

The Local Economic Impact of the Conventional Oil and Gas Industry in Pennsylvania

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Pennsylvania Grade Crude Oil Coalition



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EXECUTIVE SUMMARY

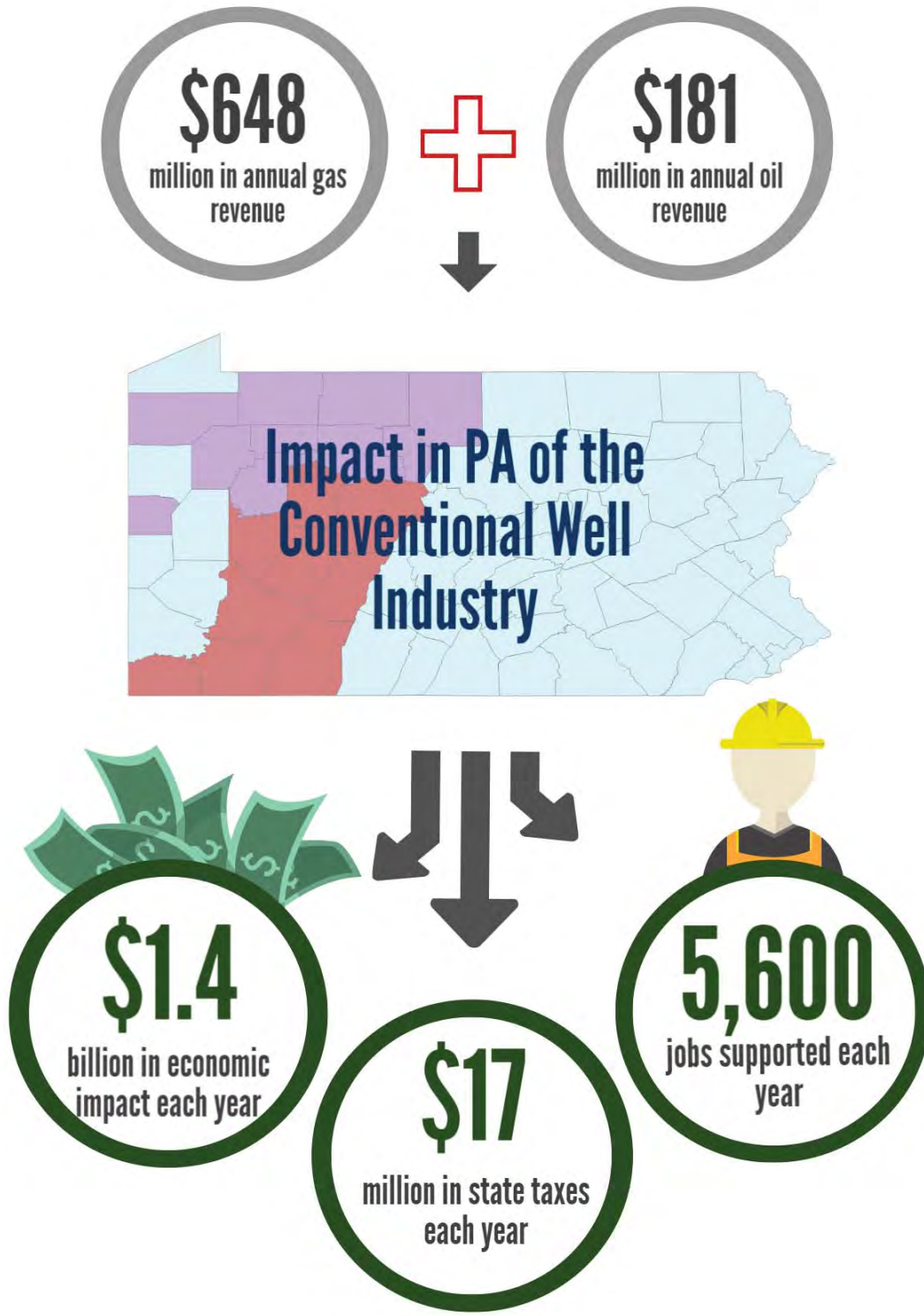
The conventional oil and gas industry has been a driving force in the Commonwealth of Pennsylvania (“Commonwealth”) for over a century. For the vast majority of this time, drilling has been limited to conventional wells. However, over the past eight years, a boom in unconventional drilling, spurred by the focus in the Marcellus shale, has upended Pennsylvania’s legacy oil and gas industry. The Pennsylvania Grade Crude Oil Coalition (PGCC) represents independent, conventional oil and gas producers and service providers in western Pennsylvania. Its mission is to advance local economies and energy independence by promoting conventional oil and gas production in a safe and environmentally sound manner.

