

# U.S. ENERGY BOOM - MAYBE

*The United States has enough oil and natural gas to make us completely energy independent for a long, long time. Progressives in the White House and Congress have blocked most efforts to develop it, but that is about to change—if Obama allows it.*

*By Michael S. Coffman, Ph.D.*

**T**he U.S. Energy Information Administration (EIA) within the Department of Energy has announced record-breaking new reserves of natural gas and oil deposits. Recent advancements in hydraulic fracking and horizontal drilling have made staggering amounts of oil and natural gas possible. The fracking process entails the pumping of fracture fluids, primarily water with a sand mixture and chemical additives, at sufficiently high pressure to overcome the compressive stresses within the shale formation for the duration of the fracturing procedure.

The process has created 1.7 million new jobs since 2006, and that number could rise to 3 million by 2020. *The Wall Street Journal* estimated the energy revolution added \$62 billion to federal and state revenues in 2012

alone. In 2006, the EIA reported that the U.S. produced about 23.5 trillion cubic feet (Tcf) of natural gas. Prior to that, production had been relatively flat. By 2012, production had jumped 18 percent to nearly 29 Tcf. Production has leveled off because of market saturation, but could increase again as demand increases and an export market is developed.

## Boom Times Ahead?

The current energy revolution was led by natural gas, causing prices to plummet. The EIA reports that prices plunged from a high of more than \$8 per thousand cubic feet (Mcf) in 2008 to about \$1.94 per Mcf in April 2012. Part of that was because of the global economic meltdown, but much of it was due to rapidly increasing production. As

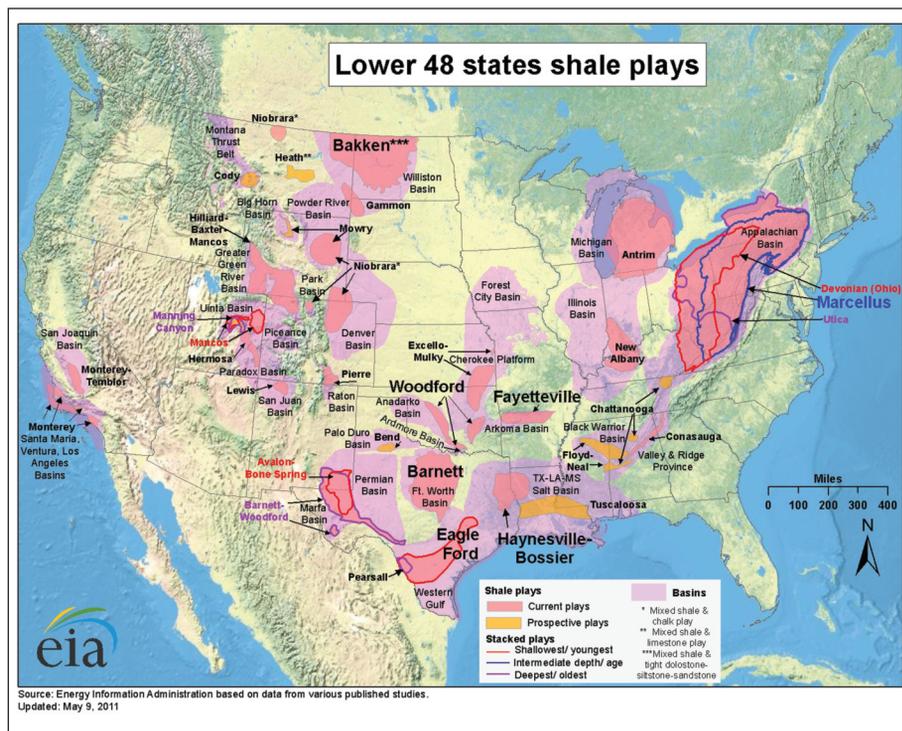
existing markets became saturated, natural gas prices increased to \$2.86 per Mcf in 2012. Prices will probably rise with rapidly increasing demand, but will moderate as more gas fields come online.

The impact is huge. Prices have dropped so low that many older, more expensive coal-fired electricity generation plants are being replaced with natural gas generation facilities. In 2000, 52 percent of the electric power generation market was produced by coal. By April 2012, coal's share of the electricity generation market had plummeted to 32 percent, replaced by natural gas. According to the U.S. Geological Survey, natural gas now accounts for 25 percent of all energy supply in the United States, and that is rapidly growing.

