



We are not prepared for the future

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THE U.S. OIL AND GAS INDUSTRY HAS LONG BEEN A favorite target of environmental groups and some politicians. Now, from the tragic deep water rig failure in the Gulf of Mexico to leasing and development of federal onshore lands, Americans are wondering whether drilling for oil and gas is the right thing for the nation. To answer this important question, several key factors must be considered, such as our current U.S. energy demand; how much of that demand is met by domestic production and how much is imported; where remaining U.S. and global energy sources occur and their ability to fuel U.S. and global energy growth; and the role renewable or alternative energy sources will play in the future.

America's demand for energy virtually tripled from 1950 to 2007, driven by a near 300 percent population increase and an unheralded 4,711 percent growth in the GNP, which together have improved both the standard of living and life expectancy for millions in the U.S. and around the world. While energy demand eased during the 2009 recession, it is expected to escalate as much as **44 percent** over the next two decades. Energy is key to the U.S. economy and quality of life, accounting for 10 percent of Gross Domestic Product (GDP), primarily through the commercial, industrial and transportation sectors, consuming over 75 percent of U.S. energy today. While it is widely reported that the U.S., with five percent of the global population, consumes 25 percent of the world's oil production, the U.S. also generates approximately 22 percent of the world's

total GDP, the fruits of which benefit the world. Increased energy demand is not unique to the U.S., where oil imports have reached nearly 70 percent and natural gas imports have risen to 16 percent. The U.S. will face ever-increasing competition for world energy supplies from other countries. China, for example, doubled its energy consumption between 2000 and 2006 and India's consumption jumped 30 percent. Both countries

have begun competing for energy supplies to fuel their future growth. (In the last 18 months, China has signed loan for-oil agreements worth more than \$60 billion with Russia, Kazakhstan, Turkmenistan, Brazil and Venezuela, among other countries.) The U.S. Energy Information Administration forecasts global energy demand will increase by 44 percent between 2006 and 2030, meaning greater competition among countries for foreign supplies and significantly higher energy prices. Clearly, the U.S. will continue its dependence on foreign energy supplies – but most Americans do not understand the complexities of global energy demand and the current supply situation, nor do they realize that the situation will become increasingly uncertain in the future. While the U.S. has abundant natural gas, coal, oil, shale gas, and oil shale resources onshore and offshore to help offset future supply needs, only a portion of these resources are in development today even though extensive potential exists for additional production to be realized through greater efficiency and technological advances. Congress, the President and some states have recently focused spending and advocated policies supporting alternative and renewable energy sources, seemingly at the expense of the traditional oil and gas and coal industries, including revenues generated by them, along with direct jobs in construction, drilling, production, transportation and indirect jobs in hotel, food, services and similar industries. While it is prudent to consider the full range of available energy sources to meet future needs, it is essential for our leaders to recognize the practical and economic realities in meeting our energy challenges. For example, EIA reports that renewable and alternative fuels *might* provide 17 percent of U.S. energy demand over the next 20 years while the remaining 83 percent will continue to be met by traditional energy sources. The true challenge is how to simultaneously grow our current energy portfolio both onshore and offshore, access and develop known reserves currently withdrawn from leasing, foster research and development of renewable and alternative energy technologies so they are affordable to every American AND sustain our nation's economic growth, energy security and global leadership position while ensuring clean air, clean water, biological and environmental resources.

The future of domestic onshore oil and gas exploration and production appears in jeopardy. The U.S. Geological Survey reports that federal lands hold 69 percent of the nation's undiscovered oil and 51 percent of its natural gas – public lands are crucial to America's energy future. However, 60 percent of these lands are inaccessible to leasing and development according to the 2008 EPCA Phase III reports. That figure is growing due to withdrawals of parcels from lease sales and inaction on issuance of leases already sold, notably in Utah, Montana and the Dakotas, Colorado and Wyoming. The reason for these delays and withdrawals is that the Department of Interior is seeking to resolve legal challenges from environmental groups.

The spill in the Gulf of Mexico is understandably turning the public eye toward safety issues associated with oil and gas development. We need to realize that successful, safe development offshore has taken place without major incident for nearly 40 years. The Administration's immediate response has been to shut down most offshore oil and gas development. Such a drastic action is wrong. Instead, full investigation into the

cause of this terrible accident is needed to determine appropriate measures that can be taken to ensure a similar disaster is prevented in future. A similar assessment could be conducted for onshore operations. It is imperative that oil and gas remain part of our domestic energy portfolio because their elimination will result in higher energy costs, and the loss of thousands of jobs along with their significant benefits to the national economy. Furthermore, eliminating significant portions of our domestic resources places our national energy security at risk by forcing us to increase our reliance on foreign supplies from countries that do not have our best interests at heart.

Rather than adopting policies that protect the future of the United States, our nation has been moving toward an **anti-energy policy** that is not affordable to most Americans and that risks further weakening our economy and national security. Ignoring mushrooming world energy demand will dramatically impact America's future viability. That we need to protect sensitive resource values is without question; but, at the same time, we need to protect our nation's future through sensible land use decisions that provide for growth and development of domestic energy resources. Recognition that new technologies can convert previously uneconomic resources into significant, viable reserves is essential. Successful new technologies have been proven by new or increased natural gas development from coal beds in the Rockies, shale gas from the Marcellus formation in Pennsylvania, and oil production from the Bakken formation in North Dakota and Montana, which resulted in an April USGS announcement that its 1995 estimate of 151 million barrels has been expanded to 4.3 billion barrels of recoverable oil, a 25-fold increase. Without access to these and similar resources through reliable energy and leasing policies, we will not be equipped to help compensate for expected future energy supply shortages by utilizing resources available here in the U.S. Americans must recognize the importance of their domestic energy program and its major contribution to the country's well-being. We need to prepare for the future ... now.

FOOTNOTES:

1 Online:

http://www.data360.org/dsg.aspx?Data_Set_Group_Id=230

2 U.S. Energy Consumption: How much do we use? May 24, 2010, J. Richard Moore, PennEnergy.

3 Inventory of Onshore Federal Oil and Natural Gas Resources and Restrictions to Their Development Phase III inventory – Onshore United States; U.S. Departments of the Interior, Agriculture, and Energy.

