

## \$100 OIL AS AN OPPORTUNITY

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Oil prices have hit the roof again, breaking the psychological three digit barrier of \$100 per barrel of crude. There are hushed whispers everywhere that this time it is due to a supply crunch; production has hit the plateau, perhaps never to recover again. 'Peak Oil' proponents are beaming and saying, "we told you so, long ago." World consumption is slated to increase to 87.8 million barrels per day in 2008, 2.1 million barrels more per day than in 2007. Demand from China alone will increase 5.7% to 8 million barrels per day. Very soon, the daily global demand will touch 100 million barrels. Oil experts are convinced that even after accounting for new supplies from unconventional oil sources, the capacity to meet the increasing demand will gradually be on the ebb. That is when classical economics will begin to work: supply unable to meet demand and the resultant rise in prices.



The projected supply crunch has prompted two entirely different sets of reactions worldwide. The first is of speculation which is driving prices further high. Speculators are betting on prices doubling to \$200 per barrel by the end of 2008! It is reported that options to buy oil for \$200 on the New York Mercantile Exchange rose tenfold in November and December 2007 to 5533 contracts. We can leave speculators to their devices. The optimists predict prices to go down to \$75 or so per barrel. But recent history prevents us from believing the optimists too much. It is probably safe to assume that the current price levels of \$90 to \$100 per barrel achieved in the recent past may stay, if not increase in the near future. The second reaction to \$100 oil has been increased frenzy to drill deeper for oil. This optimism about deeper reserves has been strengthened by the recent oil find in Brazil by Petrobras. Brazil's Tupi field, the second largest find in the past two decades is about eight kilometers below the ocean surface and will take at least five years to develop. Government of India has decided to invite companies like Chevron and Texaco for deep water exploration in India. Such a strategy may add precious little to the overall supply of oil, especially since we are already importing 75% of our requirement. It cannot work even in the short-term because exploration and commercial development may take years; even if we assume deepwater reserves of oil in India. The long-term and real solution lies elsewhere.

Even the major oil producers of the world are turning to invest in sustainable energy. The Middle East countries are deploying their petro dollars for investment in renewable energy projects worldwide. Some of them have also actively started looking at the possibilities of developing wind power and solar energy within their countries. Abu Dhabi is building the first zero-carbon city in the world. All multinational companies are investing billions of dollars to develop efficient R.E. technologies. The latest is Google, who in December 2007, announced plans to invest millions of dollars to accelerate research and deployment of renewable energy technologies. In fact, the most important area where fascinating research is taking place is in new energy technologies. The world recognised this opportunity much before oil hit \$100 per barrel. The global corporates are not necessarily motivated by an urge to mitigate climate change. They see a big opportunity; for them green means better bottomlines. What are we in India doing?

\$100 oil comes across as an opportunity; the time to intensify research and deployment of clean energy technologies. Besides providing energy autonomy, green sources of energy will, in the long-term, lead to mitigation of climate change. Let the hares run fast and helter-skelter to secure the fast depleting reserves of fossil fuels. India can don the garb of the proverbial tortoise to work steadily (but not slowly) towards a clean energy economy. One technology – wind power – has shown the way as to what India can do. If we remove the hidden subsidies to fossil fuels and the policy cobwebs, other clean technologies will follow suit. A tremendous amount of planning, R&D, dedicated knowledge generation and its application needs to be initiated forthwith for a real, sustainable, and energy secure future. We in WISE have been, for the last two years, advocating the adoption of a Renewable Energy Law for India to hasten this process. There are many more such policy and legislative measures which we can initiate to kickstart the much needed transition to a post-fossil fuel world. All we need is the will to do it. If we have the will, \$100 per barrel surely can be turned into a big opportunity. An opportunity to create a green, safe and secure future for our country.