



# ***Rodney's Take***

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## **Don't Give Them the Stick to Beat You With**

I was raised in the Land Before Time, when dinosaurs roamed the earth and parents enforced discipline with a swat. The corporal punishment never rose to the level of abuse, but it got my attention and corrected my behavior. Usually they used a belt, but sometimes it was whatever was handy, like a hair brush or a hand. Of all the things my parents used to administer such punishment, I never had to cut a switch from a tree that would later be the instrument of instruction. I always thought that having to pick out the paddle would add insult to injury.

While I didn't suffer this as a child, it's happening to me and every other American in my adulthood. Part of our inflation pain stems from a self-inflicted lack of U.S. energy production, and we're giving other countries the ability to use falling production as a diplomatic cudgel against us.

In 2019, we were the largest oil-producing nation on the planet. Because President Obama lifted the oil export restriction and President Trump supported wider exploration and production, U.S. energy companies were operating at top speed. Our success meant that we no longer had the same motivation to get stuck in thorny diplomatic issues in the Middle East and that we sent less cash to OPEC members and other energy producers who would love to see us fail.

Our oil production fell dramatically at the start of the pandemic, matching the drop in demand. But now demand is roaring again, and our production

remains about 10% below the pre-pandemic peak. Oil producers are responding to a number of pressures, including political and social cues that are demanding that they put themselves out of business for the good of the climate. To that end, companies such as ExxonMobil have declared that they will be carbon neutral within a few decades, and many have slashed their exploration and production (E&P) budgets by 30% or more. Because known oil wells eventually run dry, we need constant E&P just to keep supply at current levels. As E&P falls short, we're resigning ourselves to relying on foreign oil production to meet domestic demand. Increasing dependency on foreign energy puts us right back where we were from the mid-1970s through the mid-2010s, financing countries we'd rather not deal with and embroiled in diplomatic tangles that don't concern us beyond energy.

Obviously, the goal of browbeating domestic energy companies into producing less product is to wean the nation off of fossil fuel. That might be possible over the next 75 years, but it won't happen in a shorter time frame, say 15 or 20 years, without a dramatic drop in our standard of living that few people would enjoy. That leaves us using copious amounts of oil for years to come, but sourcing it from overseas, which is the worst of both worlds. Even worse, as we produce less, we lose our ability to counterbalance supply constraints and, therefore, higher prices imposed by foreign producers. We have to buy more oil from them at ever higher prices to meet domestic demand.

Iran is supporting the Houthi rebels against our allies in Saudi Arabia and the United Arab Emirates, and Russia appears to be on the cusp of invading Ukraine. Those are just two instances where we're giving foreign nations a really big stick to beat us with. If we continue down the road of quickly constricting domestic oil production, we can expect more of the same in the years ahead.

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Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).