

**THE ENERGY SECTOR: STILL A GIANT ECONOMIC  
ENGINE FOR THE LOUISIANA ECONOMY**

**By**

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## EXECUTIVE SUMMARY

This study is an update of a study done for Mid-Continent Oil and Gas in 1996, and updated in 2002 and 2007 entitled, "The Energy Sector: A Giant Economic Engine for the Louisiana Economy." Our conclusions from this review of the impact of the extraction, refining, and pipeline industries can be summarized in a series of bullet points:

- Louisiana, through the luck of natural resource distribution, is the nation's **number one producer of crude oil** (including federal OCS production) **and the number three producer of natural gas** among the 50 states.
- Louisiana ranks **number two among the states in petroleum refining** capacity.
- There are nearly **125,000 miles of pipelines** transporting crude petroleum and natural gas within the state and in its offshore area of the Gulf of Mexico.
- Through both their direct and multiplier effects **these three industries supported \$77.3 billion in sales in Louisiana firms, generated over \$16.1 billion in household earnings for Louisianans, and supported 310,217 jobs in the state in 2009.** The \$16.1 billion in earnings represented 13.6 percent of total earnings in Louisiana in that year. Eighty-six of the 185 countries ranked by the World Bank have smaller gross domestic products than \$16.1 billion.
- On average **the job multiplier for these three industries was 5.0.** That is, for every job created in these sectors 4.0 additional jobs are created in other sectors in the state. The job multiplier for the oil and gas extraction industry is about 3.7 and for the very capital-intensive refinery industry it is about 11.1, to no small extent because the state's refineries spent a massive \$2.9 billion on capital expenditures in 2009.
- These three industries directly **paid nearly \$1.4 billion in state taxes and fees** in FY10, or about 15.5 percent of total state taxes, licenses, and fees collected. Through the \$16.1 billion in household earnings generated by these three industries, **state government indirectly was able to collect an additional \$1,125,100,000 in taxes** in FY10, **for a total boost to the state treasury of \$2.5 billion in FY10.**
- A very conservative estimate is that these three industries directly paid **\$298 million in ad valorem taxes to local governments** in the state in 2009. In 41 of the state's 64 parishes, these ad valorem taxes exceeded \$1 million. In 18 parishes the number exceeded \$5 million. Dramatic increases in property tax receipts occurred in Caddo, Bossier, Desoto and Red River Parishes as a result of the new activity in the Haynesville Shale. The \$16.1 billion in household earnings generated by these three industries added approximately **\$707,200,000---nearly three-quarters of a billion dollars---**indirectly to the treasuries of local governments in FY10, for a total of just over **\$1 billion contributed to local government treasuries.**

- In 2010, there were **62,417 workers employed** in the extraction, pipeline, and refining industries---a number approximately equivalent to the 2008 population of Acadia Parish, the 18<sup>th</sup> most populous parish in the state. Fifty-six of Louisiana's 64 parishes had total covered employment smaller than this number in 2010.
- These three industries paid over **\$5.0 billion in wages** for Louisiana households in 2010--a figure equivalent to 6.8 percent of total covered wages in the state that year.
- In the second quarter of 2010, the average weekly wage in Louisiana's manufacturing sector was \$1,097. **In refining it was 60 percent higher at \$1,757 and the extraction sector paid \$1,991 weekly---81 percent higher than the average in manufacturing. Weekly wages in the pipeline industry were \$1,498---37 percent higher than the average manufacturing wage.**
- **Energy jobs and earnings are found in all of Louisiana's 64 parishes in 2010.** There were 15 parishes where more than 1,000 workers were employed in these three industries. In Lafayette Parish (the highest employment parish), 14,696 workers were directly employed in these energy sectors.
- Value added is a broader measure of the total income created directly in an industry. In 2007 (latest data available), **Louisiana's oil and gas extraction sector produced nearly \$43 billion in total income.** That figure exceeds the **sum** of all the state's manufacturing sectors.
- The refining sector's value added in 2009 was \$11.4 billion. That figure was 27.4 percent of the total value added the state's manufacturing sectors.