



F E B R U A R Y
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Energy Rush

Shale Production and U.S. National Security

By Elizabeth Rosenberg
Report of the Unconventional Energy and U.S. National Security Task
Force, co-chaired by Ambassador Paula J. Dobriansky, Governor Bill
Richardson and Senator John Warner



Center for a
New American
Security

I. EXECUTIVE SUMMARY

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This report investigates the ongoing shale boom in the United States and its implications for U.S. energy and national security. To date, the debate about the energy boom has been oversimplified. Some people argue that the boom will make the United States self-sufficient in energy, permitting the nation to retreat from its commitments overseas. Other analysts argue that nothing has changed and that the United States remains dangerously vulnerable to global energy-market dynamics. The reality is more complex: The energy boom will have profound implications on energy markets and political relationships between major consumers and producers. Furthermore, energy security will remain a key concern for U.S. foreign policy. These factors call for a reassessment of U.S. strategy to seize opportunities and manage challenges associated with maintaining energy security.

This report interprets energy security for the United States to mean reliable access to sufficient, affordable energy supplies to fuel economic growth. The three key factors in the promotion of energy security are increasing energy efficiency, diversifying supply and investing in energy production for the future. The United States is currently taking a major step forward in energy production as a result of the shale energy boom, a development that will contribute to, but not ensure, energy security.

The application of sophisticated, “unconventional” oil and gas extractive technology to shale rock formations over the past five years has precipitated a dramatic increase in U.S. energy production. A glut of gas has flooded the U.S. market and caused prices to plummet from historical levels. Unconventional oil production, moreover, led to the largest annual production increase in U.S. history in 2012 and substantially reduced the need for oil imports. Internationally, new U.S. oil supplies have helped to cap the price spikes caused by severe global supply disruptions and to moderate oil prices for consumers.

The unconventional energy boom is also helping to jumpstart the broader U.S. economy. Prolific natural gas supplies have reduced electric power costs and are fueling a renaissance in industrial manufacturing of energy-intensive goods. Meanwhile, new domestic oil supplies have supported a surge in the refining sector, and the United States is now a net exporter of refined petroleum products for the first time in over 60 years.

Although the effect of new U.S. energy supplies on the global energy market is significant, it is only one of the major trends reshaping the global energy system. Other substantial influences on the global energy market include the massive growth in Asian demand for energy to fuel its industrial revolution and the likelihood that recent profound, prolonged global oil supply disruptions will continue.

As a result of these major trends – and the potential for future game-changing energy production technology – a dynamic new map of energy trading partners and supply routes is emerging. The changes are more significant for oil than for natural gas because of the large, globally integrated nature of the oil market and the relative ease of transporting oil. A reformulation of political relationships is also taking place alongside the physical market changes and new supply chain relationships. Russia is seeking stronger strategic ties with growing Asian consumer economies, while Asian and Middle Eastern leaders are laying the diplomatic groundwork for a more interconnected future.

In the United States, leaders are contemplating the possible use of new energy supplies to pressure or support international actors and underscore strategic policy. They are also considering how political relationships, and associated security commitments, with traditional oil suppliers should adapt to the changing energy market.

As the United States imports less energy, some policy leaders hope that a push toward energy isolationism will insulate the country from instability in the global energy market. Such hopes are unfounded. Hoarding energy at home, neglecting bilateral relationships with major global energy players and forfeiting economic opportunities to export energy would leave the United States less secure. Moreover, policymakers would then be unable to use energy as a tool of economic statecraft to coerce or benefit other countries.

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Instead, the United States should accept the reality of energy interdependence, take steps to decrease domestic consumption and diversify supplies, facilitate broader energy exports, and more deeply and creatively integrate energy security into strategic policy and military planning.

To manage the challenges of the emerging new energy order, and to leverage the opportunities presented by surging U.S. unconventional energy resources, the United States will need to be a fully engaged participant in the relationships, institutions and foreign policy that are important to promoting well-supplied global markets. Playing a strong international leadership role is

essential to ensure continued free trade in basic energy commodities and to promote global oil market stability, both of which are crucial for U.S. energy security. Such a role would also facilitate the international coordination needed to successfully implement tough energy-related sanctions or punitive financial measures targeted at major energy producers.

Civilian and military policymakers must adapt policies and recast strategic relationships and military commitments to better fit complex and volatile global energy markets. They must also make decisions about how to balance the new economic and political alliances that are forming between other producers and consumers, particularly Russia and states in the Middle East, North and West Africa and the Asia-Pacific region.

Policymakers are beginning to grasp the new economic and security implications of the boom, and the time is right to explore new strategies to safeguard the physical oil trade, new criteria for the use of strategic reserves, new potential energy export opportunities and new possibilities for energy-focused trade arrangements. Executive-branch policymakers, legislators and military personnel will all have roles to play in policy and planning in these arenas and will be key to securing and advancing U.S. economic and security interests in the decades ahead.