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"Across the broad spectrum of American writers, there's simply no one else quite like Gary Sernovitz, at once a brilliant novelist, hilarious cultural critic, energy-industry insider, and self-described 'liberal oilman.' (Imagine Saul Bellow's giant ecstatic heart transplanted into T. Boone Pickens, and you're getting warm.) **This has to be one of the most searching, literate, and funniest books about American energy ever written, and it will usefully complicate even one's most zealous certainties about fossil fuels.**"

—Tom Bissell, author of *Extra Lives* and *Apostle*

"As a novelist-turned-oilman, Gary Sernovitz is uniquely equipped to introduce the general reader to the complexities of the oil industry. **Erudite, conversational, and brimming with vivid descriptions and helpful analogies, *The Green and the Black* informs and expands the contemporary debate around fracking and fossil fuels.**"

—Kate Bolick, author of *Spinster*

"Gary Sernovitz is a unique figure in American letters. A talented novelist (his *The Contrarians* should be read alongside *Liar's Poker* as an introduction to the world of the American investment bank), he is also a private equity investor, specializing in the oil sector. He is, finally, a person of conscience. His account here of the shale revolution of the past decade is **funny, informed, and unsparing. You may not share his affection for natural gas, or accept his case for fracking, but if you are opposed to these technologies - and you should be - it's important to understand the other side.**"

—Keith Gessen, N+1 Founder

# THE GREEN AND THE BLACK

The Complete Story of the Shale Revolution, the Fight over Fracking, and the Future of Energy  
by Gary Sernovitz

In **THE GREEN AND THE BLACK: The Complete Story of the Shale Revolution, the Fight over Fracking, and the Future of Energy** (St. Martin's Press; February 23, 2016; \$27.99 hardcover), **Gary Sernovitz**, a managing director at Lime Rock, an oil- and gas-focused private equity firm, explains the reality of fracking and how it can be made safer, offers an unprecedented and insiders overview of the shale revolution, and shows the effects the oil and gas industry's transformation has had on the world.

Sernovitz leads a double life. The prototypical New York liberal, he is also an oilman - a fact his left-leaning friends let slide until the word "fracking" entered popular parlance: "How can you fracking?" they suddenly demand, but for Sernovitz, the real question is, "What happens if we don't?"

Fracking has become a four-letter word: an effigy to be burned by anyone who claims to care about the environment. But most people don't know what it means, and when we criticize fracking, what we're really criticizing is the shale revolution. While we're right to question the safety of drilling for natural gas, Sernovitz argues we're wrong to ignore all the good that gas enables. If we lived in a perfect world, our lives would run cleanly on wind and solar power, but the world we currently live in needs fossil fuels.

**THE GREEN AND THE BLACK** bridges the gap in America's energy education and clears up the most critical controversies. Sernovitz introduces readers to shale as the "Internet of oil," and demonstrates that fracking, when done correctly - safely, with respect for the surrounding environment - is the sustainable way to harness the benefits of the resources we have.

**GARY SERNOVITZ** is a managing director at Lime Rock, an oil- and gas-focused private equity firm. He began his career as an oil equity research analyst at Goldman Sachs. He has written two novels, *Great American Plain* (2001) and *The Contrarians* (2002), as well as essays and reviews for *The New York Times*, *The Wall Street Journal*, *n +1*, and *Slate*, among others. A native of Milwaukee, Wisconsin, he lives in New York City with his wife. For more information visit: [www.GarySernovitz.com](http://www.GarySernovitz.com)

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# THE GREEN AND THE BLACK Advance Praise

"Sernovitz, who writes with **flair, humor, and assurance**, includes some recent history of the industry, some big personalities, a little technology and geology, arguments of environmentalists (the "Green" of the title) and of oilmen ("Black"), and a wealth of statistics....An insider's cheerful, energetic examination of an industry that has changed dramatically in the last decade."

— *Kirkus*

"[A] **sharp-eyed, wised-up primer**... Sernovitz's deep insider's knowledge and scintillating prose make this one of the **best treatments of this very contentious subject**"

— *Publishers Weekly*

"Across the broad spectrum of American writers, there's simply no one else quite like Gary Sernovitz, at once a brilliant novelist, hilarious cultural critic, energy-industry insider, and self-described 'liberal oilman.' (Imagine Saul Bellow's giant ecstatic heart transplanted into T. Boone Pickens, and you're getting warm.) **This has to be one of the most searching, literate, and funniest books about American energy ever written, and it will usefully complicate even one's most zealous certainties about fossil fuels.**"

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—Kate Bolick, author of *Spinster*

"[The Green and the Black] provides **a comprehensive, balanced view** of the far-reaching impact of the U.S. shale revolution."

