

# Here comes the sun

Africa's energy sources are reaching the crossroads, Oil Africa 2008 highlights key global issues such as peak oil and alternative energy sources. To ignore the future shock and its impact on costs and prices across the board we need to look NOW at renewable sources of energy. And there's one clearly visible every day...

Africa has an abundance of sunshine and we need to make use of it, now. This article relates specifically to South Africa, but its message is relevant to the rest of the continent.

South Africans need to urgently start generating their own electricity and take it out of the hands of one single utility. However, rather than being reactive by purchasing an expensive generator, which costs a fortune in diesel, be proactive and invest in solar power systems that will ultimately save our businesses and South Africa's economy billions in the future. Generators run on oil-based fuel and further increase our dependency on a finite resource. It also exacerbates another potential problem that will occur when global oil production passes its production peak and goes into permanent decline. Liquid fuels are the next chapter of the energy crisis we can foresee.

We recently reached a devastatingly significant milestone when the price of oil reached \$100 a barrel, just under the inflation adjusted all-time high of \$101.70. While there are many factors that may influence the price of oil, there are strong indications that we may have reached the peak of global oil production. As a result, our oil producing nations will be unable to meet or produce enough oil to meet the global growing demand.

## Higher prices will eventually hit everyone - even the richest

Simon Ratcliffe is Chairperson of the Association of the Study of Peak Oil South Africa (ASPO). He is studying the peak of global oil production and the implications of this for South African society, and will be highlighting these key concerns and discussing the impacts of the \$100 a barrel of oil and its impact on Africa and its oil industry, at the third Sub Saharan Oil Africa 2008 oil, gas and petrochemical exhibition and conference. The event will be held in Cape Town.

Over the course of the last century, we have become increasingly dependent on oil in many aspects of our lives. Not only are our global and personal transport systems heavily reliant on oil, but so too is the production of food needed to feed a growing world population.

According to ASPO, the increasingly high prices we pay for our oil filters rapidly throughout our economy creating ever-greater economic hardship as prices rise. It goes without saying that high oil prices impact heavily on the poor. However, the price continues to rise, and as production starts to decline, the associated costs will begin to have a greater more penetrating impact on our society and will slowly move up the income ladder.

### Nations will not be immune

Likewise, it will move up the economic hierarchy of nations, as each country's threshold of price tolerance is breached, leaving profound change in its wake. If we have passed the peak in global oil production, we can look forward to ever-decreasing rates of production and therefore continually higher oil prices that will continue until there is sufficient demand destruction to cause it to flatten out.

As a society, we are going to have to learn to make do with less oil.

The decline will be unrelenting and is likely to leave economic chaos in its wake as individuals, families, communities and nations adjust to a sea of change in the energy available to do the things that we currently take for granted.

In an article recently published in BusinessDay, the effects of the oil decline on global players' economies were highlighted. Ghana, Senegal, Costa Rica, Dominican Republic have all suffered severe blackouts due to lack of fuel supplies. Sri Lanka, Zimbabwe and Nepal had critical fuel shortages hindering transportation and as a result affecting food and medical supplies. "The poor are going to be hardest hit by this situation, as the oil price increases, so will interest rates, which in turn will eff

transportation, food, property and energy sectors," says Ratcliffe.

## **Two choices - only one of which is sensible**

Accurately assessing the situation, businesses and consumers alike should seriously start looking at alternative energy supplies. Consumers and businesses need to reduce their dependence on the use of oil and transform their lifestyles from energy hungry to a more conservative approach and to start considering the use of alternative energy supplies.

"As a society we sit with two choices," says Ratcliffe, "One is to increase our dependency on oil, which is inevitably a dead end approach and has no future. The alternative is to reduce our dependency on finite fossil resources which will result in long-term sustainability."

South Africa has an abundance of resources to offer, Ratcliffe suggests that Africans should start considering switching to solar power as the best alternative energy source due to the huge amount of sun we receive.

There is an initial capital cost to installing solar power but thereafter the feedstock is free, abundant and can be used in business and for domestic use.

"It is astounding that we are so clearly on a collision with the finiteness of our valuable resources and yet we are so badly prepared for the inevitable decline in oil production and all that it is going to bring. The manner in which we manage our way through the turbulent times ahead will shape the societies our children will inherit. In order to make a smooth transition to the world they will inhabit we need to be doing the serious groundwork today. Waiting for the crises to happen, is not an option," said Ratcliffe.

## **About Oil Africa 2008**

The Oil Africa project was initiated in 2003 with the first event held in March 2004. Developed and managed by South African business interests the exhibition, conference and workshops have been designed to facilitate the expansion of local industry in conjunction with international partners and suppliers.

Oil Africa 2008 is the 3rd Sub-Saharan Oil, Gas and Petrochemical exhibition and conference, which explores the dynamics of global oil and gas demands, changes in strategies, skills & training and various market specific issues. Oil Africa 2008 is the premier event designed to assist international partners & suppliers to develop and expand the supply of existing services and infrastructure that include rig maintenance and repair, engineering, marine, logistics and industrial services.

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