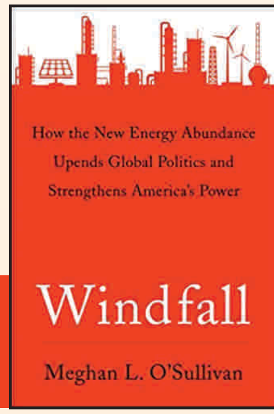
Book Review

Reviewed by Mark Pabst, Senior Correspondent

A Story of Oil and Power



Windfall: How the New Energy Abundance Upends Global Politics and Strengthens American Power

By: Meghan L. O'Sullivan
Simon & Schuster, 2017

Deliveries of liquefied natural gas rarely make mainstream news, so it was a bit of a surprise when a shipment of LNG to a terminal in Massachusetts garnered a story in the local newspaper, *The Boston Globe*.

What made this particular shipment newsworthy was that the LNG was Russian in origin, and therefore potentially delivered in violation of US sanctions. The story was also picked up by RT, Moscow's government-controlled English-language channel, and a couple of other outlets, but ultimately the gas was delivered without incident and the story sank into internet obscurity.

Ironically, the real man-bites-dog part of the story may have been why the United States was importing Russian LNG at all. After all, over the last decade America's domestic production of gas has boomed, and reserves are at a 52-year high according to the Potential Gas Committee, an organization that has been assessing America's gas reserves since the 1960s.

In fact, the US is indisputably basking in the glow of a hydrocarbons renaissance, with both gas and oil coming out of the ground at a pace few dreamed of only a generation ago. The sheer volume of American production not only makes the arrival of Russian LNG seem a bit like bringing coals to Newcastle, but also says something about the potential future of Russian-American relations.

According to Harvard professor and former assistant to US President George W. Bush, Meghan L. O'Sullivan, a combination of LNG and growing American energy production is very bad news for Moscow.

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O'Sullivan's book "Windfall: How the New Energy Abundance Upends Global Politics and Strengthens American Power" is an in-depth look at an idea that has been floating around the popular press for years: America's emergence as an energy superpower will have long-term geopolitical ramifications.

Of course, the broad thesis of O'Sullivan's book should surprise no one. Even the most casual observer knows that new techniques like fracking have unleashed massive amounts of hydrocarbons that once lay unrecoverable underneath places like Texas and North Dakota. Where "Windfall" comes into its own is its exploration of how America's energy boom is rewriting the global balance of power.

Nowhere is this change more obvious than in the fallout from energy prices driven down by the glut of American crude on the market. Only three years ago oil topped $100 a barrel. Now it hovers around $70 a barrel for Brent crude, the global benchmark. Of course, $70 oil is a godsend for countries that had to weather prices that dipped below $28 a barrel in 2016. Oil dependent countries from West Africa to South America saw their national currencies decline and are still enduring federal budgets covered in red ink.

The fiscal suffering caused by falling prices has been well documented, and while O'Sullivan discusses the issue in her book, she does not belabor it. She delivers a frank, but also comparatively brief, outline of which countries came out winners in the great price collapse of 2016. Cheaper oil helped a Japanese energy sector still struggling to deal with the meltdown at the Fukushima nuclear power plant in 2011 and it propped up an EU economy that took longer than expected to find its feet following the 2008 financial crisis.

But American energy production and its effects on prices has more subtle effects that O'Sullivan describes in welcome detail. For example, cheap energy has allowed China to pursue its strategy of bringing its Central Asian neighbors closer into its orbit through Beijing's New Silk Road trade strategy. Lower oil revenues are forcing Saudi Arabia into political reform. They are also

US President Trump Meets with Russian Foreign Minister Sergey Lavrov

contributing to the collapse of Venezuela into a strange hybrid of dictatorship and failed state.

But the greatest effects of burgeoning American energy production are felt in Russia. In January, Russian Foreign Minister Sergei Lavrov lashed out at recent American foreign policy, complaining at a press conference that the Americans "do not want to recognize the reality of the emerging multipolar world." While Lavrov's comments were delivered months after "Windfall" went to press, O'Sullivan's book successfully predicts that the Russians would inevitably have strong words for Washington, no matter who occupies the White House.

Cheap oil means that Moscow's ability to throw its weight around on the international stage is compromised at exactly the same time that America's own power is buoyed. American oil imports are at their lowest levels since dates were first collected in 1973, meaning the United States is less worried about where it will get its oil in Lavrov's "multipolar world." Even with notorious Russophile Donald Trump in charge in Washington, the United States is likely set to push Russia around a bit, simply because it can afford to. As O'Sullivan succinctly puts it, "On the whole the new energy abundance is a boon to American power — and a bane to Russian brawn."

Yet O'Sullivan is no cheerleader for the United States. She recognizes that just because America has emerged as an energy superpower, doesn't mean that the country's new status will be good for the world as a whole. For example, she points out that the US can never serve in the role of a swing producer that effectively controls global oil prices. When Saudi Arabia was the globe's undisputed oil champ, its huge reserves and excess production capacity allowed it to influence prices in a way that often kept oil from getting too cheap or too expensive. Unfortunately, America, with no national oil company and hundreds of small producers focused on little more than surviving in a competitive environment, will never be able to serve as a moderating force like the Saudis once did.

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Perhaps O'Sullivan's most interesting prediction about the geopolitical consequences of America's rise concerns China. She discusses how cheaper energy may cause the famously commodity obsessed Chinese to broaden their laser-like focus on energy security. She even hopes that China will soften its support for energy-rich authoritarian regimes, like those in Africa, as Beijing adjusts to the world created by American abundance.

In the end, only time will tell whether O'Sullivan's predictions about the geopolitical effects of America's energy boom come to fruition. However, her book provides a fine lens with which to understand many of the political changes happening in today's world. If American energy production continues unabated, we should expect to see even more change.