As windfalls go, America’s natural gas boom verges on the biblical. Economists talk of a “game changer”. Producers foresee a US manufacturing renaissance. Greens celebrate the death of King Coal. And strategists talk about a geopolitical trump card – not least in the west’s game of poker with Vladimir Putin’s Russia. Hydraulic fracturing has opened up a supply of cheap and relatively clean gas for decades to come. At a time when the US is facing a set of otherwise bleak trends, it is as close as you get to a godsend.

That, at least, is the assumption. But what if it is wrong? According to Garten Rothkopf, an international advisory firm, the US is set to exhaust its supply of “economically recoverable” natural gas supplies by 2030. That estimate is based solely on existing projects, and excludes those that have been announced but not yet started. It also makes the conservative assumption that there will be just three liquefied natural gas export terminals in operation by then, as opposed to the six already in the works. Everyone is piling into the “dash for gas” on the basis that US gas prices will remain cheap as far as the eye can see. Long before 2030, however, US producers will have been pushed into the more expensive shale formations.

Industry specialists protest that new technology will have opened up non-economic supplies by then. Yet gas euphoria has pushed risk management out of the window. However cushioned the basket might look, it is unwise to put all your eggs in it. Next month President Barack Obama’s administration will issue a new set of emissions rules that are likely to put most existing US coal-fired power plants out of business. Coal was always the largest source of US electricity. Gas has now overtaken it.

America has likewise turned away from nuclear power. In his first term Mr Obama announced plans to revive a sector that had essentially been frozen since the Three Mile Island leakage of 1978. Nothing has come of it. Only one new US nuclear power plant is planned and that is years away.

Likewise, Mr Obama set great store in the scaling up of alternative energy supplies such as wind and solar. But in each case the numbers have disappointed. Just 5 per cent of US power comes from non-hydroelectric renewables. In its current mood, Congress looks unlikely to approve the renewal of alternative energy tax credits, which will further limit their potential.
Meanwhile, his administration is loath to approve the Keystone XL pipeline that would open up a more secure supply of oil sands from Alberta. Mr Obama used to say that the US was pursuing an “all of the above” energy policy. Somehow, it has dwindled to just “one of the above”. Everything except gas is falling by the wayside.

Sticking to “one of the above” entails three risks. The first is economic. Under US utility regulations, suppliers have to choose the cheapest form of energy. Today that is gas. If gas prices start to rise, producers will be stuck with a single energy source.

The same applies to the petrochemicals sector and other manufacturers. Twenty and 30-year investments are being made on the assumption that US gas prices will remain a third or so of levels elsewhere in the world. Many projects will become uneconomic if that changes.

The risk of supply shocks is also underestimated. For example, fracking has essentially ground to a halt in California and other western states because of acute water shortages. If you believe the climate change models, drought in the US southwest is not a temporary phenomenon.

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Moreover, the US gas sector needs $300bn to upgrade its pipeline network, according to Garten Rothkopf. Little of this is happening. The battle over Keystone XL has marginalised this challenge. Fourteen bills have been submitted in Congress to approve the Canadian pipeline. Only one has been put forward to speed up permits for upgrading the national pipeline network. It is stuck in limbo.

The second is environmental. Since 2007, US carbon emissions have plummeted – partly because of the recession and partly because of the switch from coal to gas. It is the global warming equivalent of a windfall. But gas is still a fossil fuel. An unintended consequence of the dash for gas has been the displacement of research into carbon capture technology to mitigate global warming. Gas has also pushed alternative energies off the political radar. Spending on energy research and development has remained flat for the past several years and funds for demonstration projects in new energy technologies have vanished.

Finally, there is geopolitics. Unlike oil, gas is priced regionally. But investments in LNG terminals and cross-border pipelines are bringing forward the day when there will be something resembling a global spot market in natural gas, much as there is for oil. The closer that comes, the more vulnerable the US, and other economies, will be to global supply shocks. What if Russian gas suddenly goes offline? Or if there is a war in Qatar? The price effect could be dramatic. It might seem a long way off. But until a few years ago, few had any clue how much gas was locked up under America’s ground. Providence – and improved technology – gave the US a huge windfall.

The big question is whether the US will use it wisely or fritter it away. Neither the Obama administration nor its opponents inspire much confidence that they will opt for the wise course.

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