

# A look at US energy policy in the Trump administration

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In December 2015, the United States Congress lifted the 40-year ban on exporting US crude oil, a move many energy experts would have never predicted less than a decade ago. For decades prior, energy pundits agreed that the US was poised to run out of oil; the rhetoric portended an extreme energy crisis. However, thanks to energy friendly policy changes and industry ingenuity with the development of horizontal drilling and hydraulic fracturing, our country has completely altered the global energy landscape, moving from an energy importer to a world-class energy exporter.

In the first year of the Trump administration, energy policy was largely related to economic growth, specifically jobs. Major policy initiatives aimed to increase domestic production, provide regulatory relief, open federal lands to increase exploration and production, and support energy exports. These efforts underscored the ultimate goal – bolstering the US economy and paving the way forward in energy.

Now, partway through the second year of his administration, President Trump's policies remain consistent with a few nuances. The economy and labor market are still priorities. Both gross domestic product and unemployment numbers have improved substantially since President Trump won the 2016 presidential election. Much of the economic boost is from the tax cuts. But, increased domestic energy production had held gasoline (until recently), natural gas, and electric power costs to consumers relatively low, generating a savings effect for energy customers.

Table one illustrates the US Energy Information Administration projections of World Energy Consumption by energy source to 2040. Please note that while renewables have substantial growth, petroleum and other liquids, natural gas, and coal are significant. In fact, fossil fuels remain the dominant energy source.

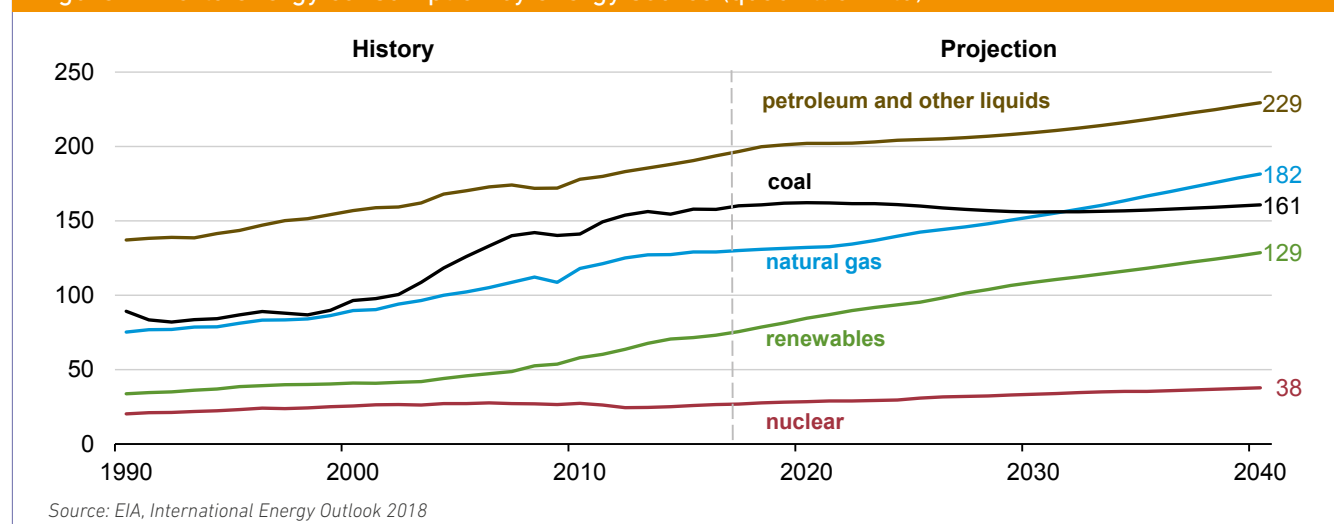
Furthermore, BP, Exxon Mobil, and Equinor (former Statoil) all have forecasts that show fossil fuels providing up to 80 percent of world energy in 2035, 2040 and 2050 respectively. The Trump administration is correct that traditional fuels on a global basis are not going away. Policies that encourage these trends are by far a net positive for the economy.

