Statement by Asher Miller

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A Reality Check On
U.S. Government Forecasts For
A Lasting Tight Oil & Shale Gas Boom"

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Last summer Adam Sieminski, administrator of the U.S. Energy Information Administration, the Energy Department's statistical arm, said in a briefing, "We want to be able to tell, in a sense, the industry story. This is a huge success story in many ways for the companies and the nation, and having that kind of lag in such a rapidly moving area just simply isn't allowing that full story to be told." The quote was included in a recent Hearst News Service story about the lag time for the reporting of domestic oil and natural gas production data to the EIA.

As a citizen I'm not sure I want the government to be telling the oil industry's story. The industry seems to be doing a great job of that all by itself. Instead, I would expect the EIA to act as an independent source of unbiased information upon which we as a nation can depend in formulating our energy policy.

That's what makes our new report, "Drilling Deeper," so important. It offers an independent analysis of the future of America's tight oil and shale gas, one not influenced by the oil and gas industry. Based on our analysis, the reality is far different from what the industry is telling the Energy Department, and the Energy Department is, in turn, telling the public and the Congress.

The policy implications of the "Drilling Deeper" report contrast sharply with the view now fashionable in Washington and elsewhere. The facts point to continued U.S. dependence on imported oil and far less natural gas production than the industry or the government projects. That implies the need for an entirely different direction for U.S. energy policy—one with a renewed emphasis on efficiency and energy conservation and accelerated development and deployment of alternative energy sources.

A view filled with false premises is bound to generate false promises. U.S. energy independence is a false promise. The export of our nonexistent surplus oil production is a false promise. Cheap natural gas far into the future is a false promise. And, the long-term viability of natural gas exports is a false promise. What this means is that the country's current energy policy—which is based on the expectation of oil and natural gas abundance far into the future—is badly misguided and is setting up America for a painful, costly, and unexpected shock when the current temporary boom ends.

The Department of Energy's oil and natural gas forecasts prepared by the EIA are flawed attempts to paint a picture of the country's energy future for government policymakers and businesses. We think that those forecasts can and should be improved by casting a wider net for analyses which would allow the Energy Department to see beyond the industry's point of view.

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We should keep in mind that the oil and gas industry's forecasts have a different purpose. We should not confuse oil and gas industry salesmanship with the accurate information the country needs to provide a sound basis for U.S. energy policy.

It is important to understand that the industry is constantly trying to raise money to drill new wells; and, it is constantly trying to boost stock prices in order to reward shareholders who, of course, include management. Recently, Bloomberg reported that industry chief executive officers are publicly announcing reserve numbers that are 5 to 27 times larger than what they report to the U.S. Securities and Exchange Commission. For all these reasons, both the public and policymakers should view the industry's promotion-oriented oil and natural gas forecasts with skepticism. These forecasts should never form the basis for official government forecasts which are intended for a different purpose.

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