ECONOMIC IMPACTS OF THE NATURAL GAS INDUSTRY IN NORTH TEXAS

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Overview

- Discuss economic benefits to natural gas production
- Review the most recent study on regional economic impacts
- Consider recent trends in drilling activity
- Consider some of the downsides
Barnett Shale
Economic Impacts Come From:

• Drilling activities
• Well maintenance
• Operating expenditures
• Pipeline development
• Pipeline operation
• Lease signing bonuses
• Royalty payments

• Impact assessments count:
  • Direct spending
  • Indirect spending
  • Induced spending
  • Adjust for leakage
  • Multiplier effect
Economic Benefits of Natural Gas Drilling and Production to the North Texas Economy

• Study by Perryman & Associates, 2008 data
• Output (expenditures): $29.46 billion
• Gross Area Product: $11.02 billion
• Personal Income: $6.55 billion
• Retail Sales: $3.32 billion
• Jobs: 111,131
  • 31,803 Pipeline development
  • 19,015 royalty and lease payments
  • 60,314 exploration and drilling
Considerations (economic)

- Largest source of fuel for electricity generation in Texas.
- Activity and royalties based on price
  - Competitive positioning
- Displaced economic activity
- Negative externalities
Increased Reliance on Wind

Decreased Reliance on Natural Gas

Increased Reliance on Coal

Data source: Public Utility Commission of Texas (PUC)

Energy Prices and Texas Rig Count

- TX rig count (31-Dec=731)
- Oil price (31-Dec=90.82)
- Natural gas price (31-Dec=41.39)

Nominal price, $ weekly

Rig count, weekly

* Natural gas price is multiplied by 10


http://www.dallasfed.org
Denton County Gas Wells

What else could be done with the land?
Negative Externalities

- Damage to road infrastructure
- Impacts on property values
  - Drilling
  - Pipelines
  - Pollution
    - Non-compliance area impacts business attraction
- Impact on water supply
  - If impacts are proven, tough economic choices
Summary

• Barnett Shale drilling & production activity generated $32.6 billion in gross area product 2001-2008 supporting 327,000 person years of employment.
• Activity in the Shale delayed and softened the impact of the Great Recession on North Texas.
• Cleaner than coal, safer than nuclear for electric energy production.
• But, there ain’t no such thing as a free lunch…