

THE SHALE BOOM COULD PROVE A DOUBLE- EDGED SWORD FOR AMERICA *

At the World Economic Forum in Davos in January the president struck a more conciliatory note than Mr Zinke, promising to use American oil and gas to provide energy security to its allies. "No country should be held hostage to a single provider of energy," he said. The point of this "energy dominance" target is that Mr Trump wants America to produce and export more oil, gas and coal. As with many of the Trump administration's favourite terms, however, the meaning of energy dominance is hazy and depends on the audience.

He has picked a good moment. Not only has America's oil and gas production soared; the shale revolution has greatly reduced the country's dependence on imported crude oil and petroleum products, from 57% a decade ago to about 20%. The decline in import dependence has already had geopolitical effects. Between 2011 and 2014, American oil replaced supplies disrupted by political developments in Sudan, Syria, Iran and Libya, "nearly one barrel for one barrel". That helped keep oil markets stable. Plentiful oil at home has also made it easier for America to impose sanctions on oil producers it views as dangerous. It helped persuade other countries to pressure Iran to sign a deal putting its nuclear ambitions on hold in 2015, because they did not fear a resulting spike in global oil prices.

Natural gas may have strengthened America's hand abroad even more than oil. In 2017 the country became a net gas exporter for the first time in 60 years. This has helped establish a global market in natural gas, giving the world easier access to a fuel that produces only a quarter as much carbon dioxide as coal and half as much as oil. For now, America's biggest gas export market is via pipelines to Mexico, creating what is fast becoming an integrated North American energy powerhouse, as long as North American Free-Trade Agreement is not killed off. But globally the change is being driven by exports of liquefied natural gas (LNG). The LNG tankers heading out from Louisiana and Texas are creating a market that can flexibly and cheaply deliver gas where it is needed. By 2022 America is expected to vie with Australia and Qatar as one of the world's biggest LNG exporters.

More LNG helps the transition towards cleaner energy, potentially slowing (though not stopping) the pace of global warming. A global LNG market also eases one of the thorniest problems in energy geopolitics: Russia's use of gas pipelines to bully neighbours such as Ukraine. American LNG is still more expensive than Russian gas, so not much of it is sold to Europe. But its mere presence helps reassure the Europeans about their energy security.

The Trump administration wants to build on this success by making life easier for fossil-fuel producers. In his first year USA Secretary of the Interior, Ryan Zinke, has sought to open up offshore reserves to drilling and ease restrictions on coal mining and natural-gas production imposed under President Barack Obama. Whether all this deregulation will make much difference to domestic energy production is questionable. Jason Bordoff of Columbia University writes that markets play a much bigger role. Cheap natural gas, for example, hurts coal far more than the clean-power regulations that the Trump administration is now promising to remove.

The geopolitical effects of the shale boom have been complex and have been compounded by other policy shifts such as sanctions and protectionist trade policies. Some experts feel that the idea of "energy dominance" sounds imperialistic. The mere idea of "weaponising" oil undermines years of American efforts to persuade countries like Russia not to use energy for political ends. The American Security Project, a think-tank, argue that America's greatest contribution to global energy security since the oil shocks of the 1970s has been to keep global energy markets fluid. Some analysts worry that this fluidity would be jeopardised if the Trump administration were to use oil and gas as a bargaining chip in bilateral relations, as China has done. Some of America's trade policies may also be counterproductive. The country's withdrawal from the Trans-Pacific Partnership, a trade agreement which includes some of America's biggest potential LNG customers, such as Japan, was self-defeating, because it makes it harder for America's allies to import its LNG.

Although the shale revolution has been good for global consumers, it has not been a clearcut benefit to American influence abroad. The collapse of oil prices in 2014 nudged OPEC, Russia and other producers into an "OPEC-plus" alliance, raising Russia's profile in the Middle East at a time when an inward-looking America was less engaged. Moreover, the use of sanctions against Iran, Russia and Venezuela has created a perception among some countries, including China, that America is playing a "dirty economic game". This has brought its opponents closer together, says Sarah Ladislaw of the Centre for Strategic and International Studies in Washington. China has offered financial support to all three of those countries. Rosneft, Russia's biggest oil company, is tapping Venezuelan oil in exchange for cash.

Above all, Mr Trump's tub-thumping for coal, oil and gas appears to run counter to a worldwide push to lessen dependence on fossil fuels, improve energy efficiency and combat global warming. So although, for now, Americans may feel relief at the shale boom, it could prove a double-edged sword. If their country continues to promote fossil fuels at the expense of cleaner energy sources, its dominance is unlikely to last.