade barriers. China still imposes a tariff of close to 30 percent on imported family vehicles, compared with American tariffs of 2.5 percent on imported cars, minivans and sport utility vehicles and 25 percent on pickup trucks.

What distinguishes China from its Asian rivals, however, is that China decided much earlier in its automotive development to welcome multinational companies - although only through joint ventures with Chinese manufacturers, who are rapidly learning the latest manufacturing and engineering techniques from their partners.

Particularly impressive, auto analysts said, has been the swift improvement in the quality of cars produced in China. Hironori Kanayama, president of the Honda subsidiary producing the cars here, exhorted employees at a ship-loading ceremony here to improve quality further. "Our market is overseas," he said. "Our competitors are strong international automakers; we have to exceed them. Our only way out is to make products equal to or exceeding those made in Japan." During a brief interview, Mr. Kanayama conceded that the quality of cars assembled here was slightly worse than that of identical models made in Japan, but said that the difference was quite small and narrowing.

Honda tried to play up Friday's shipment for Chinese audiences without feeding fears overseas of China's economic might. Honda paid to fly in scores of Chinese journalists for the ceremony but did little to alert Western journalists, and only three showed up.

Honda employees began driving 150 Jazz wagons onto the Panamanian-registered Liberty Ace on Friday at a dock on the outskirts of Guangzhou, 80 miles northwest of Hong Kong. The ship was already carrying 5,000 cars from manufacturers in Japan, and will carry all of the cars to Ghent, Belgium.

The first batch of Chinese-built Jazzees will then be trucked to German showrooms. Chinese-made and Japanese-made Jazzees will be sold interchangeably and for the same price at Honda dealerships, first in Germany, then in Italy, and eventually across Europe as Honda tests customer reaction. Slightly smaller than a Civic, the Jazz is sold in Asia and Europe but not the United States, where the market for small cars is limited. Honda executives said they had no immediate plans to start building any larger models for export. The cars being exported were assembled at a new Honda factory here that was built just to supply the European market. By agreeing to export all the cars, Honda won the right to own 65 percent of the factory while its local partners own the rest. China has a 50 percent cap on foreign investment in car factories

that supply the domestic market.

During a short press tour of the factory on Friday, it was apparent that Honda had invested in robots where they were needed for quality and safety reasons, in the welding of the automobile bodies. But the factory otherwise relied heavily on manual labor, which is very cheap, with workers pushing carts bearing partly completed bodies and auto parts in places where a larger factory in a Western country would probably have a conveyor belt.

At Honda's huge factory in Marysville, Ohio, nearby suppliers deliver seats and other parts to the assembly line every few minutes, minimizing the need to keep costly inventory on hand. But briefly visible during the press tour here was a large hall full of stacks of spare parts and a couple of hundred gray car seats wrapped in plastic. Honda is still importing many of the parts used here; as was evident from stacks of wooden boxes stamped "Made in Japan" near the welding line.

Atsuyoshi Hyogo, the chairman of the Honda subsidiary here said the company was rapidly increasing its reliance on locally made parts. **The world's biggest auto parts companies have all built factories in China and plan to build more, initially to supply the local market but increasingly to supply assembly plants in industrialized countries as well.**

The journey from the factory to the port captures the swift and continuing industrialization of China. Close to the factory, the road passes miles of banana plantations, together with rows of single-story concrete barracks with corrugated steel roofs for the workers. Farther along are huge factories producing concrete and other industrial materials, with workers in hard hats clambering over the rising steel skeletons of more factories not yet completed.

The Liberty Ace had tied up between a modern dock, with the latest giant cranes using steel talons to load 40-foot steel containers onto a barge, and an aging bulk cargo dock, the cranes equipped with steel buckets for unloading coal, but standing idle and with some rust showing Friday afternoon.

Chinese and multinational automakers in China already export, but until now these shipments have been made on an extremely small scale. A Ford joint venture in China ships 1,000 vans a year to the Philippines. A GM joint venture ships up to 2,000 very small cars to Southeast Asia.

Purely domestic Chinese automakers are starting to export. Brilliance Automotive has announced plans to export up to 2,000 Zhonghua sedans to Germany later this year, and Chery is laying plans to try to start selling cars in the United States in 2007 or 2008. But Honda's effort is much greater: its factory here is scheduled to export 10,000 cars during the rest of this year and reach 50,000 a year within five years.

Robert A. Lutz, GM's vice chairman, predicted at the Shanghai Auto Show that Chinese manufacturers would learn to export in large quantities on their own. "We're rapidly approaching that point - I wouldn't venture to say which one it will be," he told several journalists, later adding, "One or more Chinese brands exported to other regions of the globe and selling successfully I would describe as a sure thing in the next five years."

