

Total chief warns on oil output

Production to fall short of forecasts

Politics, security and geology blamed



By Ed Crooks in London

The world's capacity to produce oil will fall well short of official forecasts, the chief executive of Total warned yesterday. In an unusually stark prediction for the head of one of the world's biggest oil companies, Christophe de Margerie, CEO of the French group, said it would be difficult to reach even 100m barrels a day.

The International Energy Agency, the rich countries' watchdog, in its business as usual" projections, has said oil supply will reach 116m barrels a day by 2030, up from about 85m b today. The US government has a similar forecast of 118m b/d in 2030, including a relatively small contribution from biofuels.

Mr. de Margerie, however, said while forecasts could always change, "100m barrels [per day] is now my view an optimistic case" He added: "It is not my view: it is the industry view or the view of those who like to speak clearly, honestly and not... just try to please people."

He refused to speculate on the outlook for oil prices but suggested the tightness of supplies would be likely to keep prices higher.

Mr. de Margerie said the problem was not with the amount of oil in the ground. Reserves have never been so big," he said, partly because advances in technology had made more sources of oil accessible. Instead, the constraints were the industry's ability to produce the oil quickly enough and oil-rich countries' willingness or ability to develop their reserves.

"We have been, all of us, too optimistic about the geology. Not in terms of reserves, but in terms of how to develop those reserves: how much time it takes, how much realistically do you need."

He said the industry had also "misunderstood" that resource-rich countries would want to preserve some of their best oil fields for the future, while offering smaller and more difficult fields to foreign investors. In many countries, including Iraq, Nigeria and Venezuela political and security problems were holding back supplies, and there was great uncertainty over the outlook. "100 [barrels per day] is difficult, because in the 100 you have already additional production in Iraq, on Venezuela, [and] in Nigeria; you have additional production everywhere. And we know that today those developments are not under way," he said.

He was speaking at the Oil & Money conference in London, which had heard several other speakers warn of the limits to the expansion of oil output.

Nobuo Tanaka, the IEA's executive director, warned on Tuesday: "We're confident that reserves will be enough to meet needs through 2030 and beyond, but less confident that enough investments will be made."

Few oil company leaders have spoken out about the limits to oil output in such uncompromising terms as Mr. de Margerie, even though most have been struggling to increase production. Total is one of the fastest-growing of the "big five" international oil companies in terms of volume growth, but it was recently forced to trim its projections of extra output.

Last year Thierry Desmarest, Mr. de Margerie's predecessor, created a stir when he predicted that oil production would peak around 2020.

Rex Tillerson, chairman of ExxonMobil, the world's biggest oil company, told the FT earlier this year that he believed oil production from sources outside the Organization of the Petroleum Exporting Countries could have "a little more growth", but would soon level off.