



A Reality Check on U.S. Oil Imports and the Shale Revolution for Mortimer Zuckerman

Posted by [aeberman](#) on December 5, 2011 - 4:02pm

Topic: [Demand/Consumption](#)

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Mortimer Zuckerman, the chairman and editor in chief of *U.S. News & World Report*, announced on November 25, 2011 that America's energy problems are over thanks to the shale gas revolution. He delivered the good news in an op-ed in *The Wall Street Journal* called "[How American Can Escape the Energy Trap](#)".

The article's subtitle is:

"Soaring natural gas production has already cut the share of oil consumption met by imports to 47% last year from 60% in 2005."

Unfortunately, this is not really true.

Exhibit 1 shows the data behind oil and petroleum product imports, and it appears that he has done a bit of mixing-and-matching to arrive at the percentages that he cites. It is true that crude oil & petroleum products represented 60% of 2005 U.S. imports compared to consumption. The reduction in imports to 47% in 2010, however, is the percentage of crude oil **alone** compared to consumption for that year. When we examine comparable categories, it is clear that crude oil imports - relative to total consumption of crude oil and products - were only 2% lower in 2010 than in 2005, and that the big change that he alludes to was mostly in petroleum product imports.

Thousand Barrels Per Day	Crude Oil & Petroleum Products kbpd	Crude Oil kbpd	Total Petroleum Products kbpd	Product Supplied (Consumption)
2005 WEEKLY AVERAGE	12,428	10,093	2,335	20,702
2005 % Product Supplied (Consumption)	60%	49%	11%	
2010 WEEKLY AVERAGE	9,700	9,065	635	19,251
2010 % Product Supplied (Consumption)	50%	47%	3%	

Exhibit 1. Net U.S. Imports of Crude Oil & Petroleum Products Compared to Product Supplied (Consumption). Source: EIA.

Petroleum products are what refineries create from crude oil, and include gasoline, kerosene-type jet fuel, distillate fuel oil, residual fuel oil, and propane and propylene. Exhibit 2 explains the drop in imports that Mr. Zuckerman describes: the U.S. has been progressively increasing exports of petroleum products at the expense of imports over the period that Zuckerman compares. We are importing only a slightly smaller percentage of crude oil relative to total consumption of crude oil and products as we did in 2005, but we are selling more of the refined products to the developing world. As the U.S. economy matures and the recession takes its toll on discretionary transport, we are poised to become a net exporter of petroleum products (*The Wall Street Journal*, November 30, 2011: "[U.S. Nears Milestone: Net Fuel Exporter](#)").

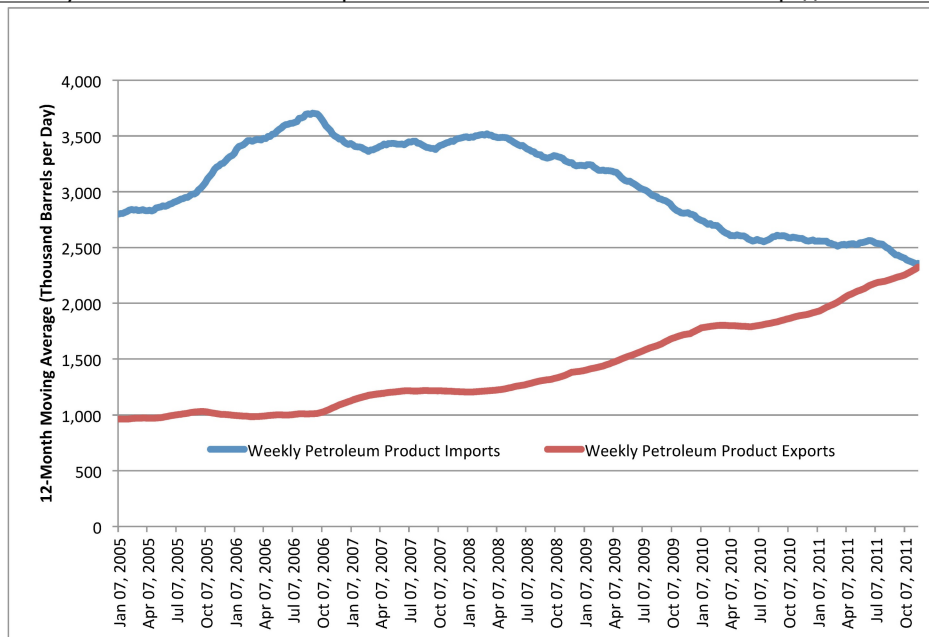


Exhibit 2. Weekly U.S. Imports and Exports of Petroleum Products. Source: EIA.

Exhibits 1 and 2 show that the decrease in net petroleum product imports between 2005 and 2010 are best explained outside of the context of shale gas production in the United States. Exhibit 3 shows the longer term trends of both crude oil and petroleum product imports. It indicates that imports of both items peaked in about mid-2006 and have been decreasing since.

