Instead of a Prediction, Here's a Plan

By: Bill Keffer

The theme for this issue is the outlook for the oil-and-gas industry in 2021. That is an impossible task, even under the best of circumstances. But when you add a little pandemic and a lot of political uncertainty, given the express animosity towards the new industry from the new Biden administration, I am not sure how anyone can offer a serious prediction with a straight face.

I realize that companies, lenders and pundits all feel obligated to read the (black) tea leaves and demonstrate some level of competence when it comes to petroleum prognostication. But no one knows what tomorrow will bring — especially when it comes to the price of a barrel of West Texas Intermediate. I decided a long time ago that the only prediction I would ever be comfortable making is the one that stated at what price oil or natural gas closed that day — and, even then, I would be a little nervous.

Of course, the major recurring theme regarding the future is the great energy "transition" that will now be turbo-charged by the change from Trump to Biden. Local and state governments, the media, academia and, increasingly, the private sector are all doing their part to force and accelerate the change from oil and gas and the internal-combustion engine to renewable energy and battery power.

I have been collecting various articles documenting this movement. It is both fascinating and disconcerting how so many strive so hard to square the circle and swim against the current of economic realities. San Francisco voted unanimously to ban natural gas in new commercial and residential buildings. At least thirty-one other cities in California have done likewise. The French government is objecting to a $7 million deal by Engie to buy liquefied natural gas from NextDecade's plant in Brownsville over the next twenty years because France is concerned that natural gas produced from shale in the Permian Basin emits too much methane. Members of the Rockefeller family (you know, the ones that are wealthy exclusively because of oil and gas) are leading an organization called Bank FWD, whose mission is to convince wealthy individuals to pressure their banks to phase out their investments in fossil fuels. Banks that have already pledged not to finance any development in Alaska's Arctic National Wildlife Refuge (ANWR) include Wells Fargo, Citigroup, Goldman Sachs, Morgan Stanley and JP Morgan Chase. Lee Wasserman, Director of the Rockefeller Family Fund, wondered in his 2019 New York Times op-ed why we are even still looking for oil and gas and held up New York Governor Andrew Cuomo as his model public servant because he banned hydraulic fracturing in New York and continues to kill or delay new natural-gas pipelines in his state. U. N. Secretary-General Antonio Guterres called on Japan to stop relying on fossil fuels for its energy. The city of Arlington, Texas, is now resisting new natural-gas development on the grounds of racial justice since the wells would be in Black and Latino neighborhoods.

Bernie Sanders called the oil-and-gas industry a "criminal activity." Various Democratic candidates for President in 2020 made a big to-do over refusing to accept any campaign contributions from the oil-and-gas industry. Organizations such as

350.org are also pushing for divestment from fossil fuels. The University of California's $13.4 billion endowment sold $150 million in assets to rid themselves of fossil fuel-related investments. Law students from Yale Law School were handing out grades to major law firms and failed twenty-six of them because they disproportionately support clients and agendas that make the climate worse. Even some folks outside the fossil-fuels bullseye are being hit by collateral damage. An op-ed in The New York Times called for cattle ranchers to be required to feed their cattle seaweed to reduce their methane emissions.

DENISMAX/STOCK.ADOBE.COM

Not everyone engaged in the energy debate holds such positions; some actually encourage a rational discussion without the politics and histrionics of climate catastrophe in our lifetime. Scott Tinker is the Director of the Bureau of Economic Geology at the University of Texas and is the state geologist. More important, he has taken on the mission of energy education and is quite effective at it. He has produced two excellent documentaries on energy access and energy poverty called "Switch" and "Switch On." He is apolitical and is simply trying to sift through all of the over-the-top rhetoric and reach a reasonable conclusion regarding the world's need for energy.

His working premise is that we should strive to increase the size of the "rational middle," that place where the priority circles of energy, economy and environment overlap. In other words, each priority is essential in its own right, but it is not prudent for us to focus on only one to the exclusion of the other two. He reminds us of that unavoidable fact that the world still gets 85% of its energy from fossil fuels (it is 80% in the U.S.). In fact, 50% of the world still gets 50% of its energy from coal. To insist on prohibiting access to energy in the poor parts of the world, where they might just now have the possibility of getting electricity and fuel because of oil, natural gas and coal, is cruel. As Tinker notes, energy by itself does not necessarily end poverty, but you cannot end poverty without it.

Tinker shines the light on those aspects of reality that the agenda-driven zealots are so intent on ignoring. Billions of people still live in energy poverty. They deserve access to energy — whether it is through fossil fuels or not. The world's population will only continue to grow, and so will the need for more energy. There has been a 365% increase in global energy consumption since 1965. China and the U.S. are first and second in electricity use by country. But third place belongs to the technology sector — that industry alone consumes more electricity than every other country in the world; and, of course, that number will only grow.

Tinker's plan has five simple components: 1) Encourage Asia to move from coal to natural gas; 2) expand the use of nuclear energy; 3) improve efficiency and conservation efforts; 4) expand the use of geothermal and hydroelectric sources; and 5) use distributed renewables (i.e., solar panels and wind turbines on a smaller scale, where other sources to generate electricity are not feasible).

I do not have the ability to offer a prediction for the oil-and-gas industry in the coming year. But I do feel confident in suggesting that a rational discussion regarding our energy future can make it one we need not fear.

THE MAJOR RECURRING THEME REGARDING THE FUTURE IS THE GREAT ENERGY "TRANSITION" THAT WILL NOW BE TURBO-CHARGED BY THE CHANGE FROM TRUMP TO BIDEN

About the author: Bill Keffer is a contributing columnist to SHALE Oil & Gas Business Magazine. He teaches at the Texas Tech University School of Law and continues to consult. He also served in the Texas Legislature from 2003 to 2007.