



The Oil and Natural Gas Industry: Key to America's Growth and Environmental Successes

From 2008 through 2014, the oil and gas industry was the main growth industry in the United States, thanks to the discovery and development of shale formations across the country containing massive volumes of oil and natural gas. Oil and gas development supports millions of high-paying direct jobs and millions more indirect jobs in a wide array of industries, including chemicals, plastics, manufacturing, real estate, agriculture and many others. Therefore, the downturn which began in July 2014 also slowed the entire U.S. economy.

The domestic oil and gas industry also provides significant environmental benefits, not just in the U.S., but globally as well. Existing environmental regulations in the U.S. are among the strictest in the world. As a result every domestic barrel of oil or cubic foot of natural gas produced, transported or refined here creates an emissions footprint considerably smaller than the same volume of petroleum product produced, transported or refined almost anywhere else on earth. Along with the environmental benefits detailed later in this report, a healthy domestic oil and gas industry is critical to the country's future, from both an economic and environmental perspective.

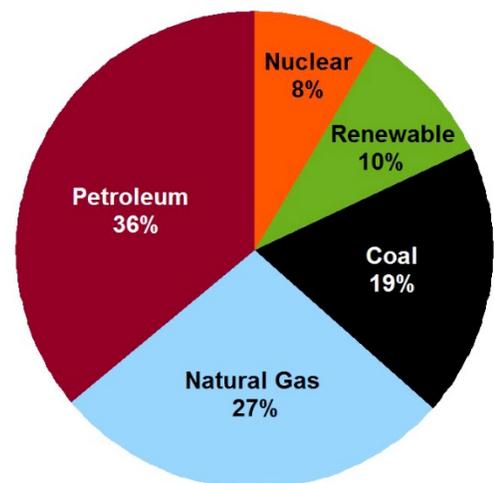
Oil and Natural Gas: Crucial Economic Drivers

Petroleum products have driven the global economy for more than a century and will continue to do so today and in the future. According to the U.S. Energy Information Administration (EIA), oil, natural gas and other petroleum derivatives accounted for 63% of U.S. energy consumption during 2014 (the last year for which this data is available) while renewables (wind, solar and hydro-power) accounted for roughly 10% of total U.S. energy consumption. The EIA projects that petroleum products will still provide 57% of the U.S. energy mix by 2035, whereas renewable energy will only rise to 11%.

The Promise of Renewables vs. the Track Record of Oil and Natural Gas

Despite EIA projections of only modest growth in market share for renewable energy sources in the coming decades, numerous recent studies conducted by private and academic entities project far more optimistic renewable growth scenarios. Government energy policy should be tempered by the reality that numerous similarly optimistic projections for renewable growth have appeared over the past 40 years, with reality on the ground always proving to be far less productive than imagined.

2014 United States Energy Consumption by Source

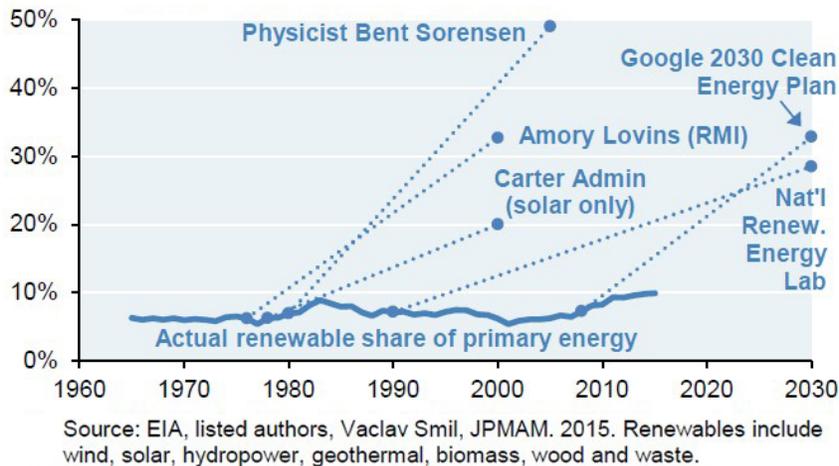


Data Source: U.S. Energy Information Agency



The chart below does a good job of contrasting several of these optimistic projections of the past with the actual share of energy provision in the U.S. by renewable fuel sources.