Ironically, the drop in the use of coal has had an unintended benefit of reducing U.S. carbon emissions to near 1990 levels. This is below the levels mandated by the Kyoto Protocol (forged in panic over global warming), which would have used government force to reduce carbon emissions to 1992 levels. Fortunately, the U.S. never ratified this treaty. The amazing reduction of CO<sub>2</sub> emissions is, however, another example of the superiority of free markets, something that the Obama administration has systematically attacked.

The same technology used in extracting natural gas has boosted U.S. oil production by 25 percent since 2008 to 190.547 million barrels per month in August 2012. This is still far from the peak of 300 million barrels per month in 1970-71 reported by the EIA. Obama falsely claimed responsibility for this huge increase; the fact is he has systematically done all he could to *block* development of oil in the U.S. [See "Obama's All-Out War," *RANGE*, Summer 2011.] Most of the permits for the increase today were granted by the Bush administration or were on private land where Obama did not have veto power.

One of the biggest benefits of increased



*Fracking and horizontal drilling have opened up vast new shale fields of natural gas and oil. When developed, these resources will radically change the course of U.S. history. SOURCE: Energy Information Administration, based on data from various published studies. Updated May 9, 2011. [http://www.eia.gov/oil\\_gas/rpd/shale\\_gas.pdf](http://www.eia.gov/oil_gas/rpd/shale_gas.pdf)*

U.S. energy production is reducing the trade deficit. The EIA reports that oil imports have dropped 33 percent, from a high of 15 million barrels a day in 2006 to 10 million barrels a day in 2012. *The Wall Street Journal* reports the increase in domestic oil production in 2012 alone reduced the U.S. oil-import bill by about \$75 billion. This is in addition to the \$100 billion saved each year by *not* having to import liquified natural gas.

All this is just a taste of what can be expected in the near future—if the Obama administration allows it. The magnitude of what could happen is almost beyond belief and would provide an economic infusion to cash-strapped rural America. If the United States can avoid a complete economic collapse over the next three years, the future not only looks bright, but we could see the greatest economic boom in America's (maybe even the world's) history.

U.S. oil companies have recently found more than 20 different shale fields that contain more than 20 billion barrels of recoverable oil each. According to Stansberry & Associates: "This new oil shale boom is the biggest revolution to the energy sector the world has seen. These new gushers are bigger—far bigger—than anything in the history of the oil business in the United States. They're like finding 20 new Persian Gulf fields...right here in America."

To show how fast this is happening, the first oil was pumped in the Eagle Ford Shale Field in Texas in 2008, yielding 130,802 barrels (see chart, next page). By 2011 it had increased to 36.6 million barrels. Production in 2012 exceeded 67 million barrels and by 2015 it is expected to produce 185.4 million barrels!

Goldman Sachs estimates that the United States will be the top producer of oil and natural gas in the world by 2017. Stansberry & Associates, whose predictions of significant national and global events have proven to be some of the most accurate in the industry, predicts: "Most people still don't know that an oil boom is happening right now. The technologies that led to the natural gas glut between 2008 and 2012 have been put to work in oil fields across the U.S. The resulting oil boom, underway right now, *will become the greatest creation of wealth in America's history.*"

### Export Opportunities

If the Obama administration allows it, the United States will become the biggest exporter of natural gas and oil in the world. The enormous trade deficits from importing natural gas and oil will be replaced with huge export revenues. Cheap raw materials and energy would make U.S. products much cheaper to produce. In turn, it would draw many chemical and manufacturing facilities

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back to America along with millions of jobs. A Nov. 7, 2012, *Financial Times* post reports, "Europe's ability to compete against the U.S. as a manufacturing centre is being damaged by rising energy costs as North America benefits from cheap natural shale gas."

BASF, headquartered in Europe, is the world's largest chemical company. Harald Schwager, a member of its executive board responsible for Europe, told the *Financial Times*: "We Europeans are currently paying up to four or five times more for natural gas than the Americans.... Of course that means increased competition for all the European manufacturing sites."

The Manhattan Institute, a conservative think tank, reports that 10 million Americans are currently employed directly or indirectly in businesses connected to oil, natural gas, and coal production. For every oil/natural gas-related job, six jobs are added in sectors from manufacturing to information services. Conversely, Spain found that for every green job created, 2.2 jobs were lost in the private sector. Italy found that 4.8 jobs were lost in the economy for every green job created. The institute also found that economic benefits coming from privately financed expansions in domestic oil and natural gas production would generate at least \$2 trillion. On average, each hydrocarbon job brings in \$500,000 of societal benefit.

