

Launch of Forfás Oil Dependency Study

Forfás today (Tuesday 4 April) published its report *A Baseline Assessment of Ireland's Oil Dependence: Key Policy Considerations*. This report examines the extent to which the Irish economy is vulnerable to an oil production peak scenario and the policies required for preparing for such an event.

Recent developments in the global oil industry have resulted in many countries having to evaluate their overall dependence on oil as a key input to their economy. Threats to security of supply, increasing global demand, slowing rates of new oil discoveries and rising oil prices have become major concerns globally. The concept of peak oil, a situation whereby world oil production reaches a point where it can no longer be increased, has become ever more important in recent years.

The report outlines that, while the timing of such an event is widely debated, the potential problems that could accompany it are well known.

Speaking on the launch of the report, Martin Cronin, Chief Executive, Forfás commented, "The high probability that a supply of cheap oil will peak over the next 10 to 15 years, poses a serious challenge for the global economy. As peaking is encountered, liquid fuel prices could increase dramatically and governments, businesses and economies could face significant economic and social change. Ireland is more dependent on imported oil for our transport and energy requirements than almost every other European country and it will take up to 10 years to significantly reduce this dependence. It is essential that we now begin to prepare for such a challenge."

The report also states that Ireland's ability to continue attracting high levels of foreign direct investment and to provide a supportive environment for Irish industry generally will depend on its capacity to deliver a secure and uninterrupted energy supply at a competitive cost.

Mr Cronin added, "A national strategy that encompasses areas of energy, transport, enterprise, spatial, environmental and research policy is a requirement for Ireland in preparation for the challenge of peak oil. Countries such as Sweden have taken a proactive approach to this challenge. Ireland also needs to take a long term view of the issues. The review of energy policy currently underway within the Department of Communications, Marine and Natural Resources provides a window of opportunity to prepare for the oil challenge. Breaking Ireland's dependence on oil will also bring opportunities for strengthened competitiveness, technological development and progress."

Key conclusions of the report include:

- There is growing evidence to suggest that the era of a plentiful supply of conventional oil is approaching an end. Various experts have developed projections for when peak oil will occur. While there is a wide variation of estimates about the likely timing, most expert commentators believe that 10 to 15 years from now, conventional oil supply will no longer be capable of satisfying world demand at current prices.
- Ireland consumed nine million tonnes of oil in 2004, an amount that has doubled since 1990. In 2002, Ireland ranked 3rd highest among the EU-25 countries in terms of oil consumed per capita.

Electricity generation and transportation are the two main factors for Ireland's high oil dependence. Ireland relies considerably more on oil for electricity generation than most other EU countries and as of 2002 was the 6th most dependent country of the EU-25 countries. The amount of oil consumed for transportation in Ireland tripled between 1972 and 2002, leaving Ireland consuming at least 50 percent more per capita than the average of the EU-25 by the end of the period.

- Ireland is particularly vulnerable to an oil shock whether in the form of high prices or oil shortages. Taking into account the Irish economy's relative dependence on imported oil and the relative share of oil in total Irish energy consumption, Ireland is among the most sensitive to rising oil prices and therefore among the most vulnerable to a peak oil scenario.
- The report calls for a national strategy to deal with the challenge posed by peak oil and outlined a list of key policy options for Ireland that should be considered including initiatives aimed at reducing the usage of oil in transportation, addressing security of supply concerns and improving energy efficiency practices.