



FUELING FREEDOM

**EXPOSING
THE MAD WAR
ON ENERGY**

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Saudis and the Iranians could hate. Unfortunately, getting out of the way doesn't come naturally for politicians and federal regulators.

Paying Down the National Debt

One issue to consider in the debate over national energy policy is this: how much could the federal government raise in royalties, drilling fees, and income taxes if it allowed a drilling on federal lands? We have examined the latest geological inventories made by the U.S. Energy Information Administration, the USGS, and private think tanks like RAND to get a rough estimate of how much energy there is and what it is worth.

With the aid of Jack Coleman, a former Interior Department energy expert, we found that the untapped resources in states like Alaska, California, Colorado, Texas, and Utah and under the Outer Continental Shelf are so bountiful that the recoverable totals of oil with existing technology are more than 1.5 trillion barrels. And there is approximately three quadrillion cubic feet of natural gas. The value of this energy is at least \$50 trillion, and at least fifty times annual U.S. consumption. This estimate is almost certainly low, because drilling technologies are improving so rapidly that Uncle Sam is continually raising the inventory of what is "technically recoverable."

By allowing drilling on federal lands, the United States could increase output by nine hundred thousand barrels of oil per day for twenty years, which would increase production by 150 percent through 2037. There could be a corresponding 80 percent increase in natural gas output (0.9 Tcf/year increase for twenty years). If those figures seem implausible, consider that U.S. oil and gas output are already up about 75 percent since

just 2007.

If President Obama's successor allowed drilling on federal lands and pursued what the government calls a "high-production" strategy over the next twenty years, we estimate that royalties would bring in \$1.1 trillion, with an added \$0.15 trillion from natural gas. Another \$1.25 trillion in direct federal income taxes would be collected on the oil and gas industry. Lease payments would raise approximately \$210 billion, bringing total revenues over twenty years to just over \$2.7 trillion.

The total passes \$3 trillion when including federal income taxes on suppliers and other contractors involved in these production activities, plus federal income taxes on the million or more new, highly paid employees of the exploration and production companies, their suppliers and contractors. State income, property, severance, and other taxes could raise another trillion dollars or more for states and localities. That's more revenue than just about any bipartisan deficit-reduction plan could ever deliver. In short, the oil and gas under our federal lands and waters is the fiscal equivalent to a cure for cancer.

Imagine how foolish it would have been if the Saudis had decided forty years ago not to drill for their oil. When President Obama absurdly argued after the 2015 Paris Climate Change Conference that we must keep these resources "in the ground," did he remotely understand that he would deprive Americans of millions of high-paying jobs and the nation of \$50 trillion of added output over the next two decades? This could be the greatest act of national economic self-mutilation in world history.

To be clear: we are not talking about drilling in Yosemite or Yellowstone, or as President Obama once jibed, on the National Mall next to the Washington Monument. Instead we are urging an all-out national commitment to drilling on non-environmentally-sensitive lands, from the Arctic

Now let's look at what we could expect if the United States embarked on a pro-energy development economic crusade.

The consultants at IHS have estimated that the 2015 repeal of the 1970s-era ban on exporting American oil over time will provide a \$135 billion-a-year boost to energy output in the United States.¹⁶ That means hundreds of thousands more jobs, higher wages, and tens of billions of dollars in additional tax revenues. The average worker in the oil industry earns between \$75,000 and \$100,000 a year. These are good, often union, jobs.

But that is just step one toward a rational energy policy. If we were to move from an energy-importing nation to an energy-exporting nation, we could nearly double our economic growth rate. Instead of growing at 2 percent we could achieve well over 4 percent growth. As we tap into the full potential of our shale oil and gas, we can become the number-one export nation on the planet. This could easily mean more than \$1 trillion a year in oil, gas, and coal exports each year—perhaps exceeding 5 percent of GDP.

The United State government is the most indebted institution in the world—actually in the history of the world. Our debt is now more than \$18.5 trillion, and in some recent years we've added more than \$1 trillion to that debt. Neither party has a strategy for balancing the budget, let alone reducing the existing debt burden.

How Much Oil Do We Have?

The key to doing so is drilling on public lands. At today's prices, we are sitting on nearly \$50 trillion of assets. It is the world's greatest trea-

sure chest. Obama has been determined to keep it in the ground, and his climate change policies make sure drilling doesn't happen.

So far at least 90% of the shale gas and shale oil revolution has happened on private land. But around half of all the land west of the Mississippi is government-owned. How big could the shale boom be if we opened up public land for drilling? It's an exciting question. And the answer is really, *really* big.

A comprehensive survey by the Congressional Research Service in 2010 documented that the United States has the largest endowment of total recoverable proved reserves of hydrocarbon resources in the world.¹⁷ No other country has more of this recoverable oil and natural gas than we do. We have more than Russia, twice as much as China, three times more than Saudi Arabia, and twenty-three times more than Brazil. The United States is also the world's leader in technically recoverable but undiscovered oil and natural gas, with 50 percent more than Saudi Arabia, more than four times that of Brazil, and twelve times that of China.¹⁸ Since then we have discovered even more oil and gas, and what is technologically recoverable keeps growing as the fracking and other drilling technologies improve and get cheaper. We've just scratched the surface—literally and figuratively—of our energy resources in America. The more we use, the more we find.

A 2011 report by the non-profit, non-partisan Institute for Energy Research, "North American Energy Inventory," concludes that the United States sits atop 1.442 trillion barrels of recoverable oil, 2,744 trillion cubic feet of recoverable natural gas, and 486 billion short tons of recoverable coal.¹⁹

Offshore oil and gas reserves are also extremely large but unfortunately largely unavailable for production. At the time of the last Depart-