—Mark Papa, Former Chairman and CEO, EOG Resources

"Gary Sernovitz has written **a mini-masterpiece** about an American-born technology that has the continuing potential to revolutionize the world of energy economics and bring about social and political challenges and opportunities for many decades. His style is intelligent, balanced with regard to highlighting competing views of each major topic, and technically and economically illuminating. Everyone in America should read Chapter 11. If you don't necessarily agree with every claim the author makes, you will nonetheless find the book **incredibly informative, well-researched, and witty.**"

—Jim Hackett, Former Chairman and CEO, Anadarko Petroleum

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# THE GREEN AND THE BLACK Talking Points

## GLOBAL PERSPECTIVE

**Coverage of the COP Conference in Paris ignored the real environmental accomplishments of natural gas—due to the shale revolution.**

Much of the coverage of the important, historic Paris climate change conference ignored that the leadership of the U.S. in *already reducing* emissions. That reduction is due in part to renewable energy projects but much more so to the explosion of cheap shale gas. From 2007 to 2013, the U.S. reduced carbon emissions more than the *combined* impact of every other country in the world that reduced emissions at all.

**Twenty-year record low natural gas prices caused by the shale revolution are having a devastating impact on the coal industry.**

In December, the U.S. recorded its lowest natural gas prices since 1999, a remarkable fact due to the shale revolution with enormous implications for relative U.S. competitiveness, cheap energy as a stimulant to consumer spending and manufacturing, and the climate. Natural gas in the United States is likely to sustainably pass coal in 2016 as the largest fuel source for American power plants. This is leading to the coal industry in complete crisis in the U.S. and worldwide, with important implications for the climate and states like Kentucky.

**Coverage of the COP Conference in Paris ignored the huge growth in oil demand this year—because of low prices caused by the shale revolution.**

While the COP Conference in Paris was rightly seen as an important landmark in the history of climate change, coverage of it interestingly ignored the fact that 2015 also marked a year of revived fortunes for oil demand. After oil consumption growing at only a 1% per year annual rate since 2006, it has grown by 2% in 2015, mainly due to the two-thirds drop in oil prices precipitated by the shale revolution. These low oil prices are an incredible challenge for the world looking to move away from fossil fuels.

**The campaigns against fossil fuels ignores the shale revolution.**

From the New York Attorney General's subpoena of ExxonMobil's internal research on climate change to student protestors demanding that their schools' endowments divest from fossil fuels, the focus of the agitation against fossil fuel supply is on Big Oil—the largest companies with the largest reserves. However, the shale revolution has been a triumph, in a way, of small oil: private and independent E&P companies who are increasingly becoming the major source of the cheapest barrels and fastest supply growth.

## FINANCIAL PERSPECTIVE

**How much value in the U.S. shales has been lost in the oil price bust? Some portion of the \$2 trillion created by the boom.**

Daily comes the stories of busts in the oil patch, but little has been made of how much has been lost in total. And in certain corners of the oil patch, especially the oilfield service industry, business is worse than any time in 30 years. *The Green and the Black* was the first book that tried to calculate the total creation in wealth from oil and gas shale revolution and it estimated \$1.3 trillion in reserve wealth and \$700 billion more in pipeline and oilfield service wealth as of late 2014, a \$2 trillion total that has likely fallen by \$0.6 to \$0.8 trillion by the end of 2015.

**Aubrey McClendon, the former king of the shales, is on the ropes—a victim of the supply surge he helped caused.**

The most watched story in the oil patch today is whether a series of new shale companies formed by Aubrey McClendon, former CEO of Chesapeake Energy, will survive in early 2016. As McClendon's companies buckle under tremendous debt (as does Chesapeake), any sustained period of low prices will likely force those companies into bankruptcy, losing their investors billions and finally tarnishing McClendon's reputation as a gifted wildcatter. All the while, McClendon, the most American of the frackers, is starting ventures in Australia and Mexico.

## INDUSTRIAL PERSPECTIVE

**This is the pause in the shale revolution—not an end.**

While many observers are declaring the shale revolution a bust with the number of rigs drilling in the United States declining by two-thirds from last year to a level lower than during the global financial crisis of 2009, many are declaring the U.S. oil and gas boom over. However, what is happening is similar to what happened during the dot-com bust in 2009, a recalibration of the industry to a revolutionary new supply source. And, indeed, shale oil and gas is getting even cheaper to extract and will be even more competitive globally over the next decade.

