



Higher Oil Prices



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By Brian Hicks

When the recession is over a supply of oil will become a problem again and prices will increase. This will lead to shortages in tinplate production.

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Dear Wealth Daily reader:

I'm starting to sound like a broken record...

Yesterday, the media again called on your faithful editor to report on the alarming price rise in oil. I was interviewed on Bloomberg by the lovely Catherine Yang. You can see the interview here: <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a14phE3U3CPC>

And then just 20 minutes later, I did a segment on Neil Cavuto with my good friend Kevin Kerr. You can see that interview here: <http://www.wealthdaily.com/videos/brian-hicks-fox-oil>

I expect that I'll be doing many more television appearances in the months ahead as everybody is starting to wake-up to the idea that we're in real trouble over *higher oil prices*. In fact, it's no longer underground thinkers and market observers (which I consider myself to be) that are sounding the alarm.

A widely-followed industry report on international oil supplies released today suggest that oil prices could move permanently over \$100 a barrel very soon.

This gloomy assessment comes from the International Energy Agency (IEA). Let me say upfront, the IEA is well-respected within the industry... and isn't known for alarmist warnings. However, in today's report, the IEA did a complete 180. In the IEA's 2007 report, it **argues that governments need to make urgent, bold decisions on energy policy, or risk massive environmental and energy-supply crises within two decades - crises and shortages that could spark serious global conflicts.** "I am sorry to say this, but we are headed toward really bad days," IEA chief economist **Fatih Birol** was reported saying.

Read that again. And again.

That's exactly what we've been saying for the past 4 years.

The reason for the IEA's alarm is its expectation that economic development will raise global energy demands by about 50% in a generation, from today's 85 million barrels a day to about 116 million barrels a day in 2030.

Nearly half that increase in demand will come from just two countries - China and India, which are electrifying hundreds of cities and putting millions of new cars on their roads, most driven by people who once walked, or rode bicycles and buses.

Do the math. In next 23 years, global oil consumption will increase by 31 million barrels PER DAY!

That's the equivalent of about 4 Saudi Arabias!

And that doesn't even take into account the declines we're witnessing in current oil fields.

Throw in the decline rates, which is hovering around 2% per year (or nearly 1.8 million barrels per day), and the situation grows even more dire.

Need more evidence?

How about the CEO of a major oil company.

Last week, Christophe de Margerie, CEO of the French oil giant Total, told the Financial Times that even the target of 100 million barrels a day is an optimistic one for an industry that currently produces 85 million - far short of the 116 million barrels a day the IEA projects will be needed by 2030 to fuel the global economy.

Want more bad news?

Okay. Former energy advisor to Bush and Cheney, Matt Simmons, recently published a report on the current oil crisis.

I'm not here to scare you, but you need to hear what he said.

Matt says...

- Oil supply peaked in 2006.
- "The most important finding is the steep decline of oil supply after peak."

2006: 81 mmb/d
2020: 58 mmb/d
2030: 39 mmb/d

Prime Minister this is the predicted oil production for 2030 you cannot ignore these figures.

Source: Energy Watch Group: "Crude Oil the Supply Outlook"

- This crisis leads to war.

And just in case that doesn't sober you up, here are Matt's final parting shots:

- If crisis is ignored, it leads to social chaos.
- If Peaking is past tense, we ran out the clock for easy transition resolutions.
- The wolf is inside the house.
- The 500 pound elephant just sat on our chest.

If you think this is just fear-mongering, then check this out:

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CHINA

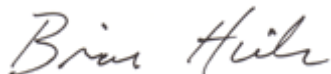
Beijing fears social instability from higher oil prices

Oil companies want price liberalisation, but government says no, fearing higher inflation, loss of competitiveness and social unrest.

If the communists are worried about the fallout of higher oil prices (China is a police-state), imagine what could happen here.

Get ready.

It's time to profit, not panic,



Brian Hicks