Would drilling more Alaskan oil cut prices?

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The week’s vote in the House to approve drilling for oil in the Arctic National Wildlife Refuge has several readers — including Kelly in Georgia — wondering if there’s enough extra oil up there to make a difference.

**How much oil is in Alaska and is it worth it?**

-- Kelly J., Statesboro, Ga.

Whenever you’re talking about estimates of how much oil is in the ground, the only honest answer is: God only knows.

Oil geologists have gotten pretty good at making estimates. Even then, these analyses are hedged by including the probability that the expected amount of oil will ultimately be recovered. Seismic data analysis (4-D, if you track underground changes over time), estimating reserves still using travel time seismic data, and other methods can help refine the estimate.

The total volume of recoverable crude oil in the so-called coastal plain of ANWR, the last major oil field in the nation, comes to about 10.4 billion barrels, according to the Energy Department’s analysis, which is based on an estimate of the remaining oil in the field.

That estimate predicts a 95-percent certainty that only 5.7 billion barrels are recoverable and a 5 percent certainty that 22 billion barrels. (These estimates cover both the oil believed to be reachable by land, as well as anywhere one is proposing offshore drilling.)

So let’s go with the 10.4-billion-barrel estimate. The Energy Dept. figures that, from the day final environmental approval is given, it will take about five years to begin producing oil. That means ANWR oil would come on stream in 2013 and peak at

http://www.msnbc.msn.com/id/12993250/ns/business-answer_desk/t/would-drilling-more...
How much impact will that have on oil prices? Here’s where people on both sides of the ANWR numbers.

The U.S. currently uses about 21 million barrels of oil a day, about 6 million of which is produced as older fields dry up. So adding ANWR oil won’t bring an increase in U.S. oil production from declining fields. Nor will it make up for the increased demand of another old number to figure out a way to conserve a lot more oil.

On the other hand, 10 billion barrels is a lot of crude. Drilling proponents say it amounts to some of Saudi Arabia. (While that sounds pretty good, it overlooks the fact that only about 10 percent of U.S. oil was recovered, at 1 million barrels a day, production would last for 27 years. But in any case, drilling in ANWR isn’t likely to make much of a dent on the cost of crude. With growth rising — even an extra 1 million barrels a day wouldn’t be enough to have a significant long-term impact. The price of oil continues to grow by 2 percent a year, a million barrels a day will represent about 1 percent of oil production.

So is it worth it? For oil companies, it would almost certainly be profitable to produce some of that oil. And with the increased demand, production would almost certainly have to develop ways to reduce environmental impact, production would almost certainly have to figure out a way to conserve a lot more oil.

That’s why ANWR was off limits to drilling in the first place. Still, it’s reasonable to think that, in the long run, it will help.

But there’s no way drilling for oil in ANWR is going to head off the oil crunch of the next decade.

If all 50 states governments introduced a law to establish ethanol producing plants, this eventually stabilize the cost of energy and reduce our dependence on overseas oil production.


Probably not. There are already lots of federal incentives to produce ethanol, and new plants are being built. Ethanol production has increased to about 4.5 billion gallons a year, doubling in the past five years. Some 97 ethanol plants, at least 33 are under construction, with a capacity of 1.9 billion gallons a year.

That sounds like a lot. But Americans burn through about 385 million gallons of gasoline every day. So ethanol will make up less than 5 percent of all the motor fuel used in the U.S.

So why not make more ethanol? Clearly, you’d have to expand production dramatically — and not just ethanol — to begin to put a serious dent in America’s thirst for gasoline. The increased production in Brazil, demand for ethanol made from sugar cane has periodically forced sugar prices higher.)

And while it’s true that ethanol reduces some forms of pollution from burning gasoline, ethanol production also has environmental impacts of its own. The U.S. Environmental Protection Agency warned in 200
monoxide, methanol and some carcinogens at levels "many times greater" than expected. *(Note came earlier this year.)*

Then there are the critics who argue that making ethanol is a major waste of energy because it takes more energy to produce than you get out of it when you burn it. Though these studies are controversial, it would clearly take less energy to replace gasoline. Where will that energy come from?

That’s why research into alternative ways of making ethanol — and other biofuels — is so important. Cleanly and efficiently producing ethanol to get us there clean and efficiently would go a long way to easing our dependence on oil — imported or otherwise.