### **In the fight between Saudi Arabia and the shales both sides are losing—and winning.**

Many have stipulated the market share war between Saudi Arabia and the U.S. shales as a two-sided fight. On the one hand, with oil prices under \$40 per barrel, neither side seems to be winning, with Saudi's revenues at 40% of the nation's fiscal breakeven and almost no new U.S. oil wells profitable if today's oil and gas prices persist. However, the long-term capacity destruction to many of the world's other oil producers (Canadian oil sands, North Sea, etc.) means that Saudi Arabia and the shales, which are getting cheaper to extract, are positioning themselves to maintain even better market share over the next decade.

## **NATIONAL PERSPECTIVE**

### **Signed bill to allow U.S. oil exports another sign of America's move towards energy self-reliance.**

Among the horse-trading in the December 2015 federal spending bill, Republicans "won" the legalization of U.S. oil exports and Democrats won an extension of solar and wind tax credits. That Republican victory was, in one way, amazing, as the U.S. in 2008 imported half of its oil; conventional wisdom then was that the imported amount would rise inexorably—as was inevitable before the shale revolution. But the victory also speaks to the realities of today's oil business in crisis, with sub-\$40 per barrel oil leading to declining U.S. supply, stimulated U.S. demand, and a long road before the U.S. (still importing a quarter of its oil) becomes a net exporter.

### **U.S. manufacturing renaissance is stalled because the interaction between cheap energy and manufacturing is much more complicated than people understand.**

2015 has been the year where the data has come in that the U.S. manufacturing renaissance, so commonly predicted at the start of the U.S. shale revolution, has stalled or never happened. While manufacturing jobs up about 1 million people to 12.5 million employees, they are still about 5 million jobs lower than in the early 2000s. Cheap energy is good for American industry but maybe not as impactful, for instance, the stronger dollar (spurred in part by American energy self-reliance) and other factors unrelated to energy. As spelled out in *The Green and the Black*, America's energy renaissance may not lead directly to a manufacturing renaissance.

### **Job losses in the oil patch are significant, but no one knows where this will end.**

*The Green and the Black* calculated that there were 450,000 new jobs created in the boom period of the shale revolution at oil and gas producing, midstream, and oilfield service companies—a number that is sharply reversing with potentially 150,000 of these jobs already lost and more likely.

### **European refugees and Syrian humanitarian crises are being shaped, in part, by what will happen in North Dakota.**

Two of the greatest humanitarian crises today, the Syrian Civil War and the related European refugee crisis, has an interlocking group of countries struggling for a solution: Iran, Iraq, Saudi Arabia, and Russia, whose economies are all hobbled by low oil prices precipitated by the U.S. shale revolution, and the United States and Europe benefiting from lower oil prices. Whether the weakness of Russia, and a more conciliatory attitude of Iran (as evidenced in the nuclear power agreement), will continue or reverse depends on the decisions of those government but also by how long extraordinarily low prices will last—which in turn depends in part by how quickly U.S. shale drillers cease drilling and how quickly oil prices recover.

## **LOCAL PERSPECTIVE**

### **2015 was the year of near definitive proof that fracking does not cause systemic groundwater pollution.**

Following the near 1,000 page report by the Obama Administration EPA in June 2015 saying that shale development has not caused widespread systematic damage to groundwater, a pioneering empirical Yale study in November concluded that any measured water pollution came from surface spills, not fracking or casing leakage. The growing body of evidence is forcing anti-shale "fractivists" in the U.K. and United States to focus on other local pollutions issues, like noise, community disruptions, dirt and dust from oilfield trucks, rather than the classic worries of fracking.

### **Communities are realizing that perhaps the only thing worse than a shale boom in their backyard is a shale bust.**

Ever since the release of *Gasland* in 2010, many communities have been at odds with each other between those who support oil and gas shale development and those who oppose it. But there has been a two-thirds decline in shale drilling following the oil and gas price collapse of 2015. For instance, only 30 rigs are now drilling in Pennsylvania versus 116 at the peak in 2011. Communities are thus coming to terms with other issues, good and bad—unemployment, safer oilfield development, companies trying to cut costs, and disbanding of man camps and other temporary fixes for a boom-time economy.