

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 194 submissions and held nine hearings. The committee thanks submitters and witnesses for their contribution.

1.3 The inquiry was prompted by the question 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 concerns about the possible longer term effect as Australia's need for imported oil increases.

1.5 The inquiry was informed by the knowledge that there is a convergence of concern about increasing atmospheric concentrations of greenhouse gases and declining global oil supplies. It was understood that solving the transport fuel challenge without reference to reducing greenhouse gas emissions would be a flawed response. The Committee determined to identify transport fuel solutions that were also consistent with the objective of reducing emissions.

1.6 The committee made an interim report on 7 September 2006. This report replaces the interim report.

Structure of the report

1.7 Chapter 2 summarises predictions of Australian and world oil production and consumption.

1.8 Chapter 3 notes the arguments of the peak oil proponents and responses by their critics. It concludes that the possibility of peak oil before 2030 should be a matter of concern.

1.9 Chapter 4 describes the possible social and economic impacts of sustained high oil prices.

1.10 Chapters 5, 6 and 7 discuss possible supply side responses to long term high oil prices, including more exploration for oil in Australia; alternative fuels from gas, coal and oil shale; and biofuels.

1.11 Chapter 8 discusses possible demand side responses to reduce dependence on oil-fuelled transport. The items most mentioned in evidence were encouraging more fuel efficient vehicles, reducing reliance on cars for transport in cities, and encouraging more use of railways for long distance freight.