Accelerated drilling, driven by regulatory changes and permit efficiency, has led to significant discovery increases in both crude and natural gas reserves. Charts two and three illustrate these trends. Both have more than doubled, and as technology becomes even more sophisticated, it is probable to see these trends continue.

Improved drilling technology advances have also played a major role in this narrative. The industry can drill three kilometers vertically and three kilometers horizontally to efficiently extract the most natural gas. Combining horizontal drilling with hydraulic fracturing has led to this remarkable US energy revolution.

Both crude and natural gas production is expected to double between 2010 and 2020. This is a notable achievement. For much of the last 40 years it was well accepted that the US

Figure 1: World energy consumption by energy source (quadrillion Btu)





was running out of oil and natural gas.

At the time, it was strategic for the country to move away from oil and natural gas for power generation to make room for coal and nuclear units. Now the Trump administration is trying to find ways to keep coal and nuclear power plants operational where they might not be otherwise; the low price of natural gas has made natural gas power plants more attractive to grid operators. The US Energy Department is currently structuring a plan to make whole grid operators, whose profits may suffer from choosing coal and nuclear units, over natural gas ones.

The global energy industry is expected to more than double its services by 2050, due largely in part to a world population increase of more than 2 billion people. Industry is also expected to provide power to 1.2 billion people currently living with no electricity, and 1.3 billion people living without adequate electricity. The US is uniquely positioned to help meet this growing demand through exports.

Crude oil exports have skyrocketed since late 2015 when the US Congress lifted the export ban. The US is expected to export two million barrels a day in 2018 or early 2019.

Canada is the largest buyer of US crude with China in second place, followed by the UK, the Netherlands and South Korea. Over 15 countries imported US crude in 2017. Coupled with petroleum product exports, combined exports were over six million barrels a day.

The liquefied natural gas (LNG) story is equally notable. Cheniere's Sabine Pass facility in Louisiana became the country's first operational LNG export terminal in 2016. Cheniere has since requested that the Federal Energy Regulatory Commission approve its LNG train at Corpus Christi facility by the end of 2018.

In addition, Dominion's Cove Point began commercial operations in early 2018 and has shipped three cargoes in the first month. In May 2018, Dominion exported three cargoes of US LNG through the Panama Canal – a first.

Overall, the Trump administration energy policy has helped boost the economy, change the global energy landscape, reduced cost for US consumers, and inspired a manufacturing renaissance. And that's just in a year and a half.

Figure 2: US crude oil and lease condensate proved reserves (billion barrels)

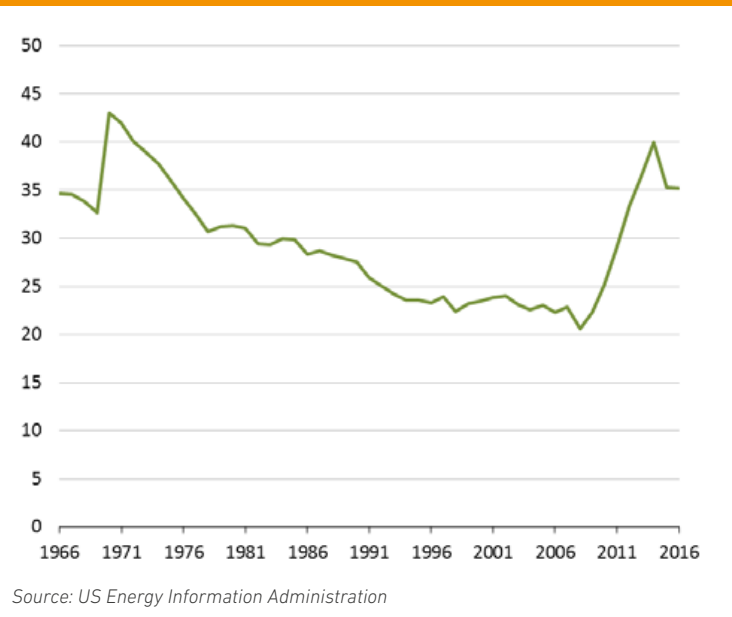


Figure 3: US total natural gas proved resources (trillion cubic feet)

