



Our oil future?

Oil prices are currently being pushed up by uncertainty about supply from the Middle East. Well before that crisis, Deutsche Bank was [predicting](#) \$175/barrel oil five years from now. Predicting future oil prices is a tricky venture, and the track record for past predictions has been mixed.

The two factors that foretell price increases over the long-term are the exhaustion of cheap, easily accessible sources of oil; and increased demand as China and India get into the Auto Age. Peak oil advocates think that the total supply may actually start decreasing, but in any event, new oil finds are likely to be more expensive. On the other hand, higher prices will push down car demand to some extent and will provide an impetus for non-gas cars and higher gas efficiency. Other key factors are politics (will the Middle East become even less stable?), expectations (will oil producers reduce current production in expectation of higher future prices?), and market imperfections (how strong will OPEC be?). It's a pretty daunting task to put all of this together and predict the prices of oil ten or twenty or forty years down the road.

I don't pretend to be an expert in oil economics, but it seems to me that it would be prudent for our society to hedge against the possibility of much higher oil prices by investing in alternative types of vehicles such as electric vehicles and natural-gas vehicles, and by considering alternatives to private vehicles such as trains. That's entirely putting aside the issue of climate change, or the other possible environmental benefits of reducing gasoline consumption such as lower NOx emissions.