Astute Investors Understand Implications of Resource Depletion

"Never ask a barber if you need a haircut."

Warren Buffett

While the mainstream media aren't doing justice to the oil depletion issue, many astute business leaders have already made plays and are joining the chorus of industry insiders who understand the implications of such challenges. One interview which slipped through was an interview with Warren Buffett, chairman and CEO and the largest shareholder of Berkshire Hathaway. Often ranked among the top three richest people, Buffett publically declared in 2008, on CNBC Squawk Box, he believes we have hit 'peak oil.' Buffett renowned for his astute investment acumen and ability to pick long term trends has amassed billions from his ability to understand markets and investment opportunities. In the CNBC interview Buffett subtly discusses oil depletion.

When asked about resources Buffett said, "if you take oil, we have been sticking straws in the ground since 1850,' something since Colonel Drake in Titusville, we have found a lot of the oils to be found. If we are going to use 85 million barrels a day and the rest of the world is going to increase its demand in the next five or ten years then we are going to have a tough time maintaining this production that satisfies those at this price even. I think oil with 6.5 billion humans we are going to use a lot more oil than a lot fewer used twenty or thirty years ago." He continues, "we have 500,000 producing oil wells in the United States, the average production is eleven barrels a day. 500,000 times we have actually hit but if you look at our production versus thirty years ago it is way down and most fields are depleting at a pretty good rate. If demand grows at a million or a million and a half barrels a day year to year, the present fields deplete and we don't find the elephants in the future, who knows what the equilibrium price will be." While Buffett suggests there are some alternatives such as wind and solar, which he has invested in, he predicts these are "not a big answer to the kind of energy demand that the world needs, that is coming along, we have to do what we can in alternative energy but I do not see that as a cure all."

Buffett's 2009 decision to acquire Burlington Northern Santa Fe (BNSF) railway for $34 billion, the largest investment to date for Berkshire Hathaway, was a landmark investment for the eighty year old. With the cost for airfreight per ton mile at around 82 cents, compared with trucking at 26 cents to rail at a mere 2.9cents it is little wonder Buffett made the decision with oil prices remaining high.[327] Buffett's vision and ability to analyse data has positioned Berkshire Hathaway for the future. Increasing oil prices, unpredictable supply and growing demand shows Buffett is confident 'peak oil' is inevitable.

Jim Rogers an American businessman, investor and author, has also been vocal in his views on the decline of oil. Rogers came to fame when he and George Soros founded the Quantum Fund. He achieved a remarkable result over a ten year period, returning 3,365%. At the same time the S&P advanced about 47%. Rogers in a 2011 CNN interview said, "the problem is the world is running out of known supplies of oil, period. The surprise will be how high the price stays and how high it eventually goes. The IEA is going around pleading with people to listen and the world is running out of oil. The known reserves of oil are depleting at a rate of 4 to 6% per year, figure it out, it is simple arithmetic, were running out of known reserves of oil." As well as an advocate for holding gold, Rogers in his September 2014 blog spot outlines one of his investment strategies. "I prefer agri commodities at the moment because their prices are down and have been down from a long time, which is leading to fundamental distortion in agriculture. Inventories, worldwide, are near historic lows as we have been consuming more than we have been producing. More, we are running out of farmers worldwide. The average age of farmers in the U.S. is 58 years, it is 66 in Japan, etc. There are very few young people going into agriculture. The world is facing a serious problem as regards agriculture."

Matthew Simmons was founder and chairman of Simmons & Company International. It is one of the largest independent investment banks specialising in the energy industry. With offices in Houston, Scotland, London and Dubai, Simmons had a pretty good grounding in the energy markets. He was also served as energy advisor to George W. Bush and a member of the National Petroleum Council. In 2005, Simmons wrote a book called *Twilight in the Desert.* This controversial bestseller examined if Saudi Arabia was capable of providing the quantities of oil the global economy needed. With his background as key investment and financial advisor, he had privileged access to certain areas and people. On visiting the headquarters of Saudi Arabia's state-owned oil company, Saudi Aramco, he met with high level Saudi Aramco management. They explained the company was using, "fuzzy logic" to maximise production from the nation's major oilfields. Simmons suspected something was array and was unconvinced of Saudi Arabia's supposed oil potential.

