The Reemergence of the U.S. as a Global Petroleum Producer

Edwin M. Bennion
Economist
Division of International Price

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A Major Event

- The month of October, 2013 was notable.
  - For that month the U.S. produced more petroleum domestically than it imported.
    - First time since March of 1995.

- Symbolic of the reemergence of U.S. petroleum production.
  - An industry that had been in decline.
The Halcyonian Days are Here

I.E.A Projections:
- By 2014 U.S. will produce more oil & gas than ever before.
- Domestic petroleum production will surpass imports in 2014.
- U.S. will surpass Saudi Arabia in production before 2020.
- Net exporter of oil by 2030.

BP Energy Outlook – U.S. will be energy independent by 2035.
How Did the U.S. Get Here?

What factors have brought about such a change from a decade ago?

- U.S. production has drastically increased since 2009.
- Domestic consumption has fallen.
- Imports have declined.
The Birth of an Industry

- First commercial well in 1859 near Titusville, PA. Oil boom followed.
The Birth of an Industry

- Oil boom quickly spread throughout Appalachian Basin & Ohio River Valley.
- Early 20c. national boom.
  - California – 1880
  - Kansas - 1892
  - Central Texas – 1894
  - Oklahoma - 1905
  - Louisiana - 1906
  - East Texas – 1930
The Birth of an Industry

- Long Beach, CA in 1926.
U.S. Production Booms

U.S. Field Production of Crude Oil, 1900 - 1970

Source: U.S. Energy Information Administration
1970: U.S. Dominates

- U.S. ranked 1\textsuperscript{st} in global production.
  - Produced 9.6 million bbl/d.
  - Total of 3.517 billion barrels.

- By comparison:
  - Russia – 6.3 million bbl/d.
  - Saudi Arabia – 3.8 million bbl/d.
  - Venezuela – 3.7 million bbl/d.
From 1971 onwards U.S. production gradually declined.

- 1975 – Russia surpassed U.S. in production
- 1976 - Saudi Arabia too.
- 1989 – Daily production fell below 8 million barrels.
- 1998 – Fell below 6 million bbl/d.
Rise of U.S. Imports

- U.S. Consumption of petroleum steadily increases.
  - 1980: 17,056 thousand bbl/d.
  - 2005: 20,802 thousand bbl/d.

- U.S. imports steadily climb.
  - 1980: 5,263 thousand bbl/d.
  - 2005: 10,126 thousand bbl/d.
The Rise of U.S. Imports

U.S. Consumption & Imports of Crude Oil, Jan 1983 to Dec 2006

Source: U.S. Energy Information Administration
2005-7: A Low Point

- 2005: imports reached 3.7 billion barrels.
  - Over 3.69 billion barrels for 2006.

- Production has declined steadily since 1970.
  - Dropped 47% to 1.8 million barrels.
  - Output on par with 1947.

- Consumption: 20.7 million bbl per day.
U.S. Imports Decline

- Imports steadily declined starting in 2007.
  - Dropped 3.8% in 2008, 9.7% in 2009.
  - Fell a further 16.9% between 2011 and 2013.

- By 2013 annual imports 3.5 billion bbl.
  - A decline of 21% from 2007.
  - Lowest amount of petroleum since 1996.
U.S. Imports Decline

U.S. Petroleum Imports, Jan 2005 to Nov 2013

Source: U.S. Energy Information Administration
Causes of the Decline

- U.S. Consumption fell significantly.
  - 2007: 20.7 million bbl per day.
  - 2013: 18.7 million bbl per day.
  - Decline of 9.7%.
  - Annual consumption level on par with 1996.

- Where do the declines occur?
Transportation Sector

Accounts for 70% of U.S. petroleum usage.

