



# Ensure rewards are there for the risks

By COLIN BETTLES

FUTURIST Paul Higgins' life experience is extensive: he was a dairy cattle veterinarian, processing plant manager, pork farmer and pork industry consultant.

A keynote speaker at the recent Beyond Biofuels conference, Mr Higgins is also a director of Australian Pork Limited and holds a masters degree in strategic foresight from the Australian Foresight Institute at Swinburne University in Melbourne.

His consulting company Emergent Futures was developed to combine his broad agricultural experiences with his training as a futurist to assist organisations and individuals in the creation of strategy.



Mr Higgins believes the application of foresight tools to the strategy process can give organisations a critical edge in a fast-moving modern world.

He recently applied those skills to inform potential investors about the risks of getting involved in biofuels when introducing Oilseeds WA's Beyond Biofuels conference.

"If you are in the supply chain for a biofuels operation, either as a farmer or

wholesaler, financier or whatever, what I am saying is if you are taking the risk then make sure you are also getting the rewards," Mr Higgins said.

"Do not end up in a situation where you end up carrying the risk while someone else gets the rewards.

"I know one thing that is very certain and I will forecast this: if biofuels operations make a lot more money than they forecast, they won't be giving it back to the suppliers, and if they don't make the money and they go broke then they won't be paying their suppliers either."

Mr Higgins said despite popular myths, there was a lot of uncertainty in the supply and demand of world oil.

"If anyone is making investment decisions based on oil being \$70-100 per

barrel they have to ask, 'Is that really going to be the case?'" Mr Higgins said.

Mr Higgins said the future of the world's oil supply was not as certain as some people might think.

The futurist put forward three basic scenarios he believed equated to a plausible future for the world's oil market.

One of the scenarios — described as the perfect storm — was that peak oil supply had already arrived.

"If the demand for oil continues to grow and efficiency decreases and technology improvements can't keep pace, then demand will outstrip supply and oil will go north at \$100 per barrel," Mr Higgins said.

"That is the perfect storm for oil prices going up.

"Business as usual is really where we are at now, where production is growing and the demand for oil is being slowed by increased efficiencies in transport fuels and substitutions."

Mr Higgins said his final scenario — the imperfect storm — would see world oil production grow with demand, but this would then be offset by reductions in efficiency.

"If this scenario happens then biofuels would ramp up and oil is less than \$40 per barrel," Mr Higgins said.

"What I am saying is that fossil fuels and biofuels will be competitors in this scenario.

"If oil goes back below US\$40 a barrel then many of the proposed and existing biofuels operations will be in serious financial trouble."

Mr Higgins said oil supply was a critical issue that would impact on biofuels' ability to compete in future markets.

"I don't know what the oil future price is going to be, so what we have to do is pick a plausible future oil price and think about how we may invest or look at biofuels from within that plausible future," he said.

"Oil supply is going to be a big driver — peak oil theory says at



□ Futurist Paul Higgins speaking on the future of the world's oil markets at Oilseeds WA's recent Beyond Biofuels conference.

some stage we are going to run out of oil.

"Before we do that we will peak in annual production, and if we do, we have a problem with supply and demand and the price will skyrocket.

"F Scott Fitzgerald said the mark of a first-rate intellect is the ability to hold two opposing ideas in your brain at the same time and still function in the real world.

"To all head in one direction when there are other possibilities is a big mistake."

Mr Higgins said one of the reasons he believed world oil supply might increase in future was oil sands.

"Technology is being implemented that could lead to 60pc recovery of these oil sands and if that happens we have another 50 to 100 years of oil at levels recoverable below \$40 per barrel," he said. "If that happens it is possible that more supply is coming on to the market."

Mr Higgins said another factor to consider was increases in oil use efficiencies.

He said North America used more than 30pc of the world's oil, increasing the importance of what the US did as a factor to consider.

Mr Higgins said large US companies such as Walmart were taking measures to increase their efficiencies and had plans to double the efficiency of their trucking fleet by halving their use of oil.

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