August Reports Shows U.S. Has Plenty of Oil, Gas and Coal

According to a story in CybercastNewsService, the Congressional Budget Office, using estimates provided by the Department of the Interior, estimates that lifting the ban on drilling for oil in certain areas could increase the oil reserves of the United States by 30 percent. Eight billion of those barrels of oil are attributable to the Alaska National Wildlife Refuge (ANWR) and the rest from other federally regulated areas such as the Outer Continental Shelf. The report states:

> CBO estimates that about 175 billion barrels of oil equivalent (BOE) exists in undiscovered oil and gas reserves on federal lands (excluding most of the natural gas reserves in Alaska) — nearly half of it in the central and western parts of the Gulf of Mexico.
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> About 70 percent of the undiscovered oil and gas is under federal control on lands that are currently open to leasing; thus, additional receipts would come from opening the other 30 percent to leasing and production.
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> If the statutory ban on leasing in ANWR — which is estimated to contain roughly 8 percent of the nation's undiscovered oil — was lifted, significant new opportunities for oil production would become available.

The increase in oil reserves in 2010 were 13 percent over the prior year, which is the largest jump since 1977 and the increase in gas reserves was almost as great at 12 percent. Mark Mills at the Manhattan Institute has calculated that an aggressive oil and gas production policy by the United States could yield $7 trillion dollars to the economy, with between $1 trillion and $2 trillion in lease and royalty revenues to federal and state governments.

Mills notes also that America's neighbors to the north and south, Canada and Mexico, both have huge energy reserves as well. That oil, gas. and coal can be cheaply and safely exported to the United States.

Mark Mills is a bit more optimistic than the Congressional Budget Office, but the CBO report does maintain that the federal government could earn $150 billion in royalty and lease revenues, although that amount could fluctuate depending upon the market price of oil. The economic consequences of removing regulations on oil production are significant.

First, the establishment of proven reserves, even if the current market price of oil meant that this oil was not actually pumped out of the ground, would keep the market price lower because when the market price rose enough, these reserves would become profitable to put into production.

Second, the drilling and exploration (which is necessary to the establishment of reserves, even if the reserves are not put into production) and the production of oil (when it becomes profitable to do so) are both activities which provide many good paying jobs and also encourage investment in U.S. businesses.

Third, the oil which was currently feasible to pump and put into production would reduce America's balance of payments and so support the value of the dollar on the global market.

Fourth, royalties and related revenues would provide income to the federal government without any increase in tax revenues. This is in addition to increased corporate revenue, which is taxed, from the greater profitability of energy companies producing oil and gas from these fields.

Another report this August notes the economic advantages to America of lifting the government burdens on coal production. According to the Economic Policy Research Foundation, the United States has the largest reserves of low cost and high quality coal reserves in the world. (America is sometimes, for this reason, called the “Saudi Arabia of coal.”)

The foundation also notes that the demand for coal, particularly in Asia, is rising quickly. China and other Asian nations with coal reserves will produce coal from those reserves whether or not the United States produces coal, so there is still the hypothetical danger of pollution from carbon emissions. The use of American coal, however, will benefit the U.S. economy in much the same way as oil production from oil fields here. Increased coal production will bring good jobs for American workers. It will help the nation’s balance of payments and help secure the value of the dollar. Coal production will also produce royalty and related revenues for the federal government, depending upon where the coal comes from.

Coal is the preferred method of power generation in much of the world because it is such a cheap and efficient way to produce electricity, and it is easy to transport over water, in regular freighters rather than tankers, and over land, by railroad rather than pipeline.

Much of this coal is also “clean,” which environmentalists agree is relatively safe for the environment. For example, the Powder River Basin in Montana and Wyoming contains the largest amount of cheap, concentrated, and high quality coal in the world. This amounts, given current reserves estimates, to 200 billion tons of coal. Although the price of this sort of coal, like all commodities, varies with markets, a reasonable estimate of the value of these 200 billion tons would be about $14 trillion, roughly equal to the national debt. Much of this coal is on federal lands and so about 12 percent of that value would be federal royalty revenue, if all the coal were produced and sold at current market value.

Aggressive exploitation of the oil, gas, and coal in the United States would solve a number of problems the economy faces and would also reduce the nation’s dependence upon energy produced overseas (particularly considering the potential of Canada and Mexico to meet U.S. energy needs). Instead of encouraging this proven and productive course, the federal government is providing loan guarantees and other goodies to wind power, solar power, and other exotic sources which have not worked and which actually create new environmental problems (like the killing of large numbers of birds from vast wind farms).

All that Washington has to do to create prosperity in America is to get out of the way. So far, that has seemed unappealing to the politicians who live in Washington.