Rail line closures will worsen our serious Oil Vulnerability

The impending closure of WA's Tier 3 grain freight rail lines is another example of transport being planned by looking in the rear-vision mirror, rather than by looking ahead.

The problem is that Governments appear blind to the high probability of future oil shortages. These are likely to occur perhaps within the next five years or perhaps later. They may not happen, but it is very probable, and we should be including oil shortage scenarios rather than just assuming business-as-usual and "She'll be right".

Geologists recognise that many of the world's giant oilfields were found perhaps 50 to 60 years ago. Their production has been declining, by about 6% pa according to estimates from the International Energy Agency.

New fields are still being brought into production and more are still being discovered, but most of them now are small rather than the super-giants which have supplied the world for the last half-century or more. The new fields are not matching the ever-increasing demand from China and India and the other developing countries. The IEA has estimated that the world will need extra production equivalent to four additional Saudi Arabias just to support current consumption levels for the next decade and a half. The chances of finding another one are slim, let alone four. The investment required just to hold production steady is enormous *"Compensating for output declines absorbs more than 80% of upstream oil and gas spending"*

The NSW automobile club, NRMA, has warned in two reports by Air Vice Marshall John Blackburn that Australia's oil vulnerability is increasing. Already 91% of the fuel that powers our cars, trucks and planes is imported, directly or indirectly. If imports are interrupted for any reason, Australia has only about three weeks of fuel on hand. Essential deliveries to supermarkets, pharmacies, hospitals and everywhere would rapidly grind to a halt. Farmers could be short of fuel for seeding, harvesting and transporting grain.

Federal and State government long term transport planning is quite casual about forecasts of global oil production declines. Successive Energy White papers and WA reports have glossed over the risks. In 2004, the WA Government Transport Energy Strategy Committee produced a report which was printed but never released. More recently, the WA Strategic Energy Initiative in its Directions paper recommended the preparation of a separate State Transport Energy Strategy Plan. This important idea was quietly dropped from the final report in 2012.

The major independent oil companies, like Shell, BP and Exxon are all facing dwindling oil reserves and rapidly increasing costs of exploration and production. Major oil producing countries are using more and more of their oil domestically, leaving less to be exported. Indonesia, for instance, was for years a significant exporter and member of OPEC. Dwindling production and increasing domestic consumption means that Indonesia is now an oil importer, and has left OPEC.

The US has increased production from its shale oil boom in fracking tight oil formations, but forecasts from the US Energy Information Agency suggests that rather than solving the world's problems, US oil imports will start rising again within a few years. The EIA recently revised downwards, by a whopping 96%, its glowingly optimistic forecast of how much shale oil would be produced from the Californian Monterey shale. So California's predicted shale oil boom will not eventuate, This cuts the estimate of producible shale oil in the U.S. by 60 percent.

Australia's oil production reached its peak in 2000 and has been declining ever since. Bass Strait oil has been very largely exhausted and the NW Shelf production has been falling steadily.

The hype from US shale oil even reached Australia. A small Queensland company reported shale oil under Coober Pedy in quantities close to the reserves of Saudi Arabia. Sadly, not even their own shareholders seemed to believe them judging by the share price fall not long after the announcement.

A CSIRO economic study had a worst-case scenario of 8/litre fuel in ten years. Anything like this level of oil price or oil shortages will make WA's transport planning look very short-sighted.

The decision to close the grain rail lines will mean many thousands of wheat trucks sharing narrow country roads dangerously with cars and school buses and of course serious damage to the roads. Trucks use perhaps four times as much diesel per tonne of wheat, so changing to trucks will further increase the oil vulnerability of our agriculture.

The WA Government should seriously consider our already risky level of oil vulnerability before embarking on important transport infrastructure decisions which will further exacerbate the problem. An honest serious Transport Energy Plan would be a good place to start.