



Tech Talk - Governor Perry, API, and a Future Energy Plan

Posted by [Heading Out](#) on October 24, 2011 - 9:47am

Topic: [Supply/Production](#)

Tags: [alaska](#), [crude oil production](#), [governor jindal](#), [governor perry](#), [gulf of mexico](#), [jobs](#), [natural gas production](#) [[list all tags](#)]

Editorial Comment: *I usually would not consider this a technical talk but rather more political, and I have just about finished reviewing the potential for growth of the reserves in North America. In that context, as I delved into Governor Perry's recently announced Energy Plan, I realized that it followed fairly closely the recommendations of the American Petroleum Institute and other Energy Alliances. That it might be therefore be considered the "best shot" of the oil and gas industry to predict how to increase oil and gas production in the United States, I will treat it as such a plan, and have removed my own comments on this post, though I may make some in a following post. I am also using his numbers rather than other values that might be available.*

One of the relevant (to this site) facets of the current Republican debates at the start of this presidential race has been the Energy Plan that Governor Perry put forward the other day. Because it actually gets specific about where some of the projected 1.2 million jobs he anticipates adding to the American economy will come from, but given that detail has not got a lot of publicity, I plan to briefly review it here, together with some of the source documents that were used to generate it. Please note that this is not an endorsement, but rather an illustration of one of the suggested plans. Here is the summary illustration.



The jobs anticipated by [Governor Perry's Energy Plan](#)

The entire plan is available, as a [40-page pdf](#), and in its shortest summary version was condensed into

My "Energizing American Jobs and Security" plan will commence or expand energy

exploration from the Atlantic coast to the western seas off Alaska. We will end the bureaucratic foot-dragging that has reduced offshore drilling permits in the Gulf of Mexico by eighty percent. We will tap the full potential of the Marcellus Shale in Pennsylvania, Ohio and West Virginia. We will unleash exploration in our Western states, which have the potential to produce more energy than what we import from Saudi Arabia, Iraq, Kuwait, Venezuela, Columbia, Algeria, Nigeria and Russia combined.

The Governor puts current U.S. consumption at roughly 19 mbd with domestic supplies producing around 7.5 mbd. The nation runs on oil with transportation using 72% of the oil, and 96% of the country's transportation fuel needs are supplied by oil and gas.

The Governor inserts a quote from Governor Jindal of Louisiana that states:

According to a recent study by IHS CERA, in 2012 alone the Gulf of Mexico could create 230,000 jobs, increase revenues and royalty payments to state and federal treasuries by \$12 billion, and contribute some 400,000 barrels per day of oil production towards US energy independence if the federal government accelerates the pace of permitting activity to a level that reflects the industry's capacity to invest.

This quote refers to the report "[Gulf of Mexico - Restarting the Engine](#)" by CERA which tabulates the difference achievable between a slow permitting environment, and an enhanced one over the next two years, and uses it (in more specific detail) to develop the summary table:

US Potential Opportunities Associated with the Activity Gap

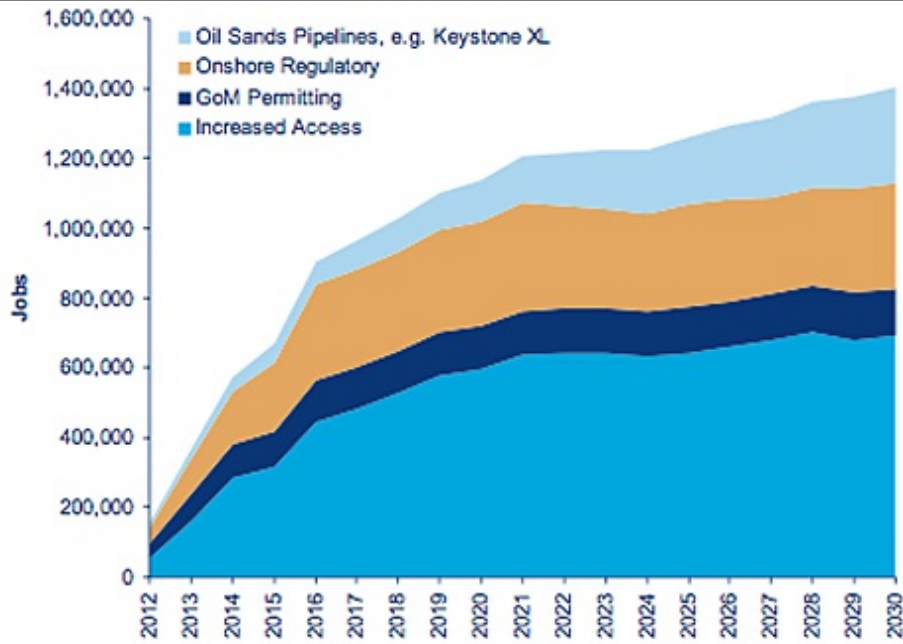
Category	Unit	Projected		
		2011	2012	2013
Production	Thousand barrels per day	198	438	186
Capital Investment	Millions of dollars (2011 \$)	9,504	6,143	3,635
GDP Impacts	Millions of dollars (2011 \$)	23,826	44,243	27,658
Total Taxes	Millions of dollars (2011 \$)	5,544	11,864	7,658
Total Employment	Workers	108,486	229,131	198,593

Source: IHS CERA and IHS Global Insight.