Go to: <http://online.wsj.com/search#> And click on "A Cartel and Its Snakeoil" on 6-28-05
By WILLIAM TUCKER June 28, 2005; Page D8

In 1956, Shell Oil geologist M. King Hubbert discovered a grand illusion in the American oil industry. For tax purposes, he noted, American oil companies regularly delayed the declaration of new oil reserves by years and even decades. The result was a false impression that new oil was being found all the time. In fact, discoveries had peaked in 1936.

<http://www.eande.tv/transcripts/?date=061505#transcript> (Brian Stemeck) Our guest today is Matt Simmons. He's a longtime energy analyst and also the author of the new book, "Twilight in the Desert." I'm Brian Stemeck. This is OnPoint!

(Brian Stemeck) Hello and welcome to OnPoint. I'm Brian Stemeck. Joining me today is Matthew Simmons, a longtime energy analyst and author of the new book, "Twilight in the Desert." Mr. Simmons, thanks a lot for joining us... (Matthew Simmons) Thank you.

(Brian Stemeck) In the book you basically are arguing that there are five major oil fields in Saudi Arabia that are past their peak and this is going to have major implications for the world economy. Tell us a little bit about the book and about what you found researching some of these fields.

(Matthew Simmons) Well first of all, I for years had assumed that everything I'd heard about Middle East oil was true. That it was, I don't think I'd ever heard someone say that it's unlimited, but certainly the impression was that it's unlimited for any sort of a relevant timeframe and also that it was probably kind of equally distributed all over the Middle East and if you just drill the well there it was almost free and the only thing we had to worry about were geopolitical problems. I've been a 35-year student of the energy business from an investment-banking standpoint. Our firm is one of the few independent firms to start in the '60s or '70s or '80s to still be around and we went through a depression in that period of time, when the oilfields collapsed (Brian Stemeck) Sure.

(Matthew Simmons) We survived through highest quality analysis and then knowing how to communicate that. Over the last 10 years I've found time after time after time that there were just myths, like a rig today is like eight rigs. Somebody just said that one-day and by the time it was said 20 times, it was a fact. But about 2001, I decided that it was so odd that all these experts knew how much oil was going to be coming on the market over time, but nobody seemed to have an idea of the list of the top 50 oil fields in the world from current production.

(Brian Stemeck) Now you've basically been looking at some of the past documents from the 1970s, looking at how the analysts inside Saudi Arabia have talked about how much oil is left, how much they think they can peruse today... (Matthew Simmons) Right.

(Brian Stemeck) How have those numbers changed, and why don't we have an accurate sense of how much oil there is in Saudi Arabia? Is that just them closing it off to us?

(Matthew Simmons) No, it was actually the owners of Aramco that -- (Brian Stemeck) This is a major national oil firm.

(Matthew Simmons) Yeah, Exxon, Chevron, Texaco and Mobile. This was the strangest thing I found, they actually decided to create the impression that there was unlimited amount of oil so they could ramp the production up to 20 to 25 million barrels a day before they had the risk of being nationalized. To do that they'd have to basically convince the Saudi Arabians that there was no right sensitivity to how these fields were produced and out of that came a general impression that Middle East oil was basically so plentiful that demand could grow as high as you ever want to make demand and just worry about geopolitics. It was all an illusion.

(Brian Stemeck) Basically the idea was that the Saudis would always be able to meet our demands... (Matthew Simmons) Yeah, yeah.

(Brian Stemeck) But now that we're seeing a lot more demand from China and India -- (Matthew Simmons) Yeah, and the United States.

(Brian Stemeck) And the high price of oil isn't making demands lessen any, kind of going as your basic economic theory. What's your sense now on how much oil the Saudis have left? Are they giving us an illusion about, when they say they can go up to 12 million barrels per day production, what do you think they actually have left?

Matthew Simmons: Fifteen... (Brian Stemeck) They say 15 million more --

(Matthew Simmons) For 50 or more years. First of all, you and the world are actually asking the wrong question, because I think they have billions of barrels, hundreds of billions of barrels of oil left. I think that their production in these five fields is highly at risk of a pending production

collapse, but when the production collapse happens, they'll still have billions of barrels of oil, just like there's still billions of barrels of oil in West Texas. What they will have lost is the high reservoir pressure that keeps a fabulous amount of well oil flowing from a small number of wells.

(Brian Stempel) Now why do you say, I was reading part of the book and some of your recent studies where you talk about the reasons for these production collapses and when the Saudis refute your claims, people from Saudi Aramco will say, "Well, we have this new technology. We have more central wells. We have ways to access oil in ways we didn't before and that's why our estimates keep going up on how much we can run." You say that's not the case. You say that technology can actually be a bad thing in terms of these kinds of looming collapse states. Can you explain what you mean by that?