Simmons suspicious were confirmed when he came across an extensive assortment of technical papers from the Society of Petroleum Engineers (SPE), which offered an in-depth look into Saudi oil production over the past 40 years. This collection of 200 odd papers documented technical difficulties the Saudi's faced in production and extraction of Saudi's vast resource. The documents contradicted the Saudi claims of robust fields which had plentiful reserves. Simmons concluded, Saudi oil was in fact close to or had already reached a sustainable production level. This meant at any time production was likely to start declining in the near future. As well as suspecting production was about to decline, Simmons suspected decline rates would be high. The Saudis had used various techniques such as injecting water into fields to help maintain reservoir pressure.

Another highly respected energy expert is Colin Campbell, a retired British petroleum geologist. Campbell worked for numerous organisations such as Texaco, British Petroleum, Petrofina, Norsk Hydro and Shenandoah Oil as well as Oxford University. Campbell also vocal in his views of resource depletion founded the Association for the Study of Peak Oil (ASPO), in 2000. This organisation helps facilitate discussion and education around the potential challenges 'peak oil' will have throughout society. Today the ASPO is represented in almost all European countries as well as associations in China, U.S., Canada, Australia and New Zealand and South Africa. Campbell outlines the challenges ahead, "the peak of oil discovery was passed in the 1960s, and the world started using more than was found in new fields in 1981. The gap between discovery and production has widened since. Many countries, including some important producers, have already passed their peak, suggesting that the world peak of production is now imminent." Campbell believes there are no new potential oil fields sufficiently large enough to offset future energy demand. He is also sceptical about the size of OPEC oil reserves, believing they are artificially inflated. By inflating production quotas, OPEC hopes to improve their chances of continuing to secure loans from organisation such as the World Bank. In a lecture in the University of Clausthal in 2000, Campbell outlined succinctly some potential impacts of 'peak oil'. "There is, I think, a strong danger of some ill-considered military intervention to try to secure oil. A stock market crash seems inevitable, as some investment managers are now telling us. The global market may collapse because of high transport costs and global recession. Self-sufficiency will become a priority."

In June of 2006, the former president of the United States, Bill Clinton, gave a talk at the Association of Alternative Newsweeklies convention in Little Rock Arkansas. The 'Georgia Straight,' asked Clinton if he thought that Saudi Arabia, United Arab Emirates, Iran, and Kuwait had exaggerated their estimates of proven oil reserves. The Straight also asked Clinton if this were the case, what were the implications for the North American economy? Clinton acknowledged the biggest Saudi oil field which has about eight or ten percent of the world's oil had been heavily drilled. He also understood how fields have been injected with sea water to help with extraction. He went onto outline how much of the retrievable oil is now 90 percent sea water, 10 percent oil, which dramatically increases the cost of disaggregating it. This implies there may be less oil there than is widely thought. Clinton, obviously aware of the significance and technical aspects of oil extraction, goes onto say, with our current declining energy returns "we simply don't know how to run an economy without any petroleum."

Another heavy hitter in the world of energy and an expert on resource depletion is Ian Dunlop, senior member of ASPO-Sydney. Dunlop an engineer was formerly a senior international oil, gas and coal industry executive. Dunlop worked for energy giant, Shell, for decades and chaired the Australian Coal Association in 1987-88, chaired the Australian Greenhouse Office Experts Group on Emissions Trading from 1998-2000 and was CEO of the Australian Institute of Company Directors from 1997-2001.[336] In 2013, Dunlop made a bid to join the board of mining giant BHP, on a platform of radical action against climate change as he saw a 'major strategic gap' in the BHP board thinking.[337] In an address to Engineers Australia, titled *'Peak Oil, Climate Change & the Global Sustainability Emergency'*, Dunlop outlines some of the challenges. These include: not discovering new oilfields quickly enough and certainly no giant fields, the data on existing oil reserves is suspect, particularly in the Middle East, with many established oil provinces are in decline and depletion rates may be more rapid than officially admitted. Unconventional resources are proving difficult to develop both technically and economically and oil producing nations are using more oil domestically and are exporting less.

These are but a few of the voices trying to bring attention to the seriousness of the 'peak oil' debate. It is important to note these people are some of the world's leading business people and experts in matters of energy and industry. The one thing these individuals have in common is they are acting on the knowledge base they have accumulated. All are making educated investment and business decisions, or are trying to raise awareness around the pressing issues. While some of these players have vested interests in certain business interests, others do not. Many are attempting to raise awareness and bring light to the urgency and enormity of the situation.