

How America Broke OPEC

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Net petroleum exporter

- The U.S. for the first time in 75 years became a net petroleum exporter
- U.S. crude production has surged 20% in a year and nearly tripled in a decade thanks to advances in hydraulic fracturing and horizontal drilling.

- For nearly six decades OPEC has dominated oil markets by setting production quotas among its 15 members.
- In late 2014, OPEC flooded the market with oil in an effort to break U.S. drillers who were burning cash on mounds of debt.

- As oil prices fell below \$40 a barrel in 2015–2016, many wildcatters (瞎掘油井的人) folded or were absorbed by larger producers.
- But the survivors became more efficient.
- Technology—including drones with thermal imaging to detect leaks along with improvements in horizontal drilling—boosted productivity.

- Many U.S. producers say they can turn a profit at \$50 a barrel and even as low as \$30 in the Permian's (二疊紀) most productive regions.
- Yet most OPEC members need prices ranging between \$70 and \$90 per barrel to balance their budgets.
- The cartel scaled back output in 2016, but shale producers roared back as prices recovered.

Restrictions on land use

- Drilling leases on federal land declined 28% during Obama's two terms amid new restrictions on land use.
- Drilling skyrocketed on private land, despite attempts by his regulators to block pipelines, slow down approvals, and impose higher costs on production.

- Politicians in the past have sought to secure American energy independence with price controls, ethanol mandates (also known as Renewable Fuel Standard, RFS), and the oil export ban.
- But they and OPEC should note that America owes its new energy prosperity to industry innovation, private property, and the free market.

Covid-19 and US shale industry

- Implications of COVID-19 for the US shale industry, Deloitte, 2020
- The year 2020 marks the 15-year anniversary of the US shale boom
- The reality is that the shale boom peaked without making money for the industry in aggregate
- More than 190 bankruptcies since 2010

Covid-19 and US shale industry

- The oil market has lost nearly all the momentum it gained in 2019
- US imported crude Oil price:
\$42.0 in 2020/12; \$56.89 in 2019/12