

STUDY TITLE: A Socioeconomic Analysis of the Port Expansion at Port Fourchon

REPORT TITLE: Lafourche Parish and Port Fourchon, Louisiana: Effects of the Outer Continental Shelf Petroleum Industry on the Economy and Public Services, Part 2

CONTRACT NUMBER: 1435-01-96-CT-30660-19945

SPONSORING OCS REGION: Gulf of Mexico OCS Region

APPLICABLE PLANNING AREA(S): Central and Western Gulf of Mexico

FISCAL YEAR(S) OF PROJECT FUNDING: FY 1997-1998

COMPLETION DATE OF REPORT: May 2002

COST(S): \$85,767

CUMULATIVE PROJECT COST: \$85,767

PROGRAM MANAGER: Walter Keithly

AFFILIATION: Louisiana State University

ADDRESS: Department of Agricultural Economics and Agribusiness, And Coastal Fisheries Institute, Louisiana State University, Baton Rouge, LA

PRINCIPAL INVESTIGATOR(S)*: David W. Hughes; J. Matthew Fannin; Walter Keithly; Williams Olatubi; Jiemin Guo

KEY WORDS: Lafourche Parish, Port Fourchon, oil and gas activities, economic model, Louisiana Community Impact Model, OCS activities, regional input-output model.

BACKGROUND: The report provides a brief history of OCS activities in Gulf waters, describes the current expansion in exploration, development and production activities on the OCS, and examines the prospect for future activities. Resulting growth in the Lafourche Parish economy is examined both from long run and more recent perspectives. The increasing activities of the OCS oil and gas industry have strongly affected the Lafourche Parish economy, and Port Fourchon is an important locus for these effects. This report describes the Port and its environs, focusing on issues related to activities on the OCS.

This study presents an analysis of the impact of ongoing deepwater oil and gas activities on Port Fourchon and the Lafourche Parish area and evaluates potential impacts associated with expanding activities.

OBJECTIVES: Typically, rapid growth places stresses on a wide range of publicly provided services from schools, to police and fire protection, to welfare agencies, to provision of roads and utilities. The effects of the growth in the OCS petroleum industry on a range of public services in Lafourche Parish are discussed. In some cases, the offshore petroleum industry places unique stresses on public services. These are described and discussed.

The research presented involves the development of a regional economic model for Lafourche Parish and Port Fourchon. The regional model developed for this study, and the results from that model are extensively discussed. Also provided are discussions of the parish, the port, and oil and gas activity in the Gulf of Mexico.

DESCRIPTION: To assess oil and gas activities in the Gulf of Mexico, recent trends are first presented. Then, attention is turned to analysis of future activities based on available forecasts and other relevant information. Indicators suggest current and near-term future expansion because of the increase in drilling permit applications, rigs drilling, number of fields in production, and an increase in the number of fields with proven reserves. Additionally, there has been strong interest as indicated by the number of bids received, tracts bid on, and the number of tracts leased in deepwater.

In this study, a community economic model developed for Louisiana (LCIM, Louisiana Community Impact Model) is used to evaluate the impact of the OCS industry on the economy and local government finances of Lafourche Parish. In LCIM, an input-output model and a labor market model together represent the local economy. A fiscal module represents both the generation of local government revenue and the changes in demand for locally provided services. The process originates with estimates of the impact of OCS activity on Lafourche parish industry that directly support such activity.

SIGNIFICANT CONCLUSIONS: The OCS petroleum industry is causing substantial levels of growth at Port Fourchon and in the Lafourche Parish economy in general. Model results are based on the assumption that the level of activity for the OCS petroleum industry will increase at an annual rate of 4 percent. These assumptions may or may not be correct given changes in key factors, such as crude oil prices. However, this growth is predicted to continue at least through the year 2002. As a result, increases in economic activity and population growth through the year 2002 are predicted to be substantial.

Results of the input-output module indicate sectors experiencing direct growth included Petroleum Extraction, Nonresidential Construction, Ship Building and Repair, Water Transportation, Air Transportation, Eating and Drinking Establishments, and Services. The OCS petroleum industry has and will continue to have a significant impact on the Lafourche Parish economy according to model results. The industry was responsible for estimated direct and indirect employment impacts of 531 jobs in 1995, 864 jobs in 1996, 1,270 jobs in 1997 and 1,424 jobs in 1998. Lower impacts in 1999 through 2002 are a result of conservative estimates. Hence, over the entire eight-year period,

employment impacts are estimated at 6,349 jobs while total changes in output are estimated to be \$603 million.

Model results also included estimates of resulting changes in revenues paid to and expenditures made by local government in Lafourche Parish. Model results indicated that the expanding OCS petroleum industry will lead to marked increases in both expenditures by and revenues to local government. By themselves, results imply that local government should be able to continue to meet increases in expenditures caused by that activity. In comparison to baseline growth, increases in revenues increased at a more rapid rate than did increases in expenditures. However, additional costs, such as English as a second language classes in the school system, were not always reflected in model results. Hence, in the final analysis, the ability of parish government to meet increases in costs due to the expansion of the OCS petroleum industry could be problematic.

STUDY RESULTS: The historical development of the OCS petroleum industry and the resulting impacts on economic and population levels in Lafourche Parish has been cyclic. Increases in population and economic activity could, and in some cases are already requiring substantial new investment in local infrastructure. If activity in the OCS petroleum industry should decrease rapidly in the future, local governments may incur the costs of infrastructure development without obtaining the levels of revenue needed to meet such costs.

STUDY PRODUCT(S): Hughes, D.W., J.M. Fannin, W. Keithly, W. Olatubi, and J. Guo. 2001. Lafourche Parish and Port Fourchon, Louisiana: Effects of the Outer Continental Shelf Petroleum Industry on the Economy and Public Services, Part 2. OCS Study MMS 2001-020. U.S. Dept. of the Interior, Minerals Management Service, Gulf of Mexico Region, New Orleans, LA. 64 pp.

*P.I.'s affiliation may be different than that listed for Program Manager(s).