

THE KOREA TIMES

Energy future of abundance

Doug Bandow January 21, 2013

With an Arab Fall if not Winter dominating the Middle East, the U.S. is under pressure to intervene even more. Unfortunately, reliance on imported oil continues to entangle America and other countries in the Middle East's volatile politics. Washington should free North America's abundant natural resources instead.

The world has endured multiple energy "crises" centered on the Mideast. Today the Obama administration continues to back the embarrassing Gulf kleptocracies led by Saudi Arabia because they are major oil producers. President Obama also pushed even most wasteful subsidies for other energy sources.

However, coal, natural gas, and oil remain the least expensive and most convenient fuels. And they are proving to be the fuels for the future. "The game-changing technologies that have emerged involve hydrocarbons: natural gas, oil, and coal," explained Mark P. Mills, an adjunct fellow at the Manhattan Institute, in his new study, "Unleashing the North American Energy Colossus: Hydrocarbons Can Fuel Growth and Prosperity."

Contrary to myth, the world is not running out of energy. Rather, advancing technologies now allow access to supplies once beyond reach. Explained Mills: "Technological progress in hydrocarbon exploration and development has been transformative and is ongoing, enabling the emergence of a new era of hydrocarbon production, which is, in turn, unleashing the capability to efficiently tap into North America's enormous resources of natural gas, oil, and coal."

There have been many new energy discoveries around the world. There also is much good news in America, for decades the world's biggest energy consumer. Mills explained that "Technology has unleashed staggering quantities of commercially exploitable reserves of these fuels, especially in the United States and its neighbors in North America."

Unfortunately, the mentality of scarcity continues to dominate Washington, as Mills detailed in another Manhattan Institute study, "Liberating the Energy Economy: What Washington Must Do." Yet America no longer is energy poor. "The United States is now the fastest-growing producer of oil and natural gas in the world," observed Mills in "Unleashing."

Americans could produce even more energy if the U.S. government freed up access to existing resources. For instance, Mills explained: “The technically easy-to-access — if not politically accessible — oil in Alaska’s off-limits ANWR and the Gulf of Mexico would, in the short term, essentially triple existing U.S. oil reserves.”

Even more significant is shale oil. Reported Mills: “The Green River Formation, for example, a shale region largely beneath Colorado, Wyoming and Utah, contains an estimated 2,000-3,000 billion barrels of oil,” of which between 30 and 60 percent is estimated to be recoverable with existing technology. Alberta, Canada’s oil sands are estimated to contain another 2,000 billion barrels of oil — which could come to the American and world market.

Allowing firms to develop these resources would offer several important benefits. The first is economic. Freeing the energy industry would mean jobs, wages, sales, and tax revenues for the U.S.

Moreover, America’s energy industry spreads its rewards broadly. Noted Mills: “Economic benefits from expanding hydrocarbon production will be felt widely given the structural and geographic diversity of hydrocarbon resources and the associated industries.”

There also would be a political benefit from reducing hydrocarbon imports. Even though the energy marketplace is global, presidents from Richard Nixon to Barack Obama have mistakenly treated the Middle East as a vital security interest. An expanding and diversifying international energy marketplace would make it easier to convince Washington to lay down the sword. Other countries also would worry less about the Mideast’s uncertain politics.

Mills posits an even more abundant energy future: “Economic research noted earlier finds about \$75 billion in broad economic benefits for every billion barrel of oil produced (or oil-equivalent in hydrocarbons). This would imply that the aggregate 100 billion barrels of additional hydrocarbons extracted and sold over the next two decades in the accelerate scenario would yield over \$7 trillion of value to the North American economy, with \$5 trillion of that accruing to the U.S.”

Since the energy marketplace is international, other countries such as the ROK also would benefit.

There are no obvious technological or economic barriers to this future. Nor are any government subsidies required. Rather, the problem is mostly political.

“Vast tracts of hydrocarbon-rich resources are either entirely or effectively off-limits to development,” with a steady decline in new natural gas and oil leases on federal land since 2006, explained Mills. In “Liberating the Energy Economy” he cited problems of regulatory “complexity,” “creep,” and “capriciousness.” In response he offered a deregulatory agenda for Washington.

Environmental concerns generate opposition, but just as new technologies make energy extraction more economical, they also make energy extraction more ecological. Development can and should proceed responsibly.

Americans could enjoy an energy-rich future. The U.S. government should get out of the way and allow the rest of us around the world to benefit.