The share of U.S. primary energy coming from renewable sources, and some notable forecasts



This is not to suggest that the federal government should abandon its long-held interest in policies that encourage private sector growth of renewable energy sources. Such policies hold the promise of benefitting all Americans in the long run. But at the same time, government should take care to avoid policies that unwisely create barriers to the ongoing development of the nation's abundant oil and gas resources, with their proven track record of meeting the great preponderance of the nation's constantly growing energy appetite for the past 150 years.

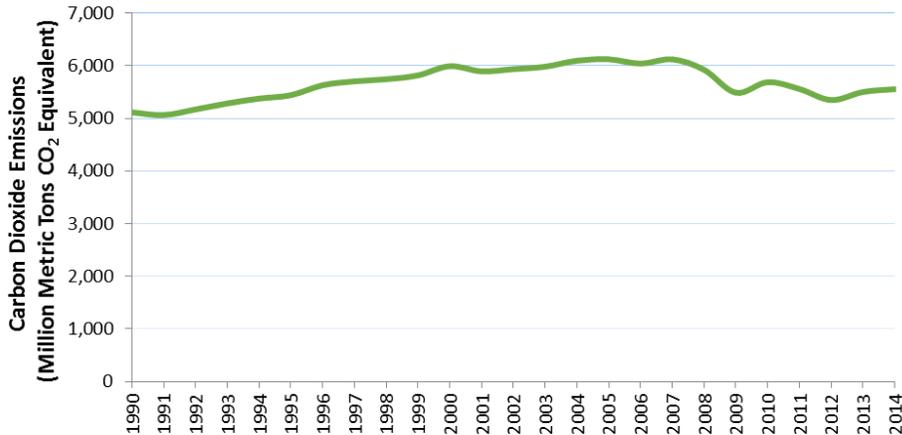
Reduced Environmental Footprint

The new abundance, and resulting lower price, of shale natural gas in the U.S. has led to a rapid build-out of new, clean-burning combined cycle natural gas power plants. As older-generation coal-fired plants have reached the end of their useful lives or have been crowded out by federal regulatory policy in recent years, this generating capacity has been replaced by new natural gas-fired plants. As a result of this ongoing conversion, during 2015 natural gas surpassed coal as the largest provider of power generation in the U.S. for the first time.

This transition to clean-burning natural gas as the leading fuel source for power generation has, in turn, led to a significant decline in overall U.S. emissions of CO₂ and other greenhouse gases. In fact, in 2012 the conversion to natural gas helped U.S. emissions fall to levels not seen since 1993. Furthermore, despite not ratifying the 1999 Kyoto Accords, the U.S. has become the only developed nation to actually meet the CO₂ emissions goals of the Kyoto Protocol.



U.S. Carbon Dioxide Emissions, 1990 – 2014



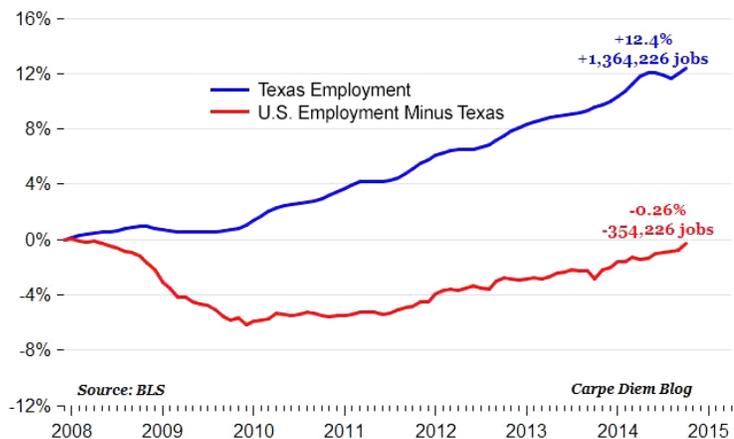
Note: Emissions Estimates per U.S. Environmental Protection Agency