(Matthew Simmons) Yeah. The technology, and it's all technology that our firm did investment banking projects on during the '80s to make sure these companies stayed around. What they basically allowed companies to do is actually extract highly flowable oil and gas far, far faster than they could ever do it before. So it creates the semblance of longevity, while you basically pull the reservoirs out so fast that you then get decline curves. There's some natural gas wells in the United States now that once they peak, in about 11 months, in one year down to 5 percent of what they peaked at, in one year... (Brian Stempel) So a really dramatic drop then.

(Matthew Simmons) So that's what the technology created and I've been arguing that all during the '90s in the North Sea. I've been arguing that the single biggest supply problem that we have in the world was trying to get better data on decline curves, so to then find that in fact the people at Saudi Aramco had convinced themselves of the same argument that all the majors in the North Sea did in the '90s. I said, "I can't believe this." I shouldn't know more about this issue than they do, but they apparently believe that these technical tools will basically keep this oil flowing forever. I think there's always a chance of that, but when you get down to very small percentages of a chance, we shouldn't basically be saying there's much of a chance.

(Brian Stempel) Right. Now what's the worst case scenario? With what you're talking about, these fields out on kind of the brink of collapse, if indeed you're right, that the technology is kind of artificially boosting them up. If they do collapse and we see the Saudis have a severe drop off in how much oil they can produce, who's going to meet that demand? Where can that come from and I guess, how does this play into the whole idea of the notion of peak oil?

(Matthew Simmons) Well, I have said very clearly that when it becomes clear that Saudi Arabia is past sustainable peak oil, when you redefine peak as not the highest you can do in a day, but the highest you can sustain for close to a decade, then there is almost total proof, if you want to get to looking at it, that the world has then passed sustainable peak oil production. You're really down to a small list of realistic candidates. Things like, look at a map of how large Russia is and they obviously must have more oil there. I say, look at how urgently the Russians destroyed their giant Siberian fields because they couldn't find anything else. So I do think this is basically the big event if we're going to find any peak oil and that we might have already now passed the sustainable level of production.

(Brian Stempel) Now, has Saudi Aramco, have they been more open about how much oil they have left since you've begun your investigation? I mean you've been talking about this for several years now and they've come out with documents and they counter as saying that they've only used 28 percent of their reserves. They have hundreds of billions of barrels left, there's plenty left. What's your reaction to that?

(Matthew Simmons) First of all, I have an enormous amount of respect for the role that Saudi Arabia plays in the oil markets and I've made that clear from day one, but I also know how to listen very carefully and I've heard their arguments. What their arguments are, are just boasts and what I've continued to say from day one, when this first came up, is that we urgently need data reform and we need the whole world, from Exxon to Shell to BP, particularly Saudi Aramco,

to start producing quarterly reduction reports by field and the number of well bores that create that production so that an analyst can do a well productivity acceleration or decline curve and reserve data by field. Once that data is in public domain it would take me a day to go through Saudi Arabia's data, verified by a third party, not performed by a third party, just verified by an auditor that this is the right set of books. It would take me one day to either publicly apologize that I made a horrendous mistake or to say, "Gosh, it's actually worse than I thought." As long as we get the reaction of there is no reason to share that data. We have no interest in sharing that data. Trust me, we have delivered the goods for 70 years and we have conservative numbers and we can produce 15 million barrels a day for 50 years or once in awhile they say a hundred years, then I say, give me a break. I can sit here today and tell you, and it's perfectly legal, that by 2030 my net worth will exceed Bill Gates or that because I'm 62 and the only time I've ever spent the night in hospital was when I was born, that means for the next 62 years I will never spend the night in a hospital.

(Brian Stempel) Sure... (Matthew Simmons:) It's just preposterous... (Brian Stempel) Now when you talk about these audits, these are already happening in the United States...
(Matthew Simmons) Yeah, yeah.

(Brian Stempel) We've seen a lot of controversy about oil companies in the United States having problems with their estimates. Why isn't this happening around the world? Why aren't people calling for this in Saudi Arabia, in Iran, in other countries with some of these shaky oil estimates?

(Matthew Simmons) Well, the interesting thing is that two years ago there wasn't any mention of this as an issue. This March there was a meeting scheduled for March 11, I believe, on a Friday in Geneva and it got postponed at the last minute because there was a huffiness about who wasn't coming. It was cosponsored by the United Nations and the International Energy Agency and it was going to have representatives from the FCC, from the Financial Accounting Standards Board, the IMF, the G7, it was a real who's who, to get closure on a new mandated energy data reform. That's me pushing that, so I think that we're on the verge of having this done. I hope that the best single thing that happens is that my book creates such controversy that it forces data reform. If it turns out I'm wrong, I'll say, boy, I am so glad because I just ... but we now have data reform versus right now, we're basically just blissfully assuming that trust me and I say good supply chain management. Can you imagine a car company redesigning its car line and somebody says, "Well, who's going to supply the steel?" Well, that's a good question. Oh, I know who it is. What shape are they in? Oh, they're in great shape, I called them.

