FORUM

Don't Expect Much From a Clinton White House Soon

By John H. Lichtblau

What does the oil and gas industry expect from the Clinton-Gore administration? The initial reaction of refiners is likely to range from nervous to negative; domestic oil producers in the Lower 48 are largely neutral, potential producers in the Arctic National Wildlife Refuge (ANWR) are negative, while the natural gas industry should see itself as the favorite.

There is some basis for these reactions. However, the differences to the oil and gas industry between the first four years of Bill Clinton and another four years of President Bush could be relatively small, and their impact will be evident later rather than sooner.

Effectively, the current basis for U.S. energy policy are two laws, the 1990 amendments to the Clean Air Act and the Energy Policy Act of 1992. Both are truly bipartisan. Clinton and Gore support them. Both laws move toward the use of alternatives to conventional gasoline; both, at least marginally, favor gas over oil. Neither is likely to be comprehensively revisited. Thus, the legislative basis for our energy policy will remain unchanged.

But there are philosophic differences between Bush and Clinton. The best known ones are ANWR and corporate average fuel economy (CAFE) standards. Bush unequivocally wanted to open ANWR for drilling under environmental safeguards. Clinton not only opposes it but would like to expand the prohibition beyond ANWR. Combined with continuing congressional opposition, Clinton's election has substantially reduced the probability of drilling in ANWR. It is far from certain, however, that a reelected President Bush could have opened up ANWR either.

On CAFE, both Bush and Clinton favor improvements, primarily to reduce air pollution. However, Bush would have left it up to market forces while Clinton favors proactive market intervention. Even if Clinton overcomes strong political opposition in the automotive industry, his CAFE legislation would not affect gasoline consumption until after the year 2000.

Gasoline taxes are one area where the different philosophies of the two presidents could make a difference. Both candidates have publicly disavowed increases in gasoline taxes. President Bush's basis was his broad "no new taxes" posture. Clinton's reason is the "regressive" and, hence, inequitable nature of a gasoline tax. But if that is corrected through offsetting tax reductions for lower income groups, he may favor it, for conservation, environmental and fiscal reasons.

Altogether, then, while Clinton and Gore view every barrel of oil saved through conservation or displaced by gas or renewable energy as a benefit to the national welfare in its broadest sense, the U.S. energy sector is already moving in this direction. President Clinton can be expected to accelerate this move. But there are structural, economic and technical limits. It is unlikely that the new president can, or will even try to, push these limits much further in the next four years than provided for in existing legislation.

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LETTERS

NPC Clarifies Gas Report

Dear Editor:

Page 3 of the Oct. 30 edition of *The Oil Daily* carried an article titled, "National Petroleum Council's Gas Report Draws Challenges," by Thomas Stewart-Gordon. The article refers to the soon-to-be-completed National Petroleum Council (NPC) study that has resulted from the efforts of over 200 experts, spanning nearly two years. It is a complex report with more than 2,000 pages on every aspect of natural gas from extraction and transmission to end-use and regulation. While it is understandable that many of the subtleties of such an analysis cannot be conveyed in a brief telephone interview, and without debating the merits of the article, I would like to clarify three points.

The first concerns the statement that "by 2010, the United States will be able to develop 1,295 Tcf of gas." The draft report states that the domestic resource available for future development is estimated to be 1,295 Tcf, including the 160 Tcf inventory of current, proved reserves and incorporating technology advancement through the year 2010. The draft report concludes that market conditions, principally demand, price, access and regulation, will determine when the resource will be developed.

The second involves the incorrect statement that "at an average price of $1.50/Mcf, no new reserves would be added." The computer models used in the study project that at an average price of $1.50/Mcf (1990 dollars), significant new reserves would continue to be added but the volumes would not be sufficient to maintain current levels of production and the supply of natural gas would be expected to decline substantially.

The final point of clarification deals with the NPC process. As you have observed over many years, the NPC process is an open one that relies primarily on the knowledge and judgment of its study participants. In the few areas where "proprietary company information and estimates" were used, the data were aggregated by third parties. The aggregated data were then subjected to the review and analysis of the study groups before use in the report.

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