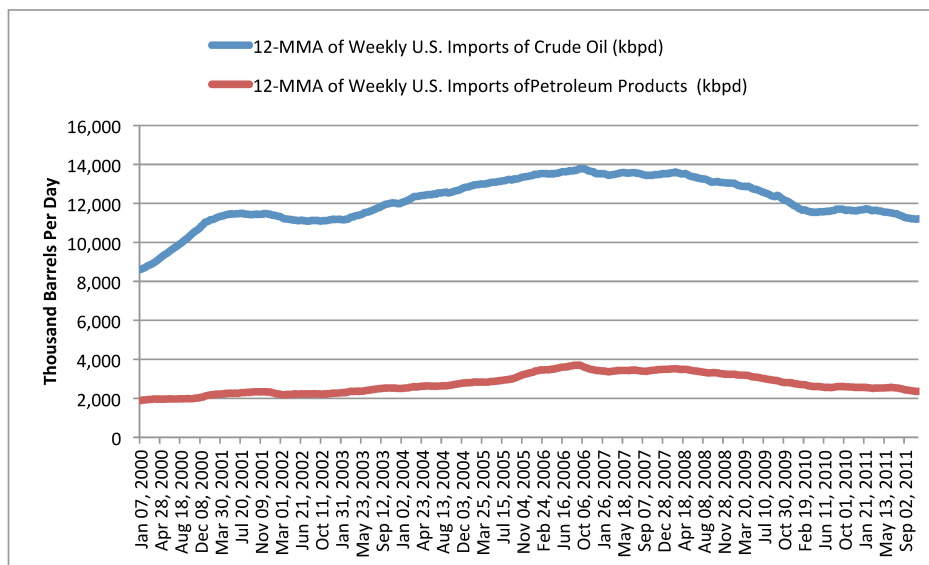


Exhibit 3. Comparison of U.S. Imports of Crude Oil & Petroleum Products, 2000-Present. Source: EIA.

Zuckerman goes on to state that:

"...natural gas is already putting downward pressure on oil prices."

Exhibit 4 shows spot price trends for West Texas Intermediate (WTI) and Brent crude oil in comparison to Henry Hub natural gas price from 2005 to the present. It shows that since early 2009, there has been no relationship whatsoever between natural gas and crude oil price (the natural gas price anomaly in late 2005 was because Hurricane Katrina shut down most Gulf Coast

natural gas production). This second fundamental part of his argument, therefore, is untrue. In fact, most shale-gas producers have been shifting their drilling to more oil-prone prospects because of the rising price of oil and the falling price and economics of gas.

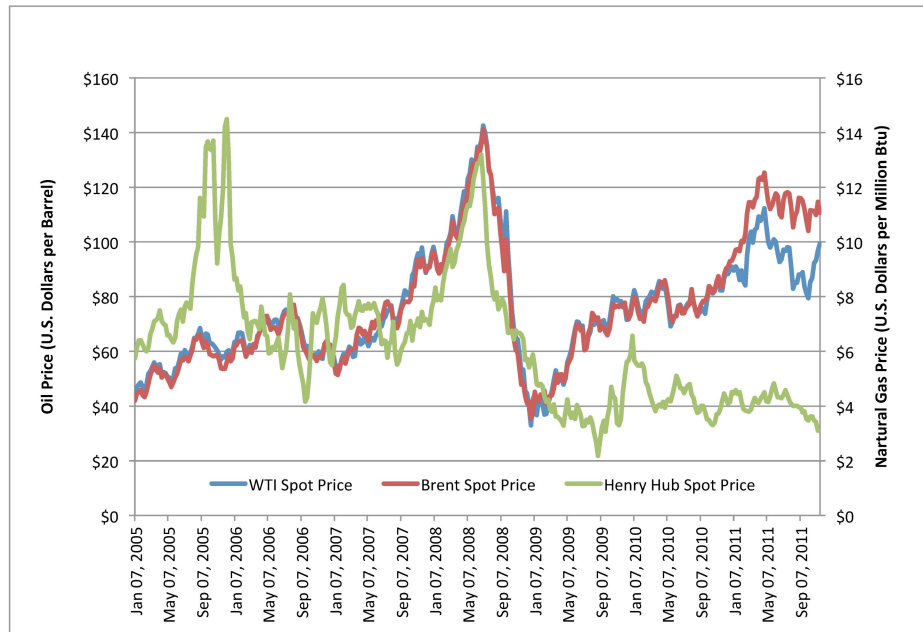


Exhibit 4. West Texas Intermediate (WTI and Brent Spot Oil Price Compared to Henry Hub Natural Gas Price, 2005-Present. Source: EIA.

The shale gas revolution is responsible for many positive outcomes in North America including the creation of jobs, cheaper electricity and lower heating bills for many. It holds some promise for reducing long-term dependence on foreign oil by replacing liquid fuel-powered transport with compressed natural gas or electricity from natural gas. This, however, will take decades and great cost to accomplish.

One might ask what motivates someone like Mr. Zuckerman, whose background is in publishing, business and law, to weigh in on a complex subject like changing patterns of energy usage in the United States? He has attempted to make a case that natural gas is somehow reducing our dependence on foreign oil today and is causing the price of oil to fall. While I am as hopeful as he is that these may become long-term outcomes, his position does not stand up to basic fact-checking.



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