

“Proven Oil Reserves”: Avoiding a Slick Argument

Written by Donald J. Boudreaux
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With Japan’s nuclear crisis and a wave of instability crossing the Middle East, pols and pundits are turning again to the question of our energy future. Will civil war and strife disrupt access to oil and our way of life? Can the United States change its century-old pattern of relying heavily upon petroleum?

People will reach different answers to these questions and draw different conclusions about what to do. It would be helpful, however, if everyone could get the factual premises right.

Unfortunately, one thing all too many observers have in common is an erroneous understanding of what the term “proven oil reserves” means. The myths surrounding this oft-cited figure are pervasive. And there’s no way to have a realistic conversation about energy without getting facts and definitions straight.

Republicans for Environmental Protection is just one of many so-called expert groups that get it wrong. “The notion that the U.S., which sits atop less than 3 percent of the world’s proven oil reserves, can drill enough oil to drive down prices if the flow is interrupted from a region with 64 percent of the world’s reserves is a pipe dream,” David Jenkins, a vice president, recently wrote. He argued that supporters of drilling “all neglect to mention that the U.S. is already disproportionately depleting its scant 3-percent reserves to produce 8 percent of current global production.”

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Jenkins paints a frightening picture of the future. But whatever good arguments there might be for keeping tight restrictions on drilling, his isn't one of them.

That's because the size of any nation's proven oil reserves depends not only upon how much oil is contained in its borders but also upon its government's drilling policies.

Here's how the Society of Petroleum Engineers defines it: “Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations.”

That last phrase is key. Our proven reserves are much lower than our actual reserves because government has blocked access, onshore and offshore. It's silly to argue that there is no point to easing restrictions on drilling because “proven reserves” aren't there. There'd be a lot more proven reserves if the restrictions were eased. Just in the past few years, we've started the process to extract a century-long supply of clean-burning natural gas we didn't even realize existed.

Three years ago, Congress let expire the decades-long ban on leasing most of the Outer Continental Shelf. A study by ICF International found this could increase production of crude oil by nearly a million barrels a day and natural gas by 3 billion cubic feet per day. Yet legal delays still hamper extraction – such as a lawsuit claiming the government didn't adequately investigate the effect on global warming.

There are plenty of places that industry experts think contain oil where Congress hasn't lifted bans on drilling. While companies can now plan to work in the Atlantic and Pacific, Congress insisted that most of the eastern Gulf of Mexico remain undisturbed. The vast potential of the Arctic National Wildlife Refuge is untapped.

It's estimated the eastern Gulf of Mexico has a recoverable 3.7 billion barrels of oil and 55 trillion cubic feet of natural gas. That ICF study estimated that if the ban on drilling was revoked

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in non-park federal land in Alaska and some Rocky Mountain states, America could produce 1.125 million barrels of oil and an extra 2.4 billion cubic feet of natural gas a day by 2030.

Even where drilling is allowed, companies slog through thick red tape, applying for 15 permits and meeting 90 federal regulations. That’s before state bureaucracies get involved, adding yet more sticky, tangled tape.

There is simply too much energy beneath American land and waters to take the current “proven oil reserves” at face value. You might support drilling, or you might oppose it. But no one can deny there’s plenty of fuel left to drill.

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