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# Lifestyle-changing energy crunch coming

**DON CAYO**
VANCOUVER SUN
**COLUMNIST**

Most North Americans are oblivious, but a lifestyle-changing energy crunch is coming soon, according to a Calgary-based energy analyst.

"In the next five years, 10 at most, something has to give," said Peter Tertzakian, chief economist at ARC Financial Corp. He's also author of *A Thousand Barrels a Second: The Coming Oil Break Point and the Challenges Facing an Energy Dependent World,* and he was in Vancouver on Tuesday for a breakfast lecture sponsored by ARC-owned Nexterra, a Vancouver-based high-tech energy company.

It's not that the world is running out of oil. It's that, as cheap conventional supplies dwindle, new oil tends to be locked underground in places that are geographically at the ends of the earth and geopolitically in the midst of seething hot spots.

And North America's oil addiction, Tertzakian noted, hasn't stabilized like Europe's or Japan's.

In fast-developing China and India today, oil consumption increases about 90 million barrels per day for each $1 billion of additional GDP.

Most developed countries used to be just as dependent on oil for growth, but since the oil crisis of the 1970s most have managed to break this link. Japan and most European countries now can expand their economies while using no more oil, sometimes even less, than they did in the 1970s.

The United States — by far the world's largest energy consumer, using three times as much as second-place China — has managed only to reduce its dependency on oil to fuel its growth from about 90 million barrels to about 45 million per each additional $1 billion in GDP. Canada, which uses even more energy per capita than the U.S., has improved even less. We still use about 60 million extra barrels of oil for each additional $1 billion in GDP.

Why the difference between North America and other developed countries?

Because, unlike us, after the oil shocks of the 1970s those countries made permanent lifestyle adjustments — they drive far less than we do, or they're much more judicious with their thermostats.

Not that the '70s didn't change anything in North America. Here, as in most of the world, it spurred a massive change away from burning oil to produce electricity, boosting both nuclear and coal industries to the point where oil now produces just two per cent of all electricity, down from 20 per cent 30 years ago.

And North American cars, like cars everywhere, got smaller and more fuel-efficient.

Tertzakian calls these things the "low-hanging fruit" — things that were affordable and fairly painless. But he warns that such successes can't be repeated when the next crunch comes. Those magic bullets are spent.

Even more worrisome is that North Americans may grump a lot about energy prices, but they haven't changed their spots. Today's trend toward inefficient SUVs and pickups — the choice of 53 per cent of people who buy new passenger vehicles — is negating fuel savings obtained through technology, he said. And as suburbs sprawl and commutes lengthen, North Americans drive about 20 per cent farther every year than their parents or grandparents did in the 1970s.

Meanwhile, old fields continue to produce less and less each year as reservoirs run down.

So even if the world — the gluttonous North Americans and the thirsty up-and-comers in the developing world — could suddenly curb their insatiable appetite for more oil each year, two new oil fields the size and richness of Iraq's would have to be brought into production every year just to maintain today's flow, he said. And easy to find and exploit oil fields — like easy steps to reduce oil dependency — are already history.

Like every analyst, Tertzakian noted that it's not the amount of oil that's the limiting factor, it's the amount of oil at a price that the world is willing to pay.

His short-term prediction is that oil will hover in the $60-$65 US per barrel range, but he sees it moving fairly quickly to a level where it'll become what he calls a break point — a trigger to change human behaviour.

He's optimistic that, despite the way fast-developing countries slurp up oil to fuel their growth, they may — like Europe and Japan — be able to lessen their dependency quickly and gracefully.

Countries like India and China are new enough to prosperity — and authoritarian enough — to be able to shape their growth and their people's habits in energy-efficient ways.

In North America, where limitless cheap energy is seen as a birthright, he sees a tougher challenge, and ultimately a need for government intervention. It would take a market price in the region of $135 a barrel — nearly twice the level that gave Lower Mainland drivers the heebie-jeebies for a few weeks last summer — to prompt a permanent change from market forces alone, he said.

But higher taxes and/or tougher regulations are only second-best solutions, he said. Best would be moral suasion.

"People have to wake up and realize it's just not cool to drive a six-wheel Hummer. It should be seen like smoking in a restaurant."

*dcayo@png.canwest.com*