



# LOUISIANA MID-CONTINENT OIL AND GAS ASSOCIATION

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## **Oil Industry Impact on LA Tops \$70 Billion**

BATON ROUGE, LA — Through direct and indirect means, the total economic impact of the oil and gas industry in Louisiana exceeds \$70 billion, according to a recently completed study commissioned by Louisiana Mid-Continent Oil and Gas Association.

“This study quantifies the fact that the oil and gas industry is a growing industry and one that has a tremendous economic impact on the state,” according to Chris John, President of Louisiana Mid-Continent.

The study reports that the industry supports 320,000 direct and indirect jobs. The study reveals that each oil and gas job supports 5.5 other jobs in the state. When broken down, the study shows that each oil and gas extraction job supports 3.9 other jobs in the state, while each refining sector jobs supports another 11.7 jobs. “When you begin to examine the impact of the industry, you see just how far reaching it actually is and how it is connected to so many other economic sectors in the state,” John added.

The direct and indirect jobs account for \$12.7 billion in household earnings. The household earnings represent 15.4 percent of the total earnings in Louisiana, the study shows. The household earnings generated more than one-half billion for local governments in the fiscal year ending in June 2006.

In addition, the study reports that the industry directly paid more that \$1.4 billion in state taxes, royalties and fees during the last fiscal year, which amounts to 14.4 percent of the total collected by the state. The total includes sales taxes collected by the state on its sales, but does not include the sales taxes paid by the industry for purchases of vehicles, office furniture, supplies and other items. The total does not include taxes paid to local governments, according to the report.

Another measure of the importance of the industry is the value added benefit. As the name implies, this represents the value added to a product through manufacturing, processing and enhancements. The report estimates the value added impact of the oil and gas extraction sector at \$47.5 billion. The value added value impact of the refining industry is estimated at \$34.3 billion.

The report shows that the oil and gas industry pays a significant amount of property taxes. The industry paid \$172.6 million in ad valorem taxes to local governments in 2005. In 31 of the state’s 64 parishes, ad valorem taxes paid by the industry exceed \$1 million.

In 12 parishes, the number exceeds \$5 million. The industry paid 7.1 percent of all the property taxes collected by local governments and in 21 of the parishes, the amount exceeded 10 percent of all local property tax collections.

Also, the study reports that the contracts for the 10-year industrial tax exemption program covered \$32.6 billion of assessed property values for all parishes. Of that amount only \$5.4 million or approximately 16 percent involve the oil and gas industry. In addition, about half of that amount will be expiring before 2009.

The ad valorem number is conservative, since it does not include the taxes the industry pays indirectly on properties it rents or leases nor does it include all of the municipal property taxes collected from the industry, the report notes.

“While the industry has always supported the efforts of the state to attract new industries and have urged diversification of the economy, it is important to realize that existing industries in this state, like oil and gas, are still playing and will continue to play a very import role in the economic future of this Louisiana,” John said.

A supplemental section of the study examines the impact Hurricanes Katrina and Rita had on the industry and the recovery efforts that took place. The report notes, “The bottom line is these two huge storms came right through the heart of the offshore oil and gas industry and there were virtually no significant spills offshore. One policy implication is that the United States is the only country on earth that restricts oil and gas exploration in some of its offshore areas. What residents along theses coast fear is coastal damage from oil spills. The after effects of Katrina and Rita should go a long ways toward dispelling those fears.”

Key findings of the report include:

- Overall direct and indirect impact of oil and gas industry totals \$70.2 billion.
- Oil and gas industry supports \$12.7 billion in household earnings.
- The \$12.7 billion in household earnings represents 15.4 percent of the total earnings in Louisiana.
- State government collected \$890 million in taxes from the \$12.7 billion in household earnings.
- Local governments collected \$560 million in taxes from the \$12.7 billion in household earnings.
- Industry supports 320,280 jobs in the state.
- The average job multiplier shows that each industry job supports 5.5 other jobs in the state.
- Industry directly paid more than \$1.4 billion in state taxes, royalties and fees.
- Industry pays more than \$172.6 million in property taxes.
- There are 58,278 workers employed in the exploration and production, pipeline and refining sectors of the oil and gas industry.
- Those three sectors paid approximately \$4.2 billion in wages.
- Refinery wages are 59 percent higher than average manufacturing wages while exploration and production wages are 83 percent higher than average manufacturing wages.
- The value added impact of the oil and gas extraction industry is \$47.5 billion.
- The value added impact of the refining industry is \$34.3 billion.

The study was conducted by Dr. Loren Scott, an economist who previously headed the Economics Department at Louisiana State University.

A summary of the report and the full report in PDF format are available from the Mid-Continent website at [www.lmoga.com](http://www.lmoga.com). Printed copies of the full report are also available from the Mid-Continent office upon request.

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