



Written by [Bob Adelman](#) on March 21, 2012

Energy Independence for America?

Morse, an economist with international bank Citi, estimates that total North American production (including Canada, the United States, and Mexico) will increase from current levels of 15 million barrels a day (BBD) to more than 26 million BBD in less than eight years. The combination of new technology (fracing and horizontal drilling) in shale formations and in deepwater formations will push North American production so fast that OPEC won't be able to keep up. Coupled with estimates of declining demand for refined oil products in response to more efficient automobiles and higher gasoline prices, makes the economic consequences "potentially extraordinary," according to Morse.



At least two consequences are apparent: more jobs and higher economic output, or GDP. Morse estimates that three million jobs will be created as the fields are developed, some 550,000 of them directly related and another two-plus million in backup and support industries — the so-called "ripple effect." Such increased economic activity could also add between two and three percent to the nation's GDP.

Perhaps the biggest consequence can't be measured in numbers: the now increasing likelihood of energy independence for the [first time since 1949](#) when the United States started importing more refined oil than it produced.

[According to Morse](#) such an explosion of production from the energy boom "would diminish the importance of conflict within and tensions involving the Middle East."

Morse added:

It is difficult to square these rosy visions with the current reality of a nation still struggling to shake off the aftermath of the 2008 Great Recession, with millions still unemployed, economic recovery still uncertain, worries over ballooning fiscal debts, a hollowing out and loss of manufacturing competitiveness, tremendous angst and hand-wringing over volatile oil prices and dependence on oil imports, deep social divisions, and political paralysis. But if our analysis is accurate, then in only eight short years, this situation may be turned upside-down and economists, policymakers and the nation as a whole may confront new "problems" around managing a vast hydrocarbon windfall....

The coming generation of Americans and its leaders may be privileged to witness a remarkable resurgence of the American economy and industry, led by its energy sector, but spreading to the rest of the manufacturing sector and beyond, a potential minor Industrial Revolution.

All of this appears to fly in the face of "accepted" statistics that show that, at present, the United States



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has just two percent of the world's oil reserves, or about 21 billion barrels as shown on oil companies' balance sheets. But that is a misleading statistic, says Geoffrey Styles, managing director of GSW Strategy Group, an energy consulting company: "The number to focus on is ... the nearly 200 billion barrels of ... 'technically recoverable' oil resources, onshore and offshore, in the lower-48 and Alaska. That figure represents more than 95 years of production at current rates."

And even that estimate may be far too low because it is based on old technology. For instance when the Bakken Formation in North Dakota was first studied, it was estimated to contain perhaps 150 million barrels of oil. Newer estimates put reserves there at more than four billion barrels, and an ongoing study could show it with up to 100 billion barrels. And that's just North Dakota. There's the Marcellus field in Pennsylvania that is twice as large as Bakken, and the Barnett and Eagle Ford fields in Texas. And these are just some of the onshore fields inside the continental United States.

There are risks to this rosy scenario, the political being the most threatening. Morse refers to bottlenecks, legislation, and the inevitable EPA, which could seriously hamper the boom or even kill it aborning. Styles agreed with Morse:

Just because something is possible with a decade or so of determined effort doesn't make it inevitable. While I share Mr. Morse's optimism about the benefits of boosting North American oil production on a scale that would dwarf the modest recent upturn, which has received so much attention from politicians who had nothing to do with it, I'm also skeptical that it could proceed to quite that extent in today's climate.

Aside from people who are genuinely concerned about the possible environmental impact of more oil development, there are also those who would regard such a turn of events as *contrary to their own interests* and their perception of the nation's. [Emphasis added.]

[But] I'd rather have the extra domestic oil and then worry about how to spend some of the resulting windfall of federal and state taxes [instead of] US consumers [worrying] about how they'll pay for the gasoline they need.

Left alone the free market has a way of confounding the establishment's estimates and predictions. May it continue to do so.



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