Roth: U.S. Leads Europe in Natural Gas Production

European Union lawmakers recently voted to force energy companies to carry out in-depth environmental audits before they initiate hydraulic fracturing to recover natural gas, oil and liquids from shale rock.

The result is a setback for the shale gas industry in Europe, where many citizens are more concerned about the environmental effects than the benefits from energy production. It leaves Europe far behind the United States in developing recovery and production techniques.

The U.S. has widely embraced shale gas production, leading to a fall in domestic gas prices and making it possible to achieve energy independence in oil and gas by 2035, according to the International Energy Agency. It’s transforming our economy.

The 27-nation European Union has been slower to explore the possibilities. Policymakers from the EU are positioned to decide by the end of the year whether strict regulation is required.

Opponents of shale gas exploration in Europe say existing environmental law is inadequate for the potential risks of hydraulic fracturing (fracking). France has already banned the technique and others are considering following this move.

Pro-shale gas advocates insist that shale gas provides lower energy costs, can curb greenhouse emissions and could provide a more indigenous source of energy.

According to a recent report by investment bank Credit Suisse, after a decade or more of shale development in the U.S., the country is still in the early innings of growth. There are

tens of billions more dollars expected for infrastructure and development. The renaissance in industrial development and manufacturing will continue to benefit.

This isn't the case for the U.K. and the majority of the Europe Union, which largely relies on Russia for its gas supply. Not surprisingly, Russia has raised a lot of purported concerns about hydraulic fracturing. This is obviously designed to help maintain Russia's dominance over Europe's gas supply.

Despite a less positive outlook for Europe's shale exploration, there could be additional opportunities for oil and gas producers, as well as oil service subsectors, in countries such as Argentina and China.

The Credit Suisse reported that U.S. crude's effect on global oil prices is still muted. Increased U.S. production has coincided with global supply interruptions and Middle East/North African instability. The report added that a significantly weaker oil price is not an imminent prospect.

Natural gas is being substituted for other fuels, particularly coal, in electricity generation, resulting in lower greenhouse gas emissions from utilities. The use of natural gas in the transportation sector is currently negligible but is projected to increase in the U.S. with investments in refueling infrastructure and natural gas vehicle technologies. Petrochemical and other manufacturing industries have responded to lower natural gas prices by investing in domestically located manufacturing projects.

According to "The Shale Revolution II" report, strong drilling activity and continued technological progress should lead to significant oil production growth in key regions such as the Permian Basin, the Eagle Ford, Bakken and Niobrara Wattenberg shale fields, in west Texas, south Texas, North Dakota/Montana and Colorado, respectively.

The good news for Oklahoma, and America, is that while we are safely maximizing our domestic energy and transitioning our economy toward lower-carbon fuel sources, other parts of the world will lag behind and lose their competitiveness.

That’s good for America and American jobs.