Obama Administration Supports Fracking and Natural Gas, Despite Environmental Opposition

By Steve Goreham

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Last Thursday, the US Department of the Interior released a draft proposal that would “establish common-sense safety standards for hydraulic fracturing on public and Indian lands.” Last Friday, the US Department of Energy (DOE) approved a Liquefied Natural Gas (LNG) terminal in Freeport, Texas. Despite opposition from environmental groups, the Obama administration apparently supports the expansion of the natural gas industry and the controversial technology of hydraulic fracturing. These events are welcome common sense from an administration that is typically deep in green ideology.

Good old Yankee ingenuity has produced a new hydrocarbon revolution. Vast quantities of oil and natural gas can now be recovered from shale rock formations, thanks to enabling technologies of hydraulic fracturing (or fracking) and horizontal drilling. US crude oil production in 2012 was up 30 percent since reaching a low in 2008. Natural gas production is up 33 percent since 2005. Bob Dudley, CEO of BP, forecasts that the United States will be “nearly self-sufficient in energy” by the year 2030.

Fracking is not new, but has been perfected over the last 20 years to allow cost-effective recovery of hydrocarbon fuels from shale. Water and sand, along with a small amount of chemicals, are injected under pressure to fracture the shale and create millions of tiny fissures, releasing the trapped gas or oil. To develop a large producing field, horizontal drilling is used to bore mile-long horizontal shafts into the shale. Fracking is typically used at depths greater than 5,000 feet.

But hydraulic fracturing is under assault from environmental organizations. According to the *Sierra Club*, “Fracking, a violent process that dislodges gas deposits from shale rock formations, is known to contaminate drinking water, pollute the air, and cause earthquakes.” A 2011 letter from Friends of the Earth, Greenpeace USA, Climate Protection Campaign, and other groups urged President Obama to “halt hydraulic
fracturing...until and unless the environmental and health impacts of this process are well understood and the public is adequately protected.”

The draft rule released Thursday from the Department of the Interior acknowledges that hydraulic fracturing can be conducted in an environmentally safe manner. It calls for disclosure of chemicals used in fracking, assurances of well-bore integrity to prevent leakage of gas and fluid into ground water supplies, and confirmation of a water management plan for disposal of water and fluids used in the fracking process. Indeed, fracking has been used more than 500,000 times over the last 50 years without incidents of water contamination when proper safeguards were employed.

The hydrofracturing revolution has created a glut of natural gas in the US market. Prior to wide-scale use of fracking, natural gas prices reached $15 per million British thermal units (Btu), and port facilities were being constructed to import LNG. By 2011, prices had fallen to $4 per million Btu and import terminals sat idle.

Unlike crude oil, which is priced and sold in a global market, natural gas is priced and sold regionally. To date, the fracking revolution has been a US phenomenon, with other nations slow to join. While US gas prices have dropped to under $4 per million Btu, Europe’s prices remain above $10, and the price of imported LNG in Japan is above $15.

US producers now see an opportunity to liquefy the gas and ship it to Europe and Japan. Twenty applications have been filed with the Department of Energy (DOE). The approval last week of the Freeport export terminal in Texas is the first since 2011. The $10 billion terminal plans to export up to 1.4 billion cubic feet of natural gas per day, or about two percent of annual US consumption.

Environmental groups have criticized the approval. “Exporting LNG will lead to more drilling—and more drilling means more fracking, more air and water pollution, and more
climate fueled weather disasters like last year’s record fires, droughts, and superstorms,” according to Deb Nardone of the Sierra Club. Nevertheless, it appears that the Obama administration will support hydraulic fracturing and the growth of the natural gas industry.

Shale gas booms in Texas, Louisiana, and Pennsylvania have created tens of thousands of jobs. Low natural gas prices are attracting global chemical firms to build plants in the US. Thousands of additional jobs and tax revenues can come from LNG exports. Sound energy policy demands that fracking and export of natural gas be allowed, if environmental safeguards are met.

Steve Goreham is Executive Director of the Climate Science Coalition of America and author of the new book The Mad, Mad, Mad World of Climatism: Mankind and Climate Change Mania.