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Independent Energy

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In the world of energy, an elite selection of the world's most influential leaders dictates the development of the world. The correlation between petroleum production and global influence is hard to ignore. The world needs energy to move and those with the energy control the movement. Saudi Arabia, Russia, and the US combine to contribute over a third of world oil production. OPEC countries however, dominate the vast energy markets around the world. Well inundated with regional conflict and hostile relations, OPEC countries remain volatile and on top of global energy production.

The energy industry has become extremely productive, fueling an amazing demand for petroleum-based products and the energy required to move around the world with such ease that modern society exhibit. Technological advances allow never before seen efficiencies in extraction, processing, and transmission. Current iterations of operations allow high rates of extraction at extremely low costs with massive profit margins for those in control.

Providing that oil stays profitable, the exclusivity of the market holds that those in charge will continue to drive the direction of energy development. Now what if oil is no longer profitable? Current market conditions provide adequate scenarios where OPEC countries may no longer remain king in the energy sector.

The energy sector is facing pressure from both sides of the fence. Consumer trends show that oil consumption is decreasing in barrels per day in most developed countries. Germany, France, Spain, and Italy have all seen sharp reductions in consumption in the last twenty years. Availability of alternatives has increased and awareness on the dangers of fossil fuel use has sparked a change in how Europeans power their daily lives and is spreading across the world.

Consumers have realized the impact of fossil fuels on the environment and have made their opinions know. Governments have responded accordingly with global climate initiatives and national policy to curb fossil fuel use and production. Increased regulations with respect to environmental and social costs have sharply declined profit margins for both oil producing nations and corporations alike.

Saudi Arabia's Aramco, their state owned oil monopoly, is offering equity through a public debt offering, a bold grab for revenue in a bearish energy market. Oil producers in the export market have been facing difficult times while a barrel of oil in the world market trades for $40-$50. Prices are expected to decrease with upcoming political shifts in the US and deregulation of the American market.

Geopolitical conditions hinge on the ability of oil to remain in the global market, adding volatility and tensions to trade deals. Oil is in a state of uncertainty and the world reflects it. Conflict in the Middle East, tensions over oil production, and world development have all intermingled to create an intricate web of uncertainty.

Production in OPEC countries had agreed to decrease by 1.2 million barrels per day starting in January but those reductions are now viewed skeptically. Saudi

Arabia, Iran, and Russia are involved in these cuts but a deal to slash output by 1.2 million barrels per day between both OPEC and non-OPEC is considered hopeful at best. Russia has previously joined OPEC reductions only to renege; their oil production consists of many, small wells where OPEC countries produce with significantly larger operations. Shutting down that many wells in Russia could pose more cost than benefit, incentivizing continued production.

The competition between nations to get their slice of the profits has led to sleight of hand tactics to misled and misrepresent overproduction and excess supply. Cheating is rampant and punishment is infrequent. Recent reports suggest that overproduction of oil has driven to misled reports of oil reserves, adding additional supply and driving price down. Saudi Arabia and Iran have been feuding over production levels, threatening to increase production and continue to pinch each other's margins.

American crude stockpiles have recently increased over 14 million barrels in one week at the end of November, the sharpest weekly climb in history. This week also saw additional 9 oil rigs added to US production, increasing US oil production. With shale drilling, US producers in East Texas are said to be able to continue profit margins even with $40-$50/barrel prices.

America's energy reliance on foreign relations is volatile and dangerous. Technology and the political environment are prime to coincide for American energy independence in the near future. While the continued use of fossil fuels may not be ideal in the long term, current conditions do not allow for blanket implementation of renewable energy sources. In the short term, the United States should move to decrease reliance on foreign energy. Geopolitical and economic uncertainty allow for a prime resurgence of American energy.