Usage fell 9.1% from 2007 to 2012.
- Gasoline consumption declined 6.6%.
- Miles driven by Americans declined.
  • Dropped 2.5% from 2008 to 2012

Not limited to transportation.
- Industrial consumption: -10.9%.
- Residential consumption: -15.0%.
- Commercial consumption: -2.5%.
Consumption & Imports

U.S. Consumption & Imports of Crude Oil, Jan 2007 to Sep 2013

Source: U.S. Energy Information Administration
U.S. Production Increases

- Held fairly steady from ’06 thru ’08, then jumped 6.8% in ’09.  
  ▶ First increase in U.S. production since 1991 (18 years).
- Continued to climb steadily, in ’10 & ’11 then skyrocketed in ’12 & ’13.
- Since ’08 U.S. production has jumped 47.2%.
U.S. Production Increases

U.S. Petroleum Production, Jan 2005 to Nov 2013

Source: U.S. Energy Information Administration
The Gap Narrows

U.S. Petroleum Imports & Production, 2005 to 2013

Domestic Production
Imports

Source: U.S. Energy Information Administration
Where is it Coming From?

- Production increases occur in a number of states.
- Only two states are really significant.
  - North Dakota.
  - Texas.
That’s Where the Oil Is!
U.S. Production Increases

Crude Oil Production, Dec 2004 - Nov 2013

Source: U.S. Energy Information Administration
Oil Reserves

• Just how much is there?
  ▶ Bakken & Three Forks – 7.4 billion barrels from USGS.
    – Produces 862,987 barrels per day.
  ▶ Eagle Ford – 3 billion barrels.
    – Produces 677,407 barrels per day.
  ▶ Woodford – 500 million barrels.
Drilling Activity

Drilling activity has expanded.

Petroleum Production & Drilling Activity, 2007 - 2013

Source: U.S. Energy Information Administration
Drilling Activity

- Night lights image from NASA’s Suomi satellite.
Import Prices

- How have the rise in U.S. production and decline in imports and consumption impacted import prices?
- Initially not much of one.
  - Strong global demand, especially from Asia
  - Lower production from several OPEC nations
  - Global Supply Shocks.
Import Prices

Imports, Production, & Import Prices, Jan 2010 to Nov 2013

Thousand Barrels

Index Value

Source: U.S. Energy Information Administration
Import Prices

- From Dec 2009 thru 2011 import prices increased 42.3%.
  - Yet U.S. consumption only rose 0.6%.
  - Domestic imports fell 1.0%.
  - U.S. production increased 5.1%.

- So why did the price increase?
Truly Global Market

- World supply remained tight in 2010 & 2011. Only increased 3.5%.
- Strong global demand, especially from Asia. Consumption increased 4.5%.
  - Chinese consumption increased 15.4%.
  - Indian consumption increased 9.6%.
  - Asian consumption as a whole up 9.7%.
Political Unrest

- Supply disruption in Libya, production falls by 1.3 million bbl/d.
  - Equal to 1.7% of global production.
  - Production was slow to return.
- Ousting of Hosni Mubarak in Egypt.
  - Concerns regarding the Suez Canal.
- Tension with Iran.
  - 20% of world’s petroleum passes through Strait of Hormuz.
2012 & 2013

- Import prices leveled off in 2012 then fell through 2013.
  - Declined 2.7%
- Production increased in Canada, Russia, OPEC countries, and the U.S.
- Global consumption slowed, increasing 0.6% in 2012, compared to 1.3% in 2011 & 3.1% in 2010.
How Much Oil is There?

- Some estimates of oil reserves in U.S. shale formations.
  - Spraberry/Wolfcamp Field, TX – 100 billion recoverable barrels.
  - Bakken Formation, N.D. – 503 billion bbl.
  - Uinta Basin, Utah – 1.3 trillion bbl.
  - Piceance Basin, Colorado – 1.5 trillion bbl.
Not Limited to the U.S.
Not Limited to the U.S.

- These are “technically recoverable.”
  - Russia – 75 billion barrels.
  - China – 32 billion barrels.
  - Argentina – 27 billion barrels.
  - Libya – 26 billion barrels.
Contact Information

Edwin M. Bennion
Economist
Division of International Prices
www.bls.gov/xxx
202-691-7142
bennion.edwin@bls.gov