Projected gain in opportunities in the GOM with an enhanced permitting process ([CERA](#))

(It should be noted that roughly 94% of this in 2011, 97% in 2012 and all of the 2013 opportunities would be in the Deepwater offshore.)

In looking next at Alaska, the Governor sees the opportunity to develop the National Petroleum Reserve with its 896 million barrels of oil and [53 Tcf of natural gas](#), as well as the Alaskan Outer Continental Shelf (under the Chukchi and Beaufort Seas), which may contain as much as 10.2 billion barrels. The report by [Northern Economics to Shell](#) is quoted that anticipates some 55,000 jobs around the entire country coming from the development, with some 35,000 jobs being in Alaska. (Of this the breakdown would be 30,000 from the Beaufort UCS and 25,000 from the Chukchi Sea OCS.) It is anticipated that the increased production will fill the Alaskan pipeline again, with jobs being generated to make the connections. Which is why the 1.2 million job figure is only reached over time. Wood Mackenzie produced [a report for API](#) that is also used as a reference for the Governor, and it shows the job growth (broken down a little by source) as:

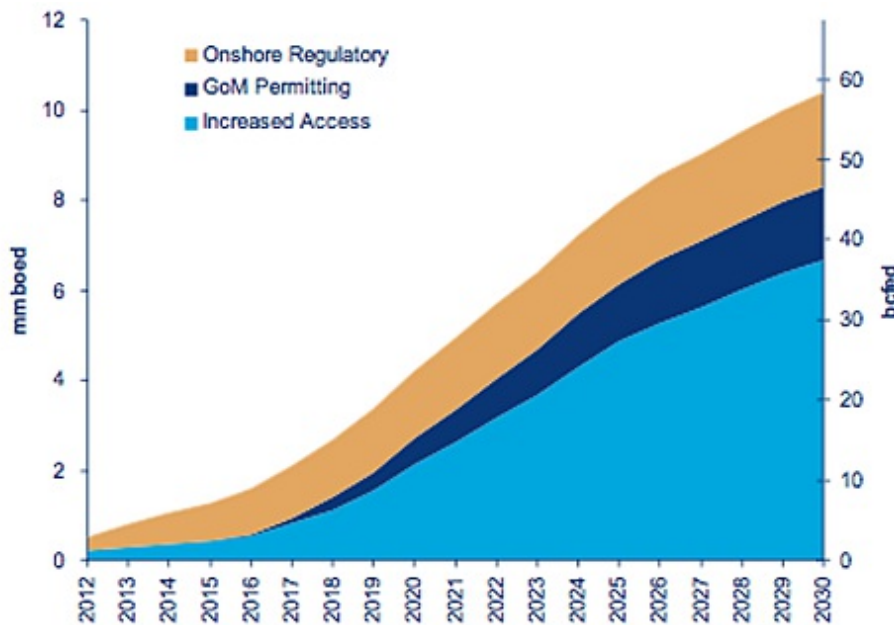


Total Employment: Development Policy Case less Current Path Case

Growth in jobs related to changes in Energy Plans (Wood Mackenzie)

I am assuming that the increased production from Alaska would fit in the “Increased Access” category. And please note that the Wood Mac report carries out to 2030, while the Governor is only talking of the jobs through 2020 (which is the 1.2 million number).

And while the Governor is largely discussing this plan in terms of jobs, this is, after all, an energy site, and so I will also add the anticipated change in oil production that is foreseen from this change in the situation – again from Wood Mackenzie.



Total Production: Development Policy Case less Current Path Case

Gains in Production from changing regulations and access (Wood Mackenzie)

The jobs numbers were derived as a count of specific jobs generated in the industry, and then

using a 2.5 multiplier to add their effect on the general economy. (This they consider to be conservative, given that it might be as high as 5 in some cases.) The overall addition of oil to the national reserve is considered to be roughly 60 billion barrels of oil, broken down as follows:

Region	Resources added (bnboe)
Atlantic OCS	13.5
Pacific OCS	11.3
Eastern GoM	14.5
Rockies Federal	2.0
Alaska ANWR	10.8
Alaska NPRA/Chukchi	2.1
New York	5.3
Total	59.5