Leading this bonanza would be natural gas. On a cost per BTU (British thermal unit), natural gas would remain much lower than oil. At the end of 2012, the price for Japanese gas was around \$18 per Mcf and European gas was around \$11 per Mcf. Compared to the expected \$3-4 per Mcf for

U.S. natural gas, the rest of the world could not compete with America. Although not as dramatic, oil price disparity between the U.S. and the world have the same result.

If all this happens, the United States would be among the world's largest suppliers of natural gas by the end of 2016. Companies building pipelines, tankers and export terminals would be the first to reap financial benefits. Chemical companies would be the next to rake in billions while providing cheap products for consumers. In turn, America's standard of living would increase exponentially through the rest of the decade. Millions of jobs would be created. Everyone would benefit from the free market.

### The Obama Factor

Note, the operative word in the previous paragraph is "would," not "will." All this cheap energy and wealth creation may never materialize because Obama has done everything in his power to thwart U.S. development of coal, oil and natural gas. The Keystone XL pipeline from Canada was studied for three years, found safe, and actually approved by the State Department. Obama then intervened. After he hemmed and hawed for months, he "postponed" it indefinitely for "further study."

So far the Obama administration continues to move at glacial speed to issue needed licenses to develop oil and natural gas, build pipelines or export facilities. Right now there are no liquefied natural gas (LNG) export terminals in operation in the U.S. Although eight large-scale LNG export facilities are scheduled to open in Texas by 2015-16, only one has received its license to operate.

In another move on Nov. 11, 2012, Secretary of Interior Ken Salazar announced his plan to close 1.6 million acres of federal land to oil shale development because they had "wilderness characteristics" and were habitat for the sage grouse—which may or may not be declared endangered. Although Salazar is allowing development on 667,000 acres of oil shale and another 137,000 acres of tar sands, the largest deposits of shale oil and gas are off-limits to development.

The decision is ideologically driven. Prior to 2010, the U.S. Fish & Wildlife Service (FWS) said the science did not show that greater sage-grouse warranted listing. Envi-

ronmentalists put overwhelming pressure on FWS to list it specifically to stop oil shale development. It could be listed by 2015, despite a detailed 43-page report by the Center for Environmental Science, Accuracy and Reliability in Sacramento, Calif., that condemns the science used by FWS in justifying the listing as full of errors, omissions, mischaracterizations and methodological biases.

Ironically, we may have become energy independent already if then Sen. Ken Salazar (D-CO) hadn't blocked many of President George W. Bush's efforts to tap into this new oil bonanza 10 years ago. Since then, Obama and Secretary of Energy Steven Chu have actually stated that they want energy prices to "skyrocket" to European levels so their green-energy schemes become competitive. Worse, investigations by members of the U.S. House of Representatives have shown flagrant crony capitalism and outright lying by Obama and Chu to reward Obama supporters who received loan guarantees to produce green energy.

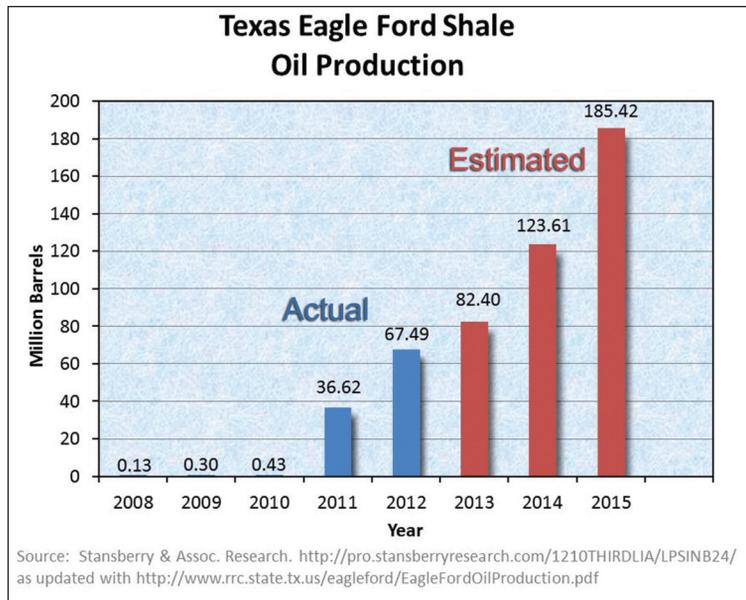
While 80 percent of the world's energy is delivered by hydrocarbons, barely two percent is met by alternative green energy and even that is declining. Europe is stopping, or seriously considering stopping, construction of all new wind farms because of their poor efficiency and very high costs. Yet, Obama has already squandered \$60 billion into this failed technology with no end in sight and is implementing economy-crushing new regulations that he feels are necessary to stop or slow the use of coal, natural gas, and oil.

