



SBE Economic Study Says That Small And Medium Sized Businesses Would Get a Big Boost By LNG Exports

The Small Business & Entrepreneurship Council released a comprehensive report late last week demonstrating that small business and jobs in the United States would be among the big winners if we proceed with the export of Liquefied Natural Gas (LNG).

The Report, “The Benefits of Natural Gas Production and Exports For U.S. Small Businesses,” examined overall energy sector jobs and business numbers in 10 states where natural gas production has been up significantly in the past few years including, of course, Pennsylvania.

The Report notes what we in the natural gas producing states know full well—the natural gas development sector is already accounting for robust job growth and “tremendous benefits” to the economy. But LNG exports could jolt that growth to new heights. There has already been growth in jobs and new small and mid-sized businesses where natural gas development is occurring, like Pennsylvania and Texas and other states. Those businesses would continue to grow, new ones would be created, and the U.S. would continue on its present path in becoming

“a leader in meeting global natural gas demand [which] would be a clear benefit to the overall U.S. economy,” writes Raymond J. Keating, the Chief Economist for the SBE.

Figures for Pennsylvania are staggering. The correlation between production and jobs is undeniable. Natural gas production has increased 677.8 percent from 2005 through 2011. While total U.S. and state jobs declined from 2005 to 2010, jobs expanded in the energy sector dramatically. Also, new business creations grew in Pennsylvania at a time when they declined nationwide. Jobs grew in Pennsylvania by over 80% in the oil and gas extraction exploration and extraction area and by 150% in the pipeline and processing area. The U.S. Bureau of Economic Analysis reported in 2011 that Williamsport, Pennsylvania, in the heart of Marcellus natural gas development, became the seventh fastest growing metropolitan area in the country with an economic growth rate of 7.8%. The SBE Report notes that the Pennsylvania energy sector is “overwhelmingly populated by small and mid-sized businesses.”

These are good, family sustaining jobs. In fact, the Pennsylvania Department of Labor and Industry's latest information as of April 2013 shows that, for core industry jobs, the yearly average salary is over \$82,000 per year and \$64,000 per year in ancillary industries.

LNG exports will put these results on steroids! The SBE Report notes that recent reports by the Brookings Institution, Deloitte, and the U.S. Energy Information Administration have all agreed that the majority of exported natural gas will come from increased production as opposed to cannibalizing existing production. That has very important consequences. As the recent Deloitte study (Exporting the American Renaissance: Global Impacts of LNG Exports From The United States) concludes, the impact on domestic natural gas prices from exporting LNG

would be minimal; only \$0.15 MMBtu. This is because of the huge extent of the supply in the United States and the responsiveness of the United States natural gas market to price signals. The SBE Report says that this has very important results—strong growth for small and midsize businesses and for employment.

So what is the take-away? If we want to see those new jobs and those new small and midsize businesses, “policymakers—at the federal level and in the states—must make sure that policies support enhanced domestic energy production, and therefore increased opportunity for small businesses and workers. It is critical that they resist regulatory and tax measures that would undercut energy production, including policies that would in any way limit natural gas exports.”

– Michael L. Krancer and Heather L. Demirjian

Shale Gas & Oil Development Team: www.BlankRome.com/Shaleoil

Blank Rome LLP's Shale Oil & Gas Industry Team remains dedicated to assisting clients involved in the production of shale oil and gas or of frac sand. We are available to provide counsel on the topics addressed in this Client Alert. For further information, please contact:

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