



Rodney's Take

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Oil... Too Much or Too Little?



Port of Galveston, TX, 2019. Drilling rig. Author: Tony Webster, via [Wikimedia Commons](#) Creative Commons license.

If you drove three miles from my house to the west side of Galveston Bay, you would see a long line of ships in the ship channel making their way to and from port. If you drove south about 15 miles, you could follow the line of ships into the Gulf of Mexico, where many other vessels lay at anchor, waiting their turn to enter. Most of this traffic is connected to the oil industry, where

the U.S. just reached a milestone. In the first week of October, we produced a record 13.2 million barrels per day (B/D) across the nation.

This might sound like it puts the lie to the notion that we're starving the energy sector, but it ignores a few key inputs that have taken on outsized importance over the last few months. To paraphrase Wayne Gretzky, we need to prepare for where we're going, not where we are.

Before we get there, let's parse the idea that the U.S. is currently "energy independent." We're not. It's true that if you tally all the energy we produce, including oil, gas, distillates, natural gas, renewables, etc., we push out about 97 quadrillion British thermal units (BTUs), while we consume around 94 quadrillion BTUs. But we don't produce all that energy in the right form or right place to match up with our consumption. We produce more oil than we can refine because our refiners are set up for grades of oil from overseas and no one will build a new refinery in light of permitting difficulties. This leaves us exporting oil and importing gasoline.

Since the shale revolution, we have had more natural gas than we need domestically, so we export the excess. To make production and consumption even out, we'd need to build more natural gas electrification plants in places like California, which doesn't seem likely. So, we definitely create more energy (including renewables, nuclear, etc.) than we use, but it's in forms we cannot use and in locations that we cannot access.

As for reaching the record of oil production a couple of weeks ago, that's great, but energy is a game based on the future. Oil fields aren't developed in a day, and refineries take time to construct. Oil companies are reducing their commitments to future R&D as the government demands a transition to electric vehicles and appliances, although we have no plans as to how to deliver the vast increase in voltage to homes. Oddly, this might leave the U.S. still pumping large, but not record, amounts of fossil fuels for export in the years to come, while domestic consumers deal with brownouts on high-use days. In a sense, we might end up like the mariner in the Samuel Taylor Coleridge poem, "The Rime of the Ancient Mariner," who says (I again

paraphrase), “Water, water, everywhere, and not a drop to drink.” It won’t be that bad, but the mismatch between what we produce and what we consume definitely will make consumers pay more for energy, even though we have an abundance.

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Got a question or comment? You can contact us at info@hsdent.com.