### Another Possibility

Other analysts don't believe Obama will stick to his progressive social engineering. Porter Stansberry of Stansberry & Associates believes that Obama will abandon his ideology by pushing hard for natural gas and oil development, albeit at a heavy price:

"At every stage in the process, there will be licensing and regulation from his

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*Oil production in the Texas Eagle Ford Shale Field increased tenfold between 2010 and 2011, and nearly doubled between 2011 and 2012. SOURCE: Stansberry & Assoc. Research. <http://pro.stansberryresearch.com/1210THIRDLIA/LPSINB24/> as updated with <http://www.rrc.state.tx.us/eagleford/EagleFordOilProduction.pdf>*

administration. He'll have the chance to pick winners and losers...and to make every producer, every toolmaker, every infrastructure builder pay a tax to his administration. Everyone who touches these vast new fields, everyone involved in these new technologies, will have to get something from Washington—some kind of license or approval. And they will all pay. Billions and billions and billions will go to D.C.... As this money comes pouring in, you will see his administration turn drilling rights and other key approvals into virtual shakedowns. They will get paid. And they will convert this power into a new kind of American socialism. Just like Hugo Chavez has done with Venezuela's oil riches, I believe Obama will take America's natural bounty and convert it into a giant political slush fund. All of this new wealth, all of this new growth...will seem like a gift from the prophet Mohammed to the administration of Barack Obama.... The next four years will be a time of tremendous change and opportunity...but also a time of tremendous risks to the liberties we all hold dear."

Is Stansberry right? Obama hinted at

imposing a carbon tax in his Nov. 14, 2012, press conference. It could raise hundreds of billions of dollars for Obama's social programs, while effectively doing nothing to reduce carbon emissions. If Stansberry is correct, it might mean Obama is not the fanatical ideologue many believe him to be, but a man with an insatiable lust for power.

One thing is certain, however. The long-term loser no matter what Obama does will be the people. If he successfully blocks the oil and natural gas bonanza, the American people lose, especially rural residents.

If Obama embraces the opportunity to exploit oil and natural gas to fund social programs, the programs will initially be like manna from heaven. However, like a sugar high, the

crash will be the catastrophic long-term loss of our freedoms and liberties and we will get exactly what we voted for. ■

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# The Doha Mugging

The United Nations' push for "climate justice" seems to have come from "Alice in Wonderland." By Michael S. Coffman, Ph.D.

The U.N. Conference on Climate Change (COP-18) in Doha, Qatar, from November 26 to Dec. 7, 2012, had little to do with reducing CO<sub>2</sub> emissions and more to do with advancing central control and wealth redistribution. Halfway through, Christiana Figueres, executive secretary of the U.N. Framework Convention on Climate Change, reported, "What is occurring here, not just in Doha, but in the whole cli-

**Figueres said, "What gives me frustration is the fact that we are very far behind what science tells us we should be doing." What science?**

mate-change process is *the complete transformation of the economic structure of the world.*" (Emphasis added) She did not clarify what she meant by the statement.

