Marcellus Shale Update: Foreign Policy Realism and the Importance of Shale

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Just six months after the Chinese Communist leadership massacred hundreds of their own people at Tiananmen Square in 1989, President George H. W. Bush sent his envoy Brent Scowcroft on a secret mission. When pictures of National Security Advisor Scowcroft raising glasses for a champagne toast with the Butchers of Beijing leaked out, Americans were outraged. However, Bush and Scowcroft realized that the Chinese relationship was too important and that the Communist leaders weren't going anywhere.

Today, critics of President Trump, especially the conservatives, wish he were surrounded by international "realists" like Mr. Scowcroft. Instead, they see Mike Pompeo and John Bolton. It is curious, however, that the same crew which praised the Bush/Scowcroft team for their "skillful" handling of the aftermath of Tiananmen and the fall of the Soviet Union now criticize Mr. Trump for not immediately taking steps to isolate Saudi Arabia following what appears to be the murder of a Saudi journalist inside the Saudi consulate in Istanbul, Turkey.

For reasons ranging from oil to Iran, the US/Saudi relationship is important. Trump has to exert a price from Crown Prince Muhammed bin Salman (MbS), but he has to be careful not to risk the overall relationship. Whatever decision the President makes will affect the energy industry. Will the Saudis retaliate by withholding oil supplies? Will they do the opposite? Will increased Saudi supply of oil be part of the overall "price" that Mr. Trump extracts from MbS for this sordid affair? We don't know the answers yet, and we may never know.

What we do know is that the future of many Pennsylvanians will both impact and be impacted by the intrigue playing out over the Saudi journalist. That's a remarkable accomplishment when you think about it. The Saudis will have to consider places like Washington County and Tunkhannock, Pennsylvania in their calculations of how to respond to American anger. Who would have thought that ten years ago?

While the international situation plays out, elections loom in this country. Fewer than three weeks before election day, it looks increasingly likely that Pennsylvania Governor Tom Wolf will win a second term. That will put both the Governor and the gas industry in a bind. The industry has been loath to engage with the Governor after he bludgeoned them during his 2014 campaign and after they had some dealings with him in the early days of his administration that the industry felt were not up front. The Governor is bitter that the industry fought him so hard on his extraction tax, robbing him of one of his most important campaign promises.

Both the industry and the Governor may be in a pivotal international position in a few months if things spin out of control in the Middle East or elsewhere. Pennsylvania gas production may prove to be a critical bulwark against mass economic dislocation that would please no one as much as the Russians and the Iranians.

First comes the approaching winter. New York and New England are more vulnerable than ever to energy shortages due to their short-sighted policies on pipeline infrastructure and their closing of their nuclear plants. Will they have to import gas again from Russia? If they do it will it limit the President's ability to deal with Russian involvement in the Middle East? What if the Saudis respond to American pressure by just moving closer to Vladimir Putin? Meanwhile, as this is happening will New Englanders be forced again to go hat in hand to Putin to save them from freezing to death this winter? It could happen. By making themselves vulnerable to energy shocks – especially when the answer is five hours away in Pennsylvania, the New Englanders have weakened us all. Domestic miscalculations often have international implications.

In Pennsylvania we have a separate problem. Pennsylvania's shale producers are notorious for their inability to develop common positions. This limits their effectiveness when dealing with state government. Assuming he wins, Governor Wolf will owe the industry nothing for his reelection. Still, the industry provides a critical service at an unsettled time. There is a lot that can be accomplished on both sides given any willingness to engage based on the new international and electoral realities. There's no time like the present.

ATTORNEYS MENTIONED

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