

The Energy Sector:

Still A Giant
Economic
Engine
For The
Louisiana
Economy



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EXECUTIVE SUMMARY

This study is an update of a study done for Mid-Continent Oil and Gas in 2002 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 and the number two producer of natural gas** among the 50 states.
- Louisiana ranks **number two among the states in petroleum refining** capacity.
- There are over **83,000 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 \$70.2 billion in sales in Louisiana firms, generated over \$12.7 billion in household earnings for Louisianans, and supported 320,280 jobs in the state in 2005.** The \$12.7 billion in earnings represented 15.4 percent of total earnings in Louisiana in that year. At least four countries listed in the **Statistical Abstract of the U.S.** have smaller gross domestic products.
- On average **the job multiplier for these two industries was 5.5.** That is, for every job created in these sectors 4.5 additional jobs are created in other sectors in the state. The job multiplier for the oil and gas extraction industry is about 3.9 and for the very capital-intensive refinery industry it is about 11.7.
- These three industries **directly paid over \$1.4 billion in state taxes and fees** in FY06, or about 14.4 percent of total state taxes, licenses, and fees collected.
- A very conservative estimate is that these three industries paid **\$172.6 million in ad valorem taxes to local governments** in the state in 2005. In 31 of the state's 64 parishes, these ad valorem taxes exceeded \$1 million. In 12 parishes the number exceeded \$5 million.
- Through the \$12.7 billion in household earnings generated by these three industries, **state government was able to collect an estimated \$890,939,000 in taxes in FY06.**
- The \$12.7 billion in household earnings generated by these three industries added approximately **\$560,018,800---over one half billion dollars---to the treasuries of local governments** in FY06.

- In 2006, there were **58,278 workers employed** in the extraction, pipeline, and refining industries---a number approximately equivalent to the 2005 population of Acadia Parish, the 19th most populous parish in the state. Fifty-four of Louisiana's 64 parishes had total covered employment smaller than this number in 2005.
- These three industries paid nearly **\$4.2 billion in wages** for Louisiana households in 2006---a figure equivalent to 6.4 percent of total covered wages in the state that year.
- In the third quarter of 2006, the average weekly wage in Louisiana's manufacturing sector was \$984. **In refining it was 59 percent higher at \$1,567 and the extraction sector paid \$1,804 weekly---83 percent higher than the average in manufacturing. Weekly wages in the pipeline industry were \$1,345---37 percent higher than the average manufacturing wage.**
- **Energy jobs and earnings are found in all of Louisiana's 64 parishes in 2006.** There were 14 parishes where more than 1,000 workers were employed in these three industries. In Lafayette Parish (the highest employment parish), 15,241 workers were directly employed in these energy sectors.
- Value added is a broader measure of the total income created directly in an industry. In 2002 (latest data available), **Louisiana's oil and gas extraction sector produced over \$24.6 billion in total income.** That figure exceeds the **sum** of all the state's manufacturing sectors except petroleum and coal products. We have roughly estimated the extraction sector's value added in 2005 (when energy prices were much higher than 2002) to be about \$47.5 billion.
- The refining sector's value added in 2005 was a huge \$34.3 billion. That figure exceeds the **sum** of all the state's other manufacturing sectors.