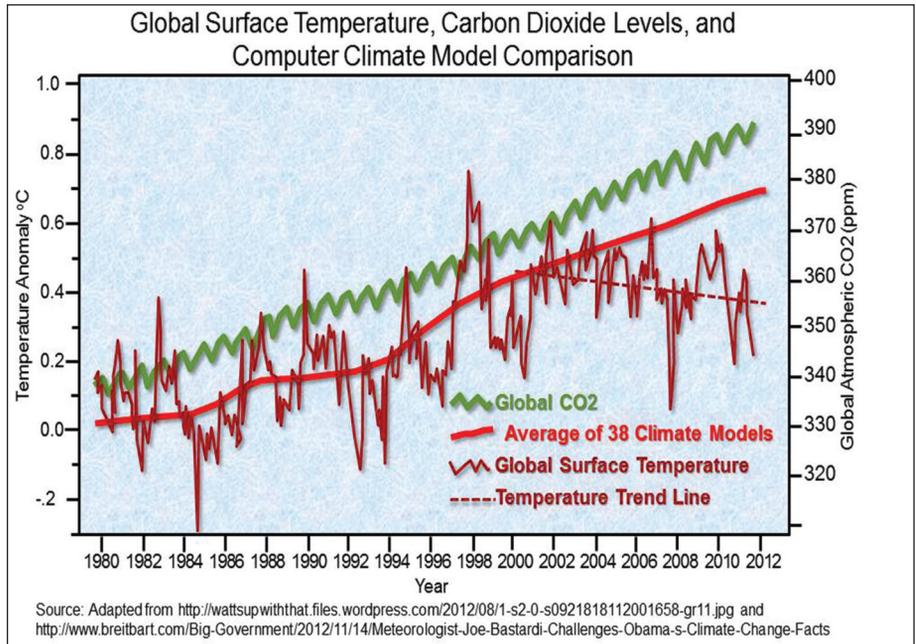
Figueres then added, "What gives me frustration is the fact that we are very far behind what science tells us we should be doing." What science? The science wasn't even discussed at the conference. Lack of scientific fact didn't appear to bother President Obama either when he proclaimed during his press conference on Nov. 14, 2012, "What we do know is the temperature around the globe is increasing faster than was predicted even 10 years ago." The implication? We must act now or disaster will surely strike. Reality check: it's totally untrue.

Hard science is actually showing that although atmospheric CO<sub>2</sub> and computer climate models continue to increase, actual global warming stopped by 1998 and has been slightly declining since 2001. (See graph) Science no longer matters to the United Nations. It never did. Politics, central control, and income redistribution are the goals of the United Nations. Since Kyoto was to expire on December 31 this year, the first order of business for COP-18 was to ignore the science and push hard for the

renewal of the 1997 Kyoto Protocol amid much theater about how global warming was causing increased climate extremes. However, delegates weren't cooperating

the final text which would require developed countries (read United States) to pay poor nations for climate damages allegedly resulting from extreme weather caused by global warming. While there is no hard evidence that this is happening (See "Climate Fraud & the Decline of America," RANGE, Winter 2013), it could amount to tens of billions of dollars annually.

There is good news. Because the United States has not ratified the Kyoto Protocol, it will not be under its deadly new provisions.



Both CO<sub>2</sub> and the average of 38 computer climate-change models show consistently increasing temperatures since 1975. The climate models predicted a continuation of this increase in the 2000s, but the actual surface temperatures have leveled off or declined the past 10 to 15 years. This downward trend will likely continue indefinitely because the sun is going into hibernation or a "grand minimum." SOURCE: Adapted from <http://wattsupwiththat.files.wordpress.com/2012/08/1-s2-0-s0921818112001658-gr11.jpg> and <http://www.breitbart.com/Big-Government/2012/11/14/Meteorologist-Joe-Bastardi-Challenges-Obama-s-Climate-Change-Facts>. Surface temperatures from Hadcrut3.

during the two-week conference. Kyoto seemed to be dead on arrival.

There was no transparency during the "behind closed door" sessions. For the first time everything was digital—there were no paper copies for the media or observers. They were completely dependent on tidbits from delegates. Suspense built until the convention's last day when it was announced that negotiations would continue for another day. The delegates worked until 3 a.m. Saturday, Dec. 8, 2012, then retired to bed.

The following morning the world awoke to the stunning news that the previously failed Kyoto Protocol had been renewed, was resurrected like the phoenix. It did not mandate new reductions, but did add a "loss and damage mechanism" into

Neither are Russia, Japan and Canada, which wisely withdrew from the Kyoto Protocol over the past several years and will not sign its extension. China remains in it, but at the last writing of the new Kyoto Protocol, China was exempt from meeting its emission-reduction targets. Yet, China is the largest emitter of CO<sub>2</sub> in the world.

Kyoto has become an "Alice in Wonderland" treaty. Its real success is that it continues to allow lavish, unending U.N. meetings, mostly at U.S. expense. On the downside, it is highly likely that President Obama and Senate Majority Leader Harry Reid will try to somehow ram Kyoto through the Senate ratification process.

We must not let that happen. ■