

Chapter One

Introduction

1.1 The Senate referred the inquiry to the Committee on 29 November 2005. The terms of reference are:

Australia's future oil supply and alternative transport fuels, with particular reference to:

- a) projections of oil production and demand in Australia and globally and the implications for availability and pricing of transport fuels in Australia;
- b) potential of new sources of oil and alternative transport fuels to meet a significant share of Australia's fuel demands, taking into account technological developments and environmental and economic costs;
- c) flow-on economic and social impacts in Australia from continuing rises in the price of transport fuel and potential reductions in oil supply; and
- d) options for reducing Australia's transport fuel demands.

1.2 The Committee advertised the inquiry in *The Australian* and wrote to many peak bodies inviting submissions. The Committee received 192 submissions and held 9 hearings. The Committee thanks submitters and witnesses for their contribution.

1.3 The inquiry was prompted by the question as to whether Australia should be concerned about 'peak oil'. This refers to the theory that, for fundamental geological reasons, global conventional oil production will reach a peak and then start an irreversible decline soon enough to be of concern. Proponents of 'peak oil' arguments commonly predict a peak somewhere between now and 2030. They suggest that this could cause serious economic hardship if mitigating action is not started soon enough.

1.4 There are additional concerns about recent rises in the price of oil and petroleum products, and concerns about the possible longer term effect on Australia as domestic demand increases and domestic Australian crude oil reserves decline (which is predicted).

1.5 The Senate committee system is scheduled to change on 11 September 2006. The Committee makes this interim report to record its thinking so far on the main points raised in evidence. The reference remains on foot and the Committee is due to report by 19 October.

Structure of the report

1.6 Chapter 2 summarises predictions of Australian and world oil production and consumption. It notes the arguments of the 'peak oil' proponents.

1.7 Chapter 3 describes the possible social and economic impacts of sustained high oil prices.

1.8 Chapter 4 discusses possible supply side responses to long term high oil prices. This mostly refers to promoting alternative fuels, including non-conventional oil.

1.9 Chapter 5 discusses possible demand side responses to long term high oil prices. The items most mentioned in evidence were encouraging more fuel efficient vehicles, encouraging more use of railways for long distance freight, and reducing the use of cars in cities.