

Industry study touts large economic impact of shale-gas drilling

December 06, 2011 | By Andrew Maykuth, Inquirer Staff Writer

http://articles.philly.com/2011-12-06/news/30481998_1_shale-gas-pennsylvania-s-marcellus-shale-prices

A new national study asserts that the shale-gas revolution is having deep, sustained economic benefits by creating jobs, reducing consumer costs, and stimulating growth.

The industry-sponsored study by IHS Global Insight found that natural gas production in formations such as Pennsylvania's Marcellus Shale supported more than 600,000 jobs nationwide in 2010 and is projected to grow to nearly 870,000 by 2015. The embargoed report will be released Tuesday.

The study says that the impact of shale gas is felt far beyond the regions where drilling takes place. It says that savings from lower gas and electricity prices, as well as lower prices for other consumer purchases, equate to \$926 in additional disposable income per American household in 2012. It estimates that number will increase to more than \$2,000 per year in 2035.

"The cost of goods and services in the broader economy is reduced by the lower cost of gas and electricity," said John Larson, an IHS vice president and the lead author of the study. He said that lower natural gas prices are analogous to reducing the price of a barrel of oil.

Larson said the rise of shale gas production in recent years "is one the most significant energy developments in recent decades."

The report, commissioned by America's Natural Gas Alliance, will no doubt become ammunition in the industry's battle to fend off efforts to ban or limit shale-gas development. The nation's rapid shift to shale gas has raised the ire of anti-drilling activists who regard it as a competitive threat to the growth of renewable power sources.

Activists have decried other studies of the economic benefits of shale gas for failing to take into account the environmental costs of drilling, which relies upon hydraulic fracturing - blasting the deep rock formations with high-pressure injections of fluid to release the trapped natural gas.

Larson, in an interview Monday, said his group did not attempt to quantify environmental costs because that is "not in our area of expertise."

The IHS economic study, which the firm called "the most definitive study to date" tracking the long-term economic impact of shale gas, reached similar conclusions nationally as a Penn State University study in July reached on a statewide basis.

Shale gas now accounts for 34 percent of domestic natural-gas production and is expected to account for 60 percent by 2035. It has emerged as a major energy source during a time when the other sectors have foundered.

"This industry is really bucking some broader economic trends," Larson said.

IHS says that about a quarter of the 600,000 jobs attributed to shale gas in 2010 were directly employed in the industry. An additional 32 percent were "indirect" jobs supplying the industry. About 43 percent were jobs "induced" from further spending throughout the U.S. economy.

The IHS study over the 2010-2035 period concludes that the contribution of shale gas to gross domestic product was nearly \$77 billion in 2010, which will increase to \$118 billion by 2015 and will triple to \$231 billion in 2035.

The study estimates that the industry will contribute 1.6 million jobs in 2035, underscoring an expected sustained rate of growth because the industry needs to constantly drill new wells to replace production that gradually declines from old wells.

One of the study's critical findings is that natural-gas supplies will remain sufficiently abundant to maintain a stable price.

It projects that natural gas, which averaged \$6.73 per thousand cubic feet (mcf) from 2000-2008, will cost an average of \$4.79 through 2035. Gas currently trades at \$3.50 mcf and local utilities have steadily decreased prices to retail customers in the last three years.

In the absence of shale gas, the price of natural gas would cost \$10 to \$12, and domestic supplies would require supplemental imports from overseas.

"Lower prices today provide a significant near-term boost to economic output and employment and are an important foundation for an increase in domestic manufacturing," the study reports.

The complete IHS report and methodology can be downloaded here: <http://is.gd/JJYe2e>