

### **Importance of U.S. in Global Energy Situation under the Next Administration (3)**

Ken Koyama, PhD  
Chief Economist, Managing Director  
The Institute of Energy Economics, Japan

In the third report on energy and environment policies of the next U.S. administration, I would like to discuss relations between the incoming administration and shale resources development.

One of the keywords for policies and initiatives that President Donald Trump has implemented in the past four years is “America First.” His major policies have frequently been characterized as anti-Obama. Regarding energy, he has strongly supported the shale revolution that has played a key role in backing up U.S. economic prosperity and contributed to increasing US national power. Appreciating growing oil and natural gas production as creating positive effects for the United States, Trump has kept a basic attitude of promoting oil and natural gas production and exports. He has given priority to the so-called “energy dominance” policy that exploits the shale revolution achievements as the source of U.S. national power and the cornerstone of foreign, external energy, and international energy security policies.

In an extremely interesting case to represent that policy, President Trump attempted to mediate between Russia and Saudi Arabia to revive joint oil production cuts by the Saudi-led Organization of the Petroleum Exporting Countries and non-OPEC oil producers led by Russia, when crude oil prices crashed amid an oil price war between the two countries and the COVID-19 pandemic after the OPEC-plus joint production cut framework broke up on Russia’s refusal to enhance a production cut in March. In fact, the attempt led the OPEC-plus group to revive the joint production cut framework in April and start its largest ever production cuts from May. Earlier, the United States had traditionally regarded OPEC and other organizations for production adjustments as “cartels” and officially refused to accept their presence or actions. In real politics, the United States had been positioned to discuss international oil market problems with OPEC or its leader Saudi Arabia through various approaches and channels. Officially, however, the United States had never approved any production adjustments. However, President Trump backed up the revival of the OPEC-plus production adjustment in his unique way of doing things. This may be because Trump was concerned that the oil price crash would reduce shale revolution achievements and seriously affect the “energy dominance” policy.

What attitude would President-elect Joe Biden take on the shale revolution? This is a question that exerts great influence on the U.S. energy market, the U.S. economy, and the global energy market. The reason this question attracts interest is that Senator Bernie Sanders and other leftists or environmentalists during the Democratic Party’s process for nominating its presidential candidate called for banning or restricting hydraulic fracturing (fracking) technology for the shale revolution or even oil or gas drilling itself from the viewpoint of environmental protection. As is well known, fracking technology has been a key technology to support shale oil and gas production.

Eventually, centrist Biden became the party's presidential candidate and declared his victory in the presidential election. During presidential election campaigns, Biden attempted to adjust or unify opinions on various policies to achieve the party's unity and conciliation. He then had no choice but to indicate some consideration to the environmental impacts of fracking and oil and gas drilling. This is the reason Trump tried to brand Biden as a presidential candidate hurting the oil industry in his direct debates with Biden in the final days of the election campaigns.

In response, Biden said he would ban fracking and drilling on federal lands in consideration of environmental impacts. Seemingly, Biden has taken a tough attitude against fracking or drilling. Given that federal lands are not so important for shale development, however, a ban or restriction on fracking or drilling on federal lands would have only limited impacts, according to many experts. The Biden remark could be taken as indicating that he is trying to balance his stance of considering environmental conservation as urged by environmentalist Democrats with his realistic choice to keep from imposing effective restrictions on shale oil and gas production.

As history shows, however, Biden faced the shale revolution as vice president in the Barack Obama administration. During his first presidential election campaigns, Obama had given priority to the so-called Green New Deal policy that would focus on renewable energy development to recover the U.S. economy and employment from the 2008 global financial crisis.

Eventually, however, the U.S. economic recovery and growth under the Obama administration were supported by unprecedentedly rapid expansion in oil and gas production, which contributed to increasing high-income jobs not only in the oil and gas industry but also in infrastructure and other relevant industries and raising U.S. industrial and manufacturing competitiveness through lower gas and energy prices. Growing oil and gas exports had macroeconomic effects including trade balance improvements. In fact, the Obama administration conducted a cost-benefit analysis on a plan to export liquefied natural gas (LNG) and concluded that LNG exports would have positive effects on the U.S. economy and serve U.S. national interests.

Biden who has experience with the Obama administration is now required to recover the U.S. economy from the COVID-19 disaster that is more serious than the global financial crisis. Then, it may be difficult for him to have any essentially negative attitude on the shale revolution that has continued to lay golden eggs for the U.S. economy. Like the Obama administration, the Biden administration may place hopes on renewable energy-related industries and innovative climate change countermeasures for the economic recovery. Biden's policy of seeking carbon neutral status in 2050 leads hopes to be placed on these industries. Nevertheless, he may not make light of shale-related industries that have contributed to U.S. economic growth and created high-income jobs.

Within the Democratic Party set to control the White House, however, there may be various tugs-of-war between environmentalists, centrists, and conservatives in the Party politics. The tug-of-war process may produce various policy adjustments and compromises, which could be related to energy or shale resources development. Attracting attention in this respect will be Biden's nomination of officials to head the Department of Energy and the Environmental Protection Agency and take charge of international energy policies at the State Department. The nomination may indicate the incoming Biden administration's energy policy and attitude on shale resources

development. I would like to closely watch relevant developments.

Contact: [report@tky.ieej.or.jp](mailto:report@tky.ieej.or.jp)

The back issues are available at the following URL

[http://eneken.ieej.or.jp/en/special\\_bulletin.html](http://eneken.ieej.or.jp/en/special_bulletin.html)