

Macro Roundup Article

Headline: [Wall Street Is Finally Going to Make Money Off the Permian](#)

Article Link: <https://www.bloomberg.com/opinion/articles/2023-04-24/higher-oil-prices-means-wall-street-s-shale-investments-will-finally-pay-off?sref=U3dOGIDF>

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Tweet: .@JavierBlas argues that shale investors' capital losses, 50 cents on the dollar, were a powerful tailwind for the American economy as investors subsidized lower energy prices. Capital discipline and lower investment signal a end to this subsidy.

Summary: Over the last decade, the US shale industry had become a byword for capital destruction. Shale investors recovered about 50 cents for each dollar they invested during the 2010-2020 period. For nearly two decades, shale was ruinous for its shareholders, but it was hugely beneficial for the rest of America. It kept oil prices lower and provided jobs and investment. Just as significantly, shale gave the White House a powerful geopolitical lever to face oil-rich foes like Iran and Russia. Let me say this: The shale boom was the most profitable example of capital destruction the energy industry has ever seen. Investors lost, but the US and most of its allies won. As of last week, 590 rigs were drilling in the US, down from the most recent peak of 627 rigs set in November. That was already significantly lower than the 888 recorded in 2018 and the high point before that — 1,609 rigs in 2014. Goldman Sachs Group Inc. estimates that US publicly listed shale companies reinvested the equivalent of 120% of their operating cash flow into new wells in 2012. Ten years later, that rate plunged to 40%.

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