



**OFFICE OF  
THE HON MARTIN FERGUSON AM MP  
MINISTER FOR RESOURCES AND ENERGY  
MINISTER FOR TOURISM**

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C10/1388

Mr/Ms Hammy Goonan  
[hammy@goonanism.com](mailto:hammy@goonanism.com)

14 MAY 2010

Dear Mr/Ms Goonan

Thank you for your email of 15 April 2010 to Martin Ferguson concerning peak oil supply. The Minister has asked me to reply on his behalf.

The Australian Government takes energy security very seriously, including the possibility of peak oil supply. The Government is closely monitoring assessments of global oil reserves and is independently evaluating the risks to Australia's current and future energy security.

In the 2009 World Energy Outlook, the International Energy Agency (IEA) forecasts non-Organisation for the Petroleum Exporting Countries and global conventional oil production to peak in 2010 and 2020 respectively, but goes on to argue that total global oil production should not be expected to peak before 2030. A gradual decline in global conventional oil production will be offset by rising unconventional oil production, as technology to extract unconventional oil matures. Further, the IEA has reported in the past that "estimates of remaining proven reserves of oil and natural gas liquids range from about 1.2 to 1.3 trillion barrels (including about 0.2 trillion barrels of non-conventional oil). They have almost doubled since 1980. This is enough to supply the world with oil for over 40 years at current rates of consumption".

Analyses such as this helps to inform the Government's own comprehensive assessments and policies relating to liquid fuel security, including the National Energy Security Assessment (NESA) and the Liquid Fuel Vulnerability Assessment (LFVA), which were both released in 2009. The NESA concludes that Australia's liquid fuels security is likely to remain strong over the next fifteen years, reflecting deepening regional markets for crude oil and refined products. The NESA can be found at: [www.ret.gov.au/energy/energy\\_security](http://www.ret.gov.au/energy/energy_security).

The NESAs conclusions are sensitive to the continued operation of well-functioning regional and global markets, and timely and adequate investment throughout the oil-supply value chain to reduce the risk of supply crunches. Indeed, the key security risk facing global energy markets is one of insufficient and ill-timed investment in the wake of the global economic slowdown, rather than a lack of oil reserves 'in the ground'.

According to the IEA, planned global investment in oil and gas production fell by about one-fifth (about US\$90 billion) in 2009 as a result of tighter financing conditions and lower investor confidence. A lack of timely investment in the present has the potential to create very tight oil supply-demand balances in the future as the global economy recovers more fully.

In this context the Government is encouraging exploration and development of Australian offshore oil and gas reserves through a range of measures, including improved acreage release and tax arrangements.

The Government will continue to monitor and assess oil market conditions on a regular basis to support effective policy responses to fast-changing market circumstances.

Energy security is ultimately a global issue. In order to promote timely investment throughout oil value chains and to maintain open, transparent and competitive global liquid fuels markets Australia engages actively and effectively within fora such as the IEA, the International Energy Forum, the Group of Twenty (G20) and the Asia-Pacific Economic Cooperation Energy Working Group.

Thank you for taking the time to write to the Minister. I trust this information has been of assistance to you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Timothy Wilson', with a long horizontal flourish extending to the right.

Timothy Wilson  
Assistant Adviser