

# Drilling Down in Obama's Oil Play

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Horse trading in bygone eras, the proverbial standard of shady deals cannot match the politics of the day in the United States. Barack Obama – a president as hostage to liberal rhetoric as one could ever envision and who ran a presidential campaign on the most virulent of anti-oil, pro renewables tickets – has unexpectedly reversed the long-standing US ban on offshore oil drilling.

Speaking in Maryland on March 31, 2010, the president announced he was giving the go ahead to allow oil and gas exploration and, presumably, drilling along **the Atlantic coastline, the eastern Gulf of Mexico, the north coast of Alaska, Alaska's Cook Inlet** and a review of other sites. Other applications to drill will remain in place, including the drilling ban off the West coast.

While green and conservation groups will be aghast at their Green-caped Super-Hero, villainous Big Bad Oil may be rubbing its hands in glee, the rest of us might take time out to ask: What is *really* going on here? Why now, just when Interior Secretary Ken Salazar had been set to drop a G (Green) bomb on oil leases elsewhere?

Well in the wake of the government's recent pyrrhian victory on healthcare and the President's personal low approval rating in the polls, someone up at the Big House appears to have come up with a play designed to cause confusion. But by tossing a bone on domestic drilling to the Republicans, Obama's team may believe it can 'buy' him some Republican (and dissident democratic) votes – and some credibility on cross-party working – before his upcoming next big move: the push for cap and trade.

At the very least, the partial lifting of the offshore drilling ban is a move designed to cause confusion (including, no doubt, among the Prez's own supporters – a calculated gamble he believes he can pull off) while stealing some populist Republican 'thunder'. And who can deny that offshore drilling licences *will* create *real* jobs; not the pale green, transitory stimulus variety? It may even give him a much-needed bump in the approval polls.

But we could spend all day surmising as to the Obama administrations oil play. Could we not just accept it at face value? Well, this is Chicago-style 'change' politics remember. There is always a potential *quid pro quo* on offer somewhere – especially from a guy bent on instigating national cold turkey in pursuit of weaning America off what George Dubya termed its "oil addiction". While the polls might buy it, it's doubtful that Republicans will.

But then, that may well be part of the play; to make Republicans appear 'nay-sayers' even when you do something they want.

But in fact, we needn't worry about delving too deep beneath the surface of the drilling decision. A simple look at the math tells us all we need to know. That is, that the decision is a disingenuous one. It must be, given the government's twin-track policies on energy and climate.

First: the energy facts. Currently, 85 percent of the US energy mix is provided by oil, gas and coal. By some amazing coincidence the US is using right about 100 Quads (quadrillion Btu) of energy and so these numbers reflect both percent and actual energy use. If we take the Energy Information Administration's (EIA) figures of 0.5 percent increase per year and extrapolate total energy use to 2050 this would translate to about 125 quads. (Incidentally this is a surprisingly small figure considering the recent past, which was as high as 2 percent annual increase and China's forecast of over 3.2 percent per year. Is the EIA trying to please the Obama White House?)

Second: the Obama administration has made several statements intending to slash CO2 emissions by 83% of the 2005 figures by 2050. This would mean that the current 85 quads that come from fossil fuels must be reduced to less than 14.5 quads which would imply that by 2050 the contribution from fossil fuels to the US energy mix should be reduced to about 11.5 percent (some even mentioned less than 10 percent) of the total energy consumption, meaning that wind and solar, the darlings of this administration would provide essentially all the rest – a patent impossibility.

More drilling for more oil just exacerbates Obama's insoluble conundrum.

Of course the reality is that the announcement is to hoodwink the would-be opponents, and there are many, of carbon cap and trade or carbon tax. If the Administration was sincere about energy and energy "independence" it would rescind immediately the EPA's finding of CO2 as a pollutant, which by coincidence (?) takes hold today, April 1, 2010. Further, it would actively encourage drilling rather than starting environmental "studies" that would drag on for years with excruciating permits, followed by certain environmentalist challenges that would just about take this offshore oil non-production to 2050.

The interesting thing is that about every key energy assessment from real knowledgeable energy people, including DOE's own EIA, suggest that by 2050, fossil fuels will *still* provide around 85 percent of the US energy mix, *no matter what US political rhetoric may ascribe on alternative energy sources*. The fact is the Obama Administration already has an impossible circle to square on its current energy pronouncements. Whatever political calculations may

be in play, the President's oil 'card' play may trump his carbon-reducing climate play – but it makes “nonsense on stilts” in harmonizing both.