Conventional oil and gas, while only a portion of the total gas and oil production in the Commonwealth, is a crucial driver of local economic and employment impact in the small communities in which it occurs. This report focuses on the operations of conventional oil and gas wells in 19 counties in western Pennsylvania (“19-County Region”) where there is significant conventional drilling activity, generate substantial economic impacts throughout the Commonwealth by utilizing local vendors, employing residents, and paying wages to their workers. The economic impacts include the direct activity of the conventional oil and gas industry and the spillover economic activity, induced and indirect impacts, it supports.

- Within the Commonwealth, the operations of the conventional oil and gas wells in the 19-County Region generate an estimated \$1.4 billion in total annual economic impact, of which \$1.2 billion occurs within the 19-County Region.
- The activity of the conventional oil and gas industry supports an estimated 5,600 jobs with \$241 million in earnings in the Commonwealth. Of that total employment impact, 4,700 jobs with \$185 million in earnings are supported within the 19-County Region.
- Additionally, the operations support \$17 million in annual tax revenues to the Commonwealth (see Figure ES.1).

The impacts of the conventional oil and gas industry are extremely important to the local economies in the 19-County Region. These counties and municipalities are less able to replace the income and employment generated by this industry with other jobs, making the health of the industry vital to their future.

**ES.1 – ESTIMATED TOTAL ECONOMIC IMPACT OF THE CONVENTIONAL WELL INDUSTRY
WITHIN THE COMMONWEALTH OF PENNSYLVANIA**



Source: PA.gov (2015), Energy Information Administration (2015), ESI (2016), IMPLAN (2013)

In addition to the economic and fiscal impacts generated as a result of oil and gas revenues within the 19-County Region, conventional well operators make additional monetary contributions to the state.

- Conventional well operators pay permit fees to the Pennsylvania Department of Environmental Protection (“DEP”) that range from \$250 to \$1,950 per well, depending on the well bore length. Permit fees from conventional and unconventional drillers support more than half of the approximately \$20 million annual budget of DEP’s Office of Oil and Gas Management.
- Conventional well operators also pay local taxes to the small municipal governments where they are located. These small municipalities rely on property taxes, income tax, and the local services tax for a large portion of their revenues.

The Bradford Refinery, located in McKean County, PA and operated by the American Refining Group (“ARG”), processes conventional oil and is the only Penn Grade crude refinery in the Commonwealth.

- Each year, the refinery generates an estimated \$93 million of economic impact in McKean County and supports 350 direct and 100 indirect, and induced jobs, for a total of 450 jobs supported.
- Within the Commonwealth of Pennsylvania, ARG generates \$173 million in economic impact and supports 540 jobs (350 of which are direct jobs) with \$36 million in earnings.

This study is not the first to examine the economic impact of the conventional oil and gas industry in Pennsylvania. In 2008, the Pennsylvania Economy League of Southwestern Pennsylvania estimated the economic benefits of the oil and gas industry within the Commonwealth. The 2008 study includes both the conventional and unconventional industries and provides a great understanding of the magnitude of the importance of the overall industry to the state. The study brought to light that incredible economic impact the oil and gas industry was having at that time, a boom period for the industry.

Our study is the first, to our knowledge, to focus on the importance of the economic impact of the conventional oil and gas industry to the counties and municipalities where it is located. The conventional oil and gas industry provides valuable jobs and tax revenue to these mostly rural areas and without it, will severely negatively impact the economies of these towns. As the industry ebbs and flows with changes in the world market, even during its current down years, it still plays a very important role in the economic and job base in these localities and will continue to play an important role in these municipalities in the future.