Written by **Bob Adelmann** on March 5, 2018

U.S. Crude Oil Production Grows as OPEC's Stagnates

The Paris-based International Energy Agency has confirmed the obvious: Nature abhors a vacuum. OPEC has created the vacuum and the U.S. energy industry is rushing in to fill it. IEA'S report released on Monday predicts that the United States will overtake Russia to become the world's largest oil producer by 2023, just five years from now. That increased production, due mostly to the continuing fracking revolution taking place in the country, will, according to the IEA, supply up to 80 percent of the predicted growth in world demand for oil.

On the other hand, IEA predicts that the OPEC cartel will only be able to increase its production over that period by two percent.

What's remarkable is that these predictions are based upon the agency's "reference" scenario, which is based on trends already in place along with forecasters' best guesses. It provided a "low" case scenario reflecting higher production costs and lower reserves while its "high" or best-case scenario reflects continued discoveries of new reserves and vastly improved technologies to develop them.

Each of those scenarios reflect the expansion of U.S. oil industry influence in world markets with U.S. production of crude oil increasing by between two and three million barrels of oil a day over the next three years.

Under the "high" or "rosy" scenario, U.S. production would jump by nearly five million bpd by 2023 to 15 million bpd, and then adding another five million bpd by 2050. If all liquids are counted, including those derived from natural gas, the jump in U.S. production is even more impressive. If the IEA is right, all U.S. liquids production will increase by 30 percent, from 13 million bpd to nearly 17 million bpd by 2023.

Looking at the big picture — global demand for crude oil — the IEA predicts that world-wide demand will increase by 7 million bpd by 2023, up from 98 million bpd currently. Accordingly, if the IEA's "reference" scenario plays out, the United States will cover between 60 and 80 percent of that increased demand, leaving OPEC picking up the leftovers.

The assumptions behind those three scenarios are being questioned by Mark Papa, the former CEO of EOG Resources, a $5 billion oil exploration company in Houston. Papa is a lonely voice who holds the view that the U.S. shale industry is facing some problems and difficulties that the IEA is ignoring. He'll be speaking at CERAWeek, the annual energy conference, on Tuesday, but his views are already well-known. In a January speech, he told oil company executives and energy investors that most of the best drilling locations in North Dakota and West Texas have already been tapped. He complained that some industry executives were deliberately overstating their prospects in order to raise more capital. He pointed out structural constrictions that were inhibiting production such as sand shortages in the Permian Basin, as well as oil field service companies being increasingly unable to meet the demand from drillers. He had the audacity to suggest that some developers had used their imaginations rather than trend analysis to come up with their projections: “Apparently,” he told them in January, “you can just use your imagination to dream what might happen with big data in five or 10 years.”

He knows his is an unpopular opinion, but he’s sticking with it:

> Even though 99 percent of the industry is dead certain about certain things, 99 percent of the industry is often wrong. I have a minority opinion right now, but within the next year or two, I feel pretty strongly that it’s going to be proven out.

Absent that voice in the wilderness, the report from the IEA holds that even under its “reference” scenario, U.S. oil producers will continue to rush in to fill the void left by OPEC’s determination to cut its own production in order to soak up excess world crude oil inventories and raise crude oil prices. OPEC failed to realize the extent to which the combination of Yankee ingenuity, investor capital seeking places where it is treated best, and the profit motive would put them on the defensive. Mother Nature is right: she abhors a vacuum. It’s a lesson OPEC is learning very late in the game.

Photo: marcduf/iStock/Getty Images Plus

An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American *magazine and blogs frequently at LightFromTheRight.com, primarily on economics and politics. He can be reached at badelmann@thenewamerican.com.*

Related article:

[U.S. Oil Production Will Soon Overtake Saudi Arabia’s]