



How Do You Trade the End of the Oil Age?

Description

Remember peak oil? It triggered a huge debate about how society would cope when oil production peaked, then went into decline.

M. King Hubbert, who developed the theory in the 1950s, originally said peak oil would happen in 1970. Later, he shifted that to 1995. Others have named 2006, 2017, 2020, 2022 but now it looks like it will never happen at all.

Peak oil has peaked.

Age of disruption

Yet we are still witnessing the end of the oil age, if radical claims by independent research group RethinkX are correct.

Its report *Rethinking Transportation 2020-2030* claims we face a historic revolution which will see 95% of US car miles travelled in self-driving, electric and shared vehicles by 2030. Trucks and buses will also go electric.

Co-author and RethinkX co-founder Tony Seba claims that “We are on the cusp of one of the fastest, deepest, most consequential disruptions of transportation in history”.

Oil cap

Yes, I’m also sceptical. Technical hitches, new discoveries, consumer resistance, vested interests or a self-driving backlash could destroy these claims.

By 2030 we could be laughing at Tony Seba’s predictions just as we laugh at M. King Hubbert today.

However, the direction of travel is clear. Plentiful US shale has effectively capped the price of crude at around \$55 a barrel, whatever OPEC does. Green technologies will screw the lid even tighter.

Stranded assets

Seba cannot be dismissed lightly. In 2009 he claimed unsubsidised solar energy costs would fall to 3.5 cents per kilowatt/hour by 2020, beating oil, coal and nuclear. This prediction recently came true.

Demand for coal and nuclear have peaked and declined, and market values of listed companies in both industries have collapsed as a result, Seba notes.

Now he reckons global oil demand will peak at 100m barrels per day by 2020, then plunge to 70m by 2030.

He may be wrong but if your portfolio includes, say, **BP**, **Exxon Mobil**, **Chevron**, **Petrobras**, **Royal Dutch Shell** or **ConocoPhillips**, you might worry he is right.

Off the road

You might also take a second look at your holdings of car manufacturers such as **Ford**, **General Motors**, **BMW** and **Volkswagen**.

Seba says the average US household will save \$5,600 a year by giving up on car ownership and switching to self-drive vehicles on-demand.

As a result, 70% fewer cars and trucks will be manufactured each year, with car dealers, maintenance and insurance companies suffering almost complete destruction. It could prove quite a pile-up.

Future shock

This is heady stuff. Personally, I hope Seba is right. I have better things to do with my money than pay tax, insurance, fuel and repair bills on my old banger.

However, green claims have been overstated before. Future thinkers can get carried away with their visions.

Just as peak oil never came, peak oil industry may prove illusory. Place your bets.

Piling into oil stocks could prove a big mistake, but there are other ways you could destroy your investment portfolio.

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