Significant Economic Driver

All of this growth, job creation and emissions reduction was accomplished in spite of, and not due to any new federal regulatory schemes. Indeed, virtually all of the growth and job creation related to oil and gas exploration and production occurred on state and private lands, because the current Administration has taken steps to withdraw an ever-increasing percentage of federal waters and lands from leasing for oil and gas operations.

For example, oil and gas industry-related job growth and economic benefits allowed major petroleum-producing states like Texas and North Dakota to weather the Great Recession far better than states that lack petroleum reserves or ones, like California and New York, which artificially prevent the industry’s growth. The industry-related job boom was most impressive in Texas. The chart below demonstrates that from 2008 through September 2014, job creation in Texas alone out-stripped that of the rest of the United States by more than 1.7 million jobs.

Percent Change in Employment: Texas vs. U.S. Minus Texas December 2007 to October 2014

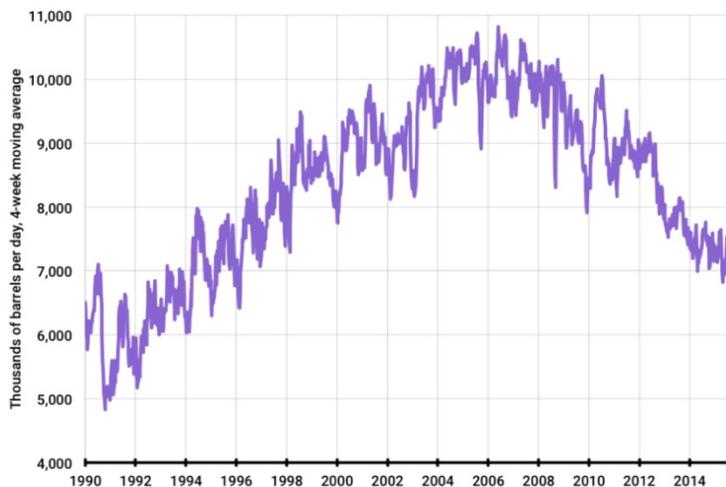




Oil and U.S. Strategic Interests

The abundance of domestic oil due to the discovery of huge shale reserves throughout the country presents the U.S. with a new strategic advantage in its international relations. According to the EIA, U.S. imports of crude oil have fallen from a high of almost 65% of the country's daily usage in mid-2006 to a low of just over 25% at the end of 2015. Imports from OPEC nations fell from roughly 6.4 million barrels of oil per day in 2009 to just 2.5 million barrels at the end of 2015.

U.S. Crude Oil Imports



SOURCE: U.S. Energy Information Administration

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From a national security standpoint, this means that the U.S. is significantly less reliant on imports from the Middle East and other potentially hostile countries than at any point during the previous half-century. Because of this, the U.S. economy is not subject to the major economic shocks that have come via embargos implemented by OPEC member countries in the past. Thus, the U.S. government has far more freedom today than ever before regarding determination of the nature and level of our country's involvement in the Middle East and other parts of the globe.

Summary

The U.S. domestic oil and gas industry plays a vital role in promoting the environmental, economic and strategic interests of the United States and its citizens. The federal government's energy-related public policy should encourage and liberate this industry to continue promoting domestic energy independence by developing the country's resource abundance in a safe and environmentally sensitive manner.



As the primary representative of the large independent producers who drill and complete the vast majority of the nation's oil and gas wells each year, AXPC stands ready and willing to provide expert input on the issues facing this vital industry and advice on the development of sensible public energy policy.