

Unanswered Questions About the Economic Impact of Gas Drilling in the Marcellus Shale



JM Barth & Associates, Inc.

RISKS:

- Water Contamination
- Air Pollution
- Sick Children
- Dying Agriculture
- Industrial Landscape

Is the potential economic gain worth
the risks ?

Studies of Economic Impact

- Biased
- Dated
- Seriously Flawed
- Inapplicable to Our Region

Economic Impact Studies

- New York (SGEIS, Broome County Study)
- Pennsylvania (Penn State Studies, API Study)
- Texas (Perryman Study)
- Western States (Headwater Economics Study)

SGEIS

- Economic Analysis from 1988
- Earnings Multiplier of 1.4
- Ignores declines in other industries
- Recommends 150 new tasks be assigned to DEC
- References flawed studies

Broome County Study ignores costs

- Infrastructure Costs
- Drinking water contamination
- Land, Stream and Air Pollution
- Declines in Property Values
- Declines in Other Industries (Tourism, agriculture, organic farming, sport hunting and fishing)

ECONOMIC REALITY: NY

Gas-Intensive NYS Counties Are Not Better Off

- More Families Below Poverty Level
- Lower Median Household Income
- Higher Unemployment Rate

Penn State Studies

- Highly Biased
- Supply Equation Volatile
- Ignores Economic Costs
- Myopic View
- Uses Input-Output Analysis

Input-Output Analysis

- All population has identical spending patterns
- Assumes Constant returns to scale
- Static in Time and Aspatial
- Coefficients are unknown
- Production Function is Constant (no input substitution)
- No price changes

ECONOMIC REALITY:PA

- 70% of gas employees are from out of state.
- 195 wells were drilled in 2008, and statewide employment in O&G Extraction Industry dropped in 2008.

Barnett Shale Play

Perryman Study

Data Sources ?

Model Structure ?

Accuracy ?

ECONOMIC REALITY: TX

Barnett and Marcellus ?



- Texas labor force has requisite skill set
- Texas has support industry network
- Gas company headquarters
- Dallas-Ft. Worth Metroplex v. Rural NY

**TEXAS may derive a greater
economic benefit from gas
drilling in NEW YORK than
will NEW YORK**

!!!!!!!!!!!!!!

Multipliers are larger for

- More developed areas with industrial diversity
- Areas with labor force having requisite skills
- Areas with permanent residents as workers
- Labor intensive industries

Characteristics of Counties not focused on fossil fuel extraction

- Higher growth rates
- More diverse economies
- Better-educated populations
- Smaller gap between high and low income households
- More retirement and investment income

Source: Headwater Economics, 2008

“Mining the Data: Analyzing the Economic Implications of Mining for Nonmetropolitan Regions”

CONCLUSIONS:

Unemployment and Poverty Rates Worsen
AND
Highest Levels of Long-Term Poverty

Source: Freudenburg, [Sociological Inquiry](#), 2002.

The only parties likely to benefit financially are the gas companies and a few lucky landowners.

Deep Pockets of Gas Industry

- Lobbying
- Political Contributions
- Economic Studies

Tax Subsidies

- Federal tax treatment of O&G industry encourages leasing, exploration and drilling whether or not they produce gas
- Industry lobbyists talked the Senate out of removing subsidies, in part on the basis of job loss

Conclusions

- The economic impact studies ignore important and significant costs
- The economic impact studies have been funded primarily by industry
- The methodology used is often inappropriate for this industry in this region
- NOT worth the risk of the potentially severe and in some cases irreversible consequences in the form of health, environmental and infrastructure degradation

BEWARE

**Gas drilling in the Marcellus
Shale may result in :**

**A NET NEGATIVE
ECONOMIC IMPACT
FOR NEW YORK**

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