



Written by [Bob Adelman](#) on November 1, 2011

## The Oil Map of the World Is Shifting to the West

Writing in the Washington Post on Friday, Daniel Yergin, author of *The Prize: The Epic Quest for Oil, Money and Power* (which was adapted into a mini-series by PBS in 1992) explored the shift of oil's epicenter from the Middle East to the Western Hemisphere, expressing his surprise that "what appeared to be irreversible is being reversed." He explains:



The new energy axis runs from Alberta, Canada, down through North Dakota and South Texas, past a major new discovery [off the coast of French Guyana](#) to [huge offshore deposits found off Brazil](#).

The transformation is happening not as part of some grand design or major policy effort, but almost accidentally. This shift was not planned — it is a product of a series of unrelated initiatives and technological breakthroughs that, together, are taking on a decidedly hemispheric cast.

The virtual explosion in oil extraction taking place in North Dakota is detailed [here](#) with records of oil production through the technology of fracking being set every month. The oil sands in Canada are so vast that the present production of 1.5 million barrels per day could double by the year 2020, making Canada the fifth largest producer of oil behind Russia, Saudi Arabia, the United States, and China. And the "pre-salt" resources just discovered offshore in Brazil through advances in reading seismic signals indicate that Brazil's potential oil reserves are so large that that country could be exporting 5 million barrels of oil daily by 2020.

Once online, these resources will change the equation for oil prices and the balance of power for energy, according to Yergin: "The sheer size of the oil resources in the Persian Gulf will continue to make the region strategically important for the world economy. But the new resources closer to home will make our supply system more resilient. For the Western Hemisphere, the shift means that more oil will flow north to south [Canada to the United States] and south to north [Brazil to the United States], rather than east to west. All this demonstrates how innovation is redrawing the map of the world's oil..."

The technological breakthroughs in seismology and fracking are allowing access to reserves unknown just a few years ago, putting the lie to the now-discredited theme of "[peak oil](#)" developed by M. King Hubbert in 1956 and considered an unchangeable conclusion as to when production of oil will reach its peak and then begin its decline (with all manner of negative effects predicted following that peak). This discredited theme has often been used to push for alternative energy development efforts, especially by — but not limited to — the present administration in Washington.

Development and transportation of these newly discovered resources are not without their challenges, however. The Brazilian resource extraction estimates assume that technology will continue to provide solutions not only to finding but to developing that country's resources. The North Dakota explosion is limited at present by the industry's inability to find enough skilled labor to push extraction levels much



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higher.

But the big challenge is in moving the Canadian oil to refineries on the Texas Gulf Coast. Phase Three of TransCanada's pipeline has been stalled in Washington for three years as both sides of the debate over Keystone XL continue to delay the decision.

Environmentalists are adamantly opposed to completion of the pipeline, fearing (as they say) that the quality of ground water in Nebraska could be compromised and wildlife jeopardized. The sand hills of Nebraska are being used as a point of concern, that construction of the pipeline through that area will destroy large parts of the environment considered unique to the area. Supporters point to the jobs that are waiting to be created, the money to be invested (estimated to be \$7 billion before the pipeline is completed in 2013), the increased revenues to federal and state governments, and last but not least, the reduction in the cost of oil-based fuels to end-users and consumers. Five thousand protesters are expected to circle the White House on Sunday, November 6, exactly one year before the 2012 elections, as a reminder of commitments made by the President to his green supporters. Not only is the rhetoric increasing but the pitch as well. Susie Tompkins Buell, a longtime friend and major financial supporter of Hillary Clinton, supports the encirclement: "I think this is a huge issue about our future, about the planet, not just America."

Counterpoint is the response by Cassie Doyle, Canada's Consul General, who told a Commonwealth Club debate that "The economic benefits for both Canada and the United States of the oil sands development can't be overestimated. It is a major economic driver," which could benefit Canada for at least the next 50 years.

The White House is caught in the middle, between unions and young people (who supported Obama in 2008 but who now are largely unemployed), and environmentalists who are complaining "Look, you haven't given us a whole lot during [your] administration. It's time to give us something significant, and this is it," as noted by Michael Marx, director of the Sierra Club's Beyond Oil Campaign.

But the issue isn't about developing the newly discovered resources, it's about how to transport them from Canada. If the Obama administration fails to decide in favor of finishing the pipeline, TransCanada will find another way to ship the oil to the world. It's beyond the power of the U.S. government to get in the way of this coming wave of resource development. What the present administration can do is direct the positive economic effects elsewhere. As Rep. Adam Kinzinger (R-Ill.), a member of the House Energy and Commerce Committee, noted:

The State Department has at their discretion the authority to decide if the US benefits from the pipeline. The fact is that *someone will benefit from the oil out of Alberta*. It it's not the United States it will be China, unless we take immediate action to expand the Keystone pipeline — and it will be American businesses and consumers who will suffer the consequences from our inaction. [Emphasis added.]

The shift of the oil map of the world is inexorable, thanks to the meeting of opportunity and technology. If the Obama administration decides not to allow America to benefit from that shift it will simply be more evidence that it has little interest in helping the economy and allowing the jobs just waiting to be filled. But the map is shifting, and no government, including the present administration, will be able to stifle it.



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