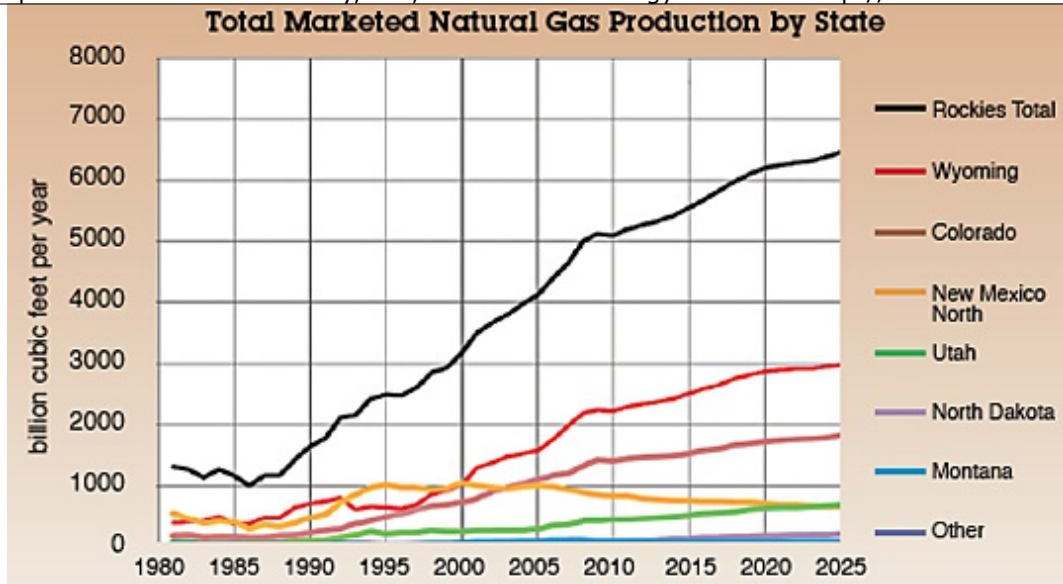
Anticipated gains in reserves added through changes in regulation and access. ([Wood Mackenzie](#))

The Governor is a little more conservative about the oil that he anticipates coming from the Atlantic OCS, anticipating only some 3.2 billion barrels of oil and 28Tcf of natural gas, as well as the creation of some 10,000 new jobs. He references a report from the [Consumer Energy Alliance](#) as his source for some of this information. Note that in contrast to the Alliance, he only anticipates that drilling would occur offshore Virginia and the Carolinas.

Looking at increasing production of oil in the Western States, he cites the [Blueprint for Western Energy Prosperity](#) (site registration required) from the Western Energy Alliance. This projects that some 500,000 jobs could be created, along with the production of 1.3 mbd of oil and an additional 1 Tcf of natural gas from Western Resources.

The increase in oil production is anticipated to come from the Bakken fields (currently at 289 kbd and anticipated to increase to 650 kbd by 2020), and it also anticipates development of the [Niobara formation](#) in Colorado and Wyoming which, from sensibly zero, has recently [started to be developed](#) and is anticipated to produce some 286 kbd by 2020. However, the total gain in production from the two, over existing production in the West, is anticipated to be 529 kbd.

Natural gas transported through the Rockies Express and Ruby pipelines is expected to add 1 Tcf of production, which the Alliance shows divided between the Western States.



Anticipated future gas production from the Western States ([Western Energy Alliance](#))

The Alliance makes the point, as does the Governor, that reaching these levels requires a reduction in legislation, and regulation, and improved access to federal lands.

Approval of the Keystone Pipeline (a topic of current debate) is expected to add 20,000 new jobs, which only leaves the allowance of increased development of the Marcellus and Eagle Ford shales (dependent on the allowed use of fracking the shale) to add respectively 250,000 jobs in the New York, Pennsylvania, Ohio region, and 68,000 jobs in Southwest Texas, and you have the Governors 1.2 million.



The jobs anticipated by [Governor Perry's Energy Plan](#)

To achieve this the Governor proposes:

1. Immediately return to pre-Obama levels of permitting in the Gulf, followed by responsibly making more of the Gulf available for energy production.
2. Open the ANWR Coastal Plain (1002), National Petroleum Reserve Alaska (NPR-A), and the Alaskan OCS (Beaufort and Chukchi Seas) for development.
3. Open the Southern Atlantic OCS off-shore resources for development.
4. Immediately approve the Keystone XL Pipeline.

5. Expand on-shore oil and gas development in Utah, Colorado, North Dakota, Montana, New Mexico, and Wyoming, authorizing more development on federal lands.
6. Oppose federal restrictions on natural gas production, including hydraulic or nitrogen fracturing and horizontal drilling.

As I mentioned at the beginning, I will make some comments on this in light of my recent posts on North American Energy, in a later post.



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