

Gulf Gushing and Sustainability

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'Events, dear boy, events'. That was Harold McMillan's (former Prime Minister of the UK) response to a journalist when asked what is most likely to blow governments off course.

Such an event occurred on 20th April 2010, when an explosion occurred on BP's Deepwater Horizon oil rig in the Gulf of Mexico, 52 miles southeast of the Louisiana port of Venice. Oil – up to 40,000 barrels a day – gushed into the ocean. Subsequently, it transpired that 11 workers were killed.

In terms of political impact, some elements in the US media have been calling this 'Obama's Katrina', on the basis that he could suffer in a manner analogous to former President Bush's loss of popular support associated with a perceived ineffectiveness in dealing with the hurricane that hit the same area in August 2005, when more than 1,800 lost their lives.

The better analogy is former President Carter's experience with the Iran hostage crisis, when 52 Americans were held for 444 days, from November 1979 to January 1981. A rescue effort failed in April 1981, with the loss of two aircrafts, eight US servicemen and one Iranian civilian. The perception of Presidential helplessness over this period is thought to have been a factor in the defeat of President Carter by Ronald Reagan in November 1980.

The environmental, economic and social impacts of the Gulf gusher will be severe: they will last much longer than 444 days, and are rich in media images that are already symbolising the disaster – innocent pelicans encased in oil are likely to be the poster symbols of the disaster. President Obama's prospects for re-election will depend – to a significant extent – on the degree to which he is perceived to be effective and 'in control'. His problem is that rampant oil is not 'controllable' – there is likely to be a rolling series of unpleasant surprises!

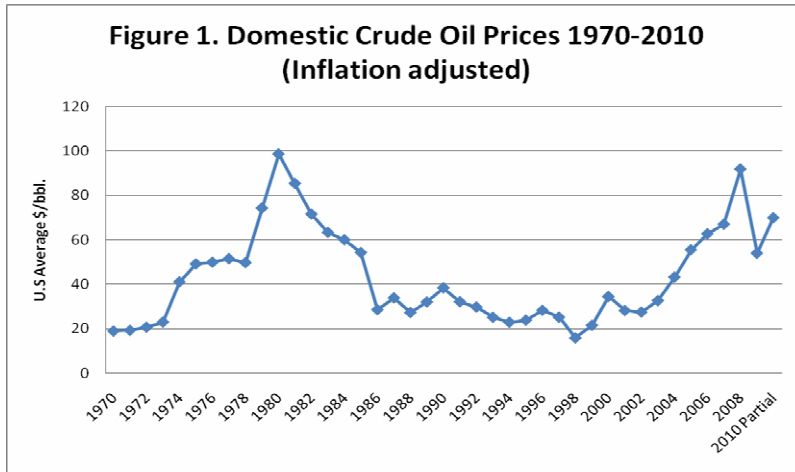
Two industries depend on a relatively pristine environment. Tourists demand clean beaches and uncontaminated water. Fishermen need an environment that protects the food chain and an ecosystem that supports marine life. Both of these are fatally compromised when oil is released in volumes and speed such as those experienced with this accident. Oil is a natural product, and will eventually decompose and re-integrate into the natural system. But, in this case, 'eventually' will be many years off.

A well-known and very popular radio talk-show host in the US, called Rush Limbaugh, claimed that the clean-up is not necessary; that: 'the ocean will take care of this on its own if it was left alone and left out there'. It would sharpen the quality of his analysis and understanding, and be therapeutic for the residents of the Gulf, if he moved his show to Venice Louisiana and broadcast from there for the next two years.

A third industry that is seriously undermined by the oil spill is the offshore industry itself. A moratorium on new drilling will inevitably be followed by more stringent regulation, which will reduce the number of projects that are judged to be commercially viable, and this – in turn – will reduce the supply of oil coming to market.

The price of oil is already hostage to events. Figure 1 shows the trend in the price of a barrel in real terms, i.e. with the effects of inflation removed. The early peaks are a consequence the Organisation of the Petroleum Exporting Countries (OPEC) embargo, and the revolution in Iran. The more recent real growth in price is driven by the emergence of China as a major oil importer. With supply from off-shore now likely to

be curtailed, this will further deepen the dependence on the Middle East and Venezuela, which hold 60 per cent of the remaining oil stocks, with another 13 per cent in Canada, where exploiting the tar sands is expensive and also environmentally fraught. And the capacity of the atmosphere to absorb greenhouse gases without triggering damaging climate change is scarce and getting scarcer.



A key lesson is that we should sustain our efforts to improve the efficiency with which we use energy, and to find alternatives to oil that meet our needs in ways that reduce pressure on the environment. And one key to that is to keep charging for using the atmosphere to dispose of our greenhouse gases, using the combination of the European Union Emissions Trading Scheme and the carbon tax which are now applied in Ireland. These provide an important incentive to wean ourselves away from a dependency that is increasingly dangerous to ourselves, our planet and our posterity.