



Aust reliant on Middle East oil: experts Australia receives more oil from the Middle East than the US does (file photo).

Ashley Hall

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Oil and its refinery by-products play a fundamental role in just about every part of Australian life, and a large amount of it originates in the Middle East.

Graeme Bethune, chief executive officer of energy advisory firm **EnergyQuest**, explains.

"Only about 13 per cent of the crude oil that we import comes from the Middle East, but we import increasing amounts of refined petrol and diesel from Singapore and Singapore gets most of its feed stock from the Middle East," he said.

"So if you take account of all that, about a third of our liquid fuels come from the Middle East now."

Mr Bethune says Australia receives more oil from the Middle East than the US does, to make up for declining local output.

"We're getting a little bit of a kick up now through three or four new oil projects, and BHP announced one called Pyrenees that starts in 2010," he said.

"But that's basically all there is in the pipeline at the moment.

"So after that we'll expect oil production to keep falling quite quickly."

Securing the Middle East

It is a similar story the world over.

Local supplies are dwindling and so there is a growing need to secure a continuous oil supply from the Middle East.

"The United States, essentially since the end of the Second World War, has functioned as the predominant power in the Middle East region," said Michael Wesley, director of Griffith University's Asia Institute.

"It believes by functioning as the predominant power there it will serve to stabilise the region."

Mr Wesley says securing the Middle East is important for three main reasons - it ensures there is no disruption to oil supply and prices, and potentially reduces the number of terrorists trained there.

"The third real issue at stake here is the possibility that other great powers that are dependent on Middle Eastern energy supplies will attempt to get involved in Middle Eastern affairs themselves," he said.

Those competitors are also keen to secure their oil futures.

Professor of international relations at the Australian National University, Stuart Harris, says Iraq's oil reserves are a keen target.

"More exploration and development of the oil industry would in fact at least double, perhaps two-and-a-half times the current level of reserves," Professor Harris said.

"So it's very big, it's getting close to Saudi Arabia in that sense."

Demand to outstrip supply

Bruce Robinson, convenor of the Australian Association for the Study of Peak Oil and Gas (ASPO), says the world would be a lot better if we were economising on oil rather than fighting over it.

He also argues that soon global oil demand will outstrip supply.

"Peak oil might happen in two or three or four or five, 10 years, no one knows when it's going to happen," he said.

"But the probability [is] it's going to happen relatively soon, much sooner than we can adapt."

Mr Robinson says the US military on its own uses around 400,000 barrels of oil a day to fuel its tanks, aircraft and cooking. That is about half the amount used by all Australians each day.

"They're using a hell of a lot of oil," he said. "There's less oil coming out of Iraq now than there was before the war, or no more.

"So military force is not a hell of a good way to increase oil production."

But Professor Harris says that analysis is short-sighted.

"The trouble is that the military is already in Iraq," he said.

"If it comes out before the security situation is improved, then the chances are you'll waste a lot of oil because one ... of the interest groups will attack the oil fields, as they've already done.

"So you'll lose an awful lot of oil in that sense too."

With the price of crude oil staying strong at more than \$US70 a barrel and demand by consumers in the Asia Pacific region growing by the day, losing oil is something no one wants to see.