(Brian Stempel) Now what do you see as, clearly one of the reasons the Saudis are doing this, they're not open about how much oil they have left and being honest about these questions maybe, is because of foreign policy ramifications. If the Saudis do come clean and it turns out that a lot of these wells, as you're asserting, don't have much oil left, what does that mean as far as the US foreign policy toward Saudi Arabia goes?

(Matthew Simmons) That Saudi Arabia gains in relevance... (Brian Stempel) Are you saying total irrelevance?

(Matthew Simmons) No, gains in relevance. I think one of the reasons that people just don't seem to like the Saudi Arabians is they think they have unlimited amount of oil that's free and the jerks are charging us too much. I think on data reform, if it turns out I'm right, my analogy is when you have a really, really wealthy uncle that nobody in the family likes and all of a sudden you hear that he's basically got some terminal disease, everybody starts liking him more. So I think the idea that they'd lose relevancy is a really upside-down idea.

(Brian Stempel) Now what do you say about, we were talking about kind of the idea of peak oil, that once the Saudi's go, as goes the world. But aren't there other, going back to the technology question, as the oil sands from Canada come online, as we look at oil shales, as we look at

production throughout the world, a major new find out West, why aren't these going to make up for Saudi Arabia? Is it just a question of size or why is that?

(Matthew Simmons) It's a question of size first of all and it's a question of the loosey goosey way that we basically switch from high flow rate to high quality oil into bitumen. Bitumen should be called a first cousin of tar or coal and it's a very energy intensive process to turn unconventional oil into usable oil and it comes out and it rates the ooze versus high flow rates. So we just make, it's a terrible mistake that's made all the time, and part of their proven reserves at [Saudi Arabia's] Ghawar [oil field] for instance, without any question, are almost 100 mile long tar mat that's 500 feet thick, well that's bitumen.

(Brian Stempeck) And that's what they're counting as part of their possible reserves? —

(Matthew Simmons) Yeah, yeah, yeah...

(Brian Stempelk:) So that's one of the reasons that you think these are inaccurate?

(Matthew Simmons:) Yeah, yeah. I happen to believe that, I know because it's a matter of public record, it's just no one ever looked at this and it's in the book, that in 1979 the senior management of Aramco, under subpoena, told an investigation by a subcommittee of the House on Foreign Relations, I mean the Senate Foreign Relations Committee, that if Saudi Arabia produced 9.8 million barrels a day, which was the current rate, that by the early 1990s the North Ghawar, Abqaiq and Berri, which is basically 7 million barrels a day of production --

(Brian Stempeck) Major fields... (Matthew Simmons) Would go into irreversible decline. They also said that they had under FCC standards 110 billion barrels of proven reserves, they had 177 billion barrels of proven and probable reserves and 245 billion of proven, probable and possible reserves and eight years later, without a single additional find, that number turned into 260. To think that, this chief engineer that did that work sent me an e-mail on Friday saying, "I've just finished your book. You have liberated me. I can now talk openly. It was me that actually did the work."

(Brian Stempeck) So the stats are coming true basically... (Matthew Simmons) The stats are coming true.

(Brian Stempeck) One last question for you because we're running out of time, the energy bill this week of courses on the floor of the Senate. Though it's not your business to recommend new policies, but as we're talking about peak oil, as we're talking about where to go from here, what do you see as the path forward, whether it be hydrogen or hybrid cars, and is the Senate bill the right way forward?

(Matthew Simmons) First of all, the Senate bill is a start to going on to a war footing to fight the energy war. I think that's the way we have to look at this. It's not the end of it; it's just getting started. The most important provision in the energy bill is the most contentious provision and that's, at the very least, doing a scientific survey of our outer continental shelf to see what energy we might have. If the senators are so haughty about that that they say, "We won't do that," then we should start today dismantling the U.S. economy... (Brian Stempeck) All right. Well that will be the last word right there... (Matthew Simmons) Thank you.

**Contact CHQ Technocracy Inc. 2475 Harksell Rd., Ferndale, WA 98248 or
CHQ111@aol.com if you wish to volunteer to help with the Peak Oil Alert Campaign.**

“Fifty years ago, the world was consuming 4 billion barrels of oil per year and the average discovery was around 30 Billion. Today we consume 30 billion barrels per year and the discovery rate is approaching 4 Billion of crude per year.” Kjell Aleklett-
atimes.com

