A Country without “Fracking”? Look at Europe

Greg Kozera- Learned Leadership LLC

“If the Shale Crescent USA were a country we would be the number 3 natural gas producer in the world.” You have heard this before. It stunned a talk show host in Cincinnati when I said it. It got the attention of the Japanese in January. The large consulting firm Deloitte agrees. Even the White House Staff we talked to didn’t know.

The rest of the story is, the only two places that produce more natural gas than the Shale Crescent USA are **the USA without the Shale Crescent included and Russia.**

My focus here is **not** on the politics. My focus will be on energy which the major media is clueless about or chooses to be. For example, a recent *Sixty Minutes* segment implied that a decommissioned nuclear power plant in California probably producing about 3000 MW 24/7 was being replaced by 62 acres of solar panels on the same site producing 5 MW (when the sun shines). California recently shutdown the San Onofre Nuclear power plant and the Morro Bay natural gas power plant together producing about 6000 MW.

In April of 2018 Californians were paying $0.16 per kwh for electricity compared to $0.11 for West Virginia and $0.12 for Ohio. However, a rate increase approved in May by the California PUC increased rates for most consumers to about $0.25 per kw. Wow! Who can afford that? Replacing nuclear power and natural gas with renewables is not cheap or possible.

Russia is our biggest competitor in the natural gas market. They are proposing to build Nord Stream 2, a 48- inch natural gas pipeline that will run from near St. Petersburg in Russia to Greifswald in northeastern Germany. It will run under the Baltic Sea parallel to Nord Stream 1 which was built in 2011. Russia is already supplying most of Germany’s natural gas. This pipeline will double the amount of gas Germany can import from Russia. Germany currently uses more natural gas than any other European country and they expect their natural gas demand to increase. This is a major win for Gazprom, the Russian natural gas company.

Gazprom has been providing natural gas to Europe for over 40 years. They are the largest exporter of natural gas to the European market. The US entered this market last year with natural gas shipments Poland. Natural gas demand in Europe is expected to continue to increase. European natural gas production is decreasing. Most European counties have banned or restricted hydraulic fracturing. Renewables are expensive and as we know don’t work 24/7. Europe has decided to turn to Russia to meet their oil and gas needs.

From a strictly business stand point one has to wonder if Russia chose to invest a few million dollars in the Dark Environmental Groups that were trying to get “fracking” banned in Europe. This would not be illegal under Russian law. It is simply an investment decision. What is the ROI of few million dollars invested with the Dark Environmentalists? If Russia did make that investment it looks like they did well. They have eliminated Europe’s ability to produce natural gas. Russia has plenty of gas to sell.

It will soon be selling natural gas from two additional major pipelines to Europe (since the banning of “fracking”) with long term contracts tied to oil prices. Sounds like a pretty good ROI. This is exactly what the USA would look like if our industry had not developed the shales in our country with horizontal drilling and hydraulic fracturing.

Hydraulic fracturing has been banned or restricted in Europe because of environmental fears. We know that they are unfounded. We also know that Europe has shales that could reduce their dependence on Russia. Unfortunately, unless something changes Europeans will never know what they have. The “antis” or “Dark Environmentalists” were able to get this done.

The Dark Environmentalists are those people and organizations who use environmentalism to further their own agenda or who care more about the environment than the people who live in the environment. I believe, a true environmentalist should care first about people. People are the reason for protecting the environment. Destroying people’s jobs, driving families into poverty or restricting the fuel and petroleum feed stocks our military needs to protect our freedom is “Dark environmentalism” at its darkest.

European nations are turning to Russia for their natural gas needs. Russia, like all countries, hydraulically fractures almost every well. Mr. Putin will continue to frac and make billions of dollars from his European customers. Gazprom’s contracts with its European customers are long term and tied to oil prices unlike American gas.

What does this mean for the Shale Crescent USA and for our Region’s oil and gas industry? Russia will continue to be a major competitor globally. We can compete in Europe but Russia has an advantage with their pipeline over our LNG. However, our competition will force Russia to stay competitive, like what happened in Poland when the US started shipping them LNG last summer. Gazprom now has some competition from the USA.

We know that the Shale Crescent USA has a **huge** manufacturing advantage over Europe. Natural gas prices in the USA are not tied to oil prices. The current Dominion South Pointe price for natural gas in the Shale Crescent USA is $2.40 per MM BTU. This is equivalent to oil at $14.40 per barrel. Oil on the world market is selling for $70 per barrel. Shale Crescent’s natural gas is a real bargain for industry AND it is literally right under the plants in our region which minimizes transportation costs. This is why industry in Europe and Asia is looking to locate here. We need to make sure the world knows about our energy advantage.

Europe is a great place for us to prospect. We know where they are getting their energy whether it is Russia or from renewables it is very expensive. The other problem Europe has by getting gas from Putin and Gazprom is that Putin can apply political pressure, if he chooses, like he did in Ukraine in 2014 and simply close the valve, shutting off their natural gas. The energy advantage we have in the Shale Crescent USA is long term. We offer the world a unique advantage with low natural gas and natural gas liquids (NGL) prices with an abundant supply. We have competitive electric rates, especially when compared to places like Europe, Japan, California and New England.

Maybe most important, as a nation we need to look at Europe as an example of what can happen if the Dark Environmentalists go unchallenged. By stopping hydraulic fracturing Europe no longer is free to control their own destiny. Just like at the end of World War II when my uncle in Patton's Army marched by German tanks that were out of fuel on the way to Berlin. Europe must depend on foreign nations for fuel and petrochemicals for their military. Mr. Putin can apply financial and political pressure simply by closing a valve at the right time.

Sadly, we still have the antis and Dark Environmentalists still trying to ban hydraulic fracturing here starting in states and communities they don't have a clue what hydraulic fracturing is. We know from the recent Orion poll that 85% of people in the counties in our region where most of the drilling is have a favorable opinion of our industry. Knowledge of the truth overcomes fear and the falsehoods and half- truths of the Dark Environmentalists. Maybe our national organizations need to invest more time and money in areas where we don't drill. Our government is spending a lot of money investigating a Trump- Russia connection which makes no sense to me and others who understand energy. Shouldn't our government be investigating to make sure money from foreign governments isn't flowing to the Dark Environmentalists in the USA. This is direct threat to our military's ability to defend us.

Public education is all of our job. We are the experts. A lot is at stake. We know what Europe looks like without a viable oil and gas industry. There but for the grace of God and the American Oil and Gas industry goes the USA. Thanks for all you do. You are making a difference to America!

Thoughts to ponder.