The global impact of U.S. oil and gas development

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Hydraulic fracturing ("fracking") and horizontal drilling are allowing the United States to produce more domestic oil and gas, bringing closer the once unthinkable prospect of America being a net energy exporter. But what are the international implications of America's newfound energy bounty on U.S. foreign policy?

An initial caveat: fracking, or more accurately, oil and gas development, is an industrial activity and can cause negative environmental impacts. But many modern activities have environmental or human health risks. The reasonable response is sensible regulation, not wholesale bans. For example, no reasonable person would propose closing the interstate highway system, despite the thousands of deaths annually associated with interstate use. Instead, we manage the risk through highway design, speed limits and improved automobile safety features.

Looking ahead, even if U.S. energy demand dips, demand outside the U.S. — principally in China and India — will continue to grow. The U.S. Energy Information Administration reported last month that world energy consumption will grow by 56 percent between 2010 and 2040. Global natural gas consumption will grow annually by 1.7 percent and will be the fuel stock for about 25 percent of the world's electricity by 2040. Overall, fossil fuels will continue to supply almost 80 percent of world energy use through 2040.

The environmentally careful development of U.S. oil and gas resources offers opportunities to improve domestic energy security, as well as support America's foreign policy.

From a U.S. foreign policy perspective, there are three key benefits that bolster the aggressive pursuit of domestic oil and gas development. First, by no longer being tied to petroleum imports from the Middle East, the U.S. can reassess the "oil for security deals that we've had with [Middle Eastern governments] for over 40 years," according to James Jones, the former national security adviser to President Obama. A major U.S. military presence in the Middle East has not always been — and is unlikely to ever be — considered a positive aspect of U.S. foreign policy.

Second, for our allies, increased U.S. production will considerably reduce the utility of the "energy weapon" threat. While we see energy threats in the abstract of overall U.S. energy security, our allies in the European Union and Japan experience energy supply shortages in their day-to-day lives. In terms of oil, greater U.S. production and reserves will help moderate price spikes that in the past have been associated with supply contractions (e.g., any OPEC decision to restrict supply to increase price).

With regard to natural gas, a look at Europe illustrates the problem. Because of the continent's undeveloped petroleum resources, Gazprom, the Russian gas giant, has been able to bully consuming nations by constricting the supply of natural gas used to heat EU homes. New gas supplies will blunt the impact of that tactic. Moreover, if exported U.S. gas can provide cheaper and cleaner power and help resuscitate a moribund EU economy, all the better.

Third, with increased internal energy security the U.S. could rethink what is a reasonable military presence around the world. American firepower (and taxpayer dollars) keeps the shipping lanes open for oil that makes its way to China or Europe. If the alternative supply came from the U.S., and the need to keep the lanes safe diminished, the resultant savings could be re-invested here at home in education, infrastructure or in lowering the national debt.

Speaking recently about the potential of U.S. gas exports, David L. Goldwyn, former U.S. State Department special envoy for energy, put it this way: "Lower prices, lower emissions [related to fuel switching from coal to gas for electricity generation], greater diversification, more competitive pricing. It's a diplomatic royal flush."

America, if strategic, may harvest a "foreign policy dividend" from increasing domestic production of oil and gas. This dividend should not be overlooked in the continuing conversation about the future of fracking in the U.S.

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