



Let's not take today's energy security for granted

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November 09, 2023

Unrest in the Middle East has people talking about oil. But what are the implications for U.S. energy security after the recent events in Israel and Gaza?

Although the conflict in Israel hardly moved crude oil prices, Americans should not rest on our laurels and assume energy security happens automatically. Energy security in the years to come depends on establishing pro-energy domestic policies today.

As a starting point, let's appreciate the energy security we have today. High interest rates and global recession jitters are enough to fog up the oil demand windshield and dampen prices, all things being equal. The supply picture much more clearly provides two key reasons why crude oil markets are not on a "war footing" just yet.

First, oil production is not directly threatened by violence in Israel, whether it is incursions from the south or rockets from the north. None of the areas like the West Bank, Gaza, neighboring Jordan, Lebanon, or Israel itself produces significant volumes of crude oil, even taken in the aggregate. Syria produces a small but non-zero amount, murky barrels that already define "risk premium." The one exception is Egypt, which produces more than half a million barrels per day, mostly in the Western Desert and the Gulf of Suez, and shares a narrow, fortified border with Gaza.

Second, global oil production is at an all-time high, some 101.6 million barrels per day. This is remarkable when we consider that three major oil players — Venezuela, Iran, and Russia — are currently under heavy (if leaky) international sanctions. Domestic U.S. oil production is also at an all-time high, some 13 million barrels per day, of which some 4 million barrels per day is exported — another all-time high.

Obviously, a regional war would change everything, and a world war could be a truly existential threat to humanity. However, based on recent prices in oil markets, the crowd, be it wise or mad, says neither is likely to happen. Benchmark prices for crude oil futures rose slightly on the news of the conflict but have since returned to pre-conflict levels.

So, despite the horrifying images we are all seeing, it appears the United States remains energy secure today. But what policies will keep it that way? We believe domestic energy security depends on dynamic energy markets that can quickly adjust to new realities.

Today's energy security is not a given — it is the product of decisions made years ago. Oil fields aren't developed overnight. Exploration, drilling wells, production pads, storage tanks, pipelines, and roads all take engineering, construction, financing, and permitting that begins a decade prior. In many cases, the oil in tankers today was conceived last century.

In the United States, these decisions are more easily made on land not owned by the federal government. Not coincidentally, more than half of U.S. oil production occurs in North Dakota, Oklahoma, and Texas, where federal land ownership is measured in single-digit percentage points. Alaska, California, Colorado, New Mexico, Utah, and Wyoming all produce significant volumes of oil despite large federal footprints, but most of that oil is produced on state and private land.

The greatest concentration of federal oil production, just under 2 million barrels per day, occurs in the Gulf of Mexico. Such deep-water activity requires even longer lead times, a truly generational endeavor. This is a field (no pun intended) where the federal government could have the greatest influence over U.S. production, yet the federal offshore areas of Alaska and the Atlantic remain largely undeveloped.

In fact, the real “debit” against the Biden administration’s political responsibility account isn’t that its actions have increased energy costs for Americans, though they have, nor that the White House ordered the depletion of one-third of the Strategic Petroleum Reserve for short-term political gain, though it did. The problem is that the Biden administration thinks we will only need crude oil and its derivatives for “another decade” and has taken dozens of actions to limit domestic energy production and transportation. This is not the path to energy security, and it will prevent America’s oil industry from rising to the occasion when consumers face price spikes.

Decisions to block energy development today make it much more likely that our energy security will be compromised ten years from now, when the next Gaza or Ukraine erupts. Today’s policymakers will have long since retired and few will remember how shortsighted their actions were.

Officials who cheer the fact that the United States is the world’s largest oil producer should act now to free up oil production and transportation infrastructure to ensure we will be energy secure when the next global conflict arises.

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