Unconventional Oil and Gas Production Supports More Than 1.7 Million U.S. Jobs Today; Will Support 3 Million by the End of the Decade, IHS Study Finds

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“New energy reality” contributes to energy security while boosting jobs in a period of economic uncertainty

WASHINGTON--(BUSINESS WIRE)--The revolution in unconventional oil and gas production is fundamentally changing the United States energy outlook, generating significant job creation, economic growth and government revenues, according to a new IHS study.

The entire upstream unconventional oil and gas sector will support more than 1.7 million jobs in 2012 at average wage levels dramatically higher than the general economy. The number of jobs is expected to increase to 2.5 million over the next three years. The number of jobs supported will continue to rise to nearly 3.5 million in 2035, according to the study.

The new study, America’s New Energy Future: The Unconventional Oil and Gas Revolution and the Economy builds on previous IHS research on the economic impacts of unconventional gas to provide the most complete assessment to date of the economic contributions—in terms of jobs, economic value and government revenue—for both unconventional oil and unconventional gas in the United States.

“The growth of unconventional oil and gas production is creating a new energy reality for the United States,” said Daniel Yergin, IHS vice chairman and author of The Quest. “That growth has not only contributed to U.S. energy security but is a significant source of new jobs and economic activity at a time when the economy is a top priority.

“The United States currently has the highest rate of growth in crude oil production capacity in the world and is virtually self-sufficient in natural gas, except for some gas from Canada. This is a stark contrast from when, prior to the unconventional revolution, it was expected that the U.S. would soon become heavily dependent on gas imports,” Yergin added.

Future growth in unconventional oil and gas production will drive continued economic expansion in both the near- and long-term, the study says. Annual unconventional tight oil production—projected at 2 mbd for 2012—is expected to increase by nearly 70 percent by 2015 to more than 3.5 million barrels of oil per day (mbd) and rise to 4.4 mbd in 2020. Unconventional gas production—shale, plus “tight gas”—is expected to increase 22 percent to nearly 42 billion cubic feet per day (Bcf/d) in 2015 (65 percent of total U.S. gas production) and reach more than 76 Bcf/d in 2035 (75 percent of total U.S. gas production).

Among the study’s key findings:

- Nearly $5.1 trillion in capital expenditures ($2.1 trillion in the oil sector, $3 trillion in the gas sector) will take place between 2012 and 2035 across the entire upstream unconventional oil and gas activity sectors.
- Employment in the entire upstream unconventional oil and gas sector on a direct, indirect, and induced basis will support nearly 1.8 million jobs in 2012, 2.5 million jobs in 2015, 3 million jobs in 2020, and nearly 3.5 million jobs in 2035.
- The jobs created tend to be high quality and high paying, given the technologically innovative nature of unconventional oil and gas activity. Workers associated with unconventional oil and gas are currently paid an average of $35.15 per hour—higher than the wages in the general economy ($23.07 per hour) and more than wages paid in manufacturing, wholesale trade and education, among others.
- Unconventional energy activity will contribute $237 billion in value added contributions to GDP in 2012, a figure that will increase to $475 billion annually in 2035.
- Unconventional oil and gas activity will generate more than $61 billion in federal and state government revenues in 2012 and increase to $91 billion in 2015 and $111 billion in 2020. By the last year of the forecast period, in 2035, government revenues will increase to more than $124 billion.

A key reason for the profound economic impacts associated with unconventional oil and gas production are the lengthy, complex, domestically-sourced supply chains which support American jobs. The total employment contribution for overall upstream unconventional activity relative to total U.S. employment will average 1.5 percent over the short-term (2012-
2015), 1.9 percent over the intermediate term (2015-2020) and 2 percent over the long-term (2020-2035), the report finds.

The industry, highly capital-intensive by nature, relies on suppliers in construction, fabricated materials and heavy equipment but it also requires a broad range of material and services such as legal and financial services and information technology, said John Larson, IHS vice president, public sector consulting.

“Unconventional oil and gas production is unique in that it combines a highly capital-intensive industry with a broad domestic supply chain,” Larson said. “The United States is a world leader in all parts of unconventional oil and gas activity which means that most of the dollars spent here stay and support American jobs.”

The report, America’s New Energy Future: The Unconventional Oil and Gas Revolution and the Economy is the first in a series of major studies measuring the economic impacts of unconventional oil and gas activity in the United States. Subsequent reports will focus on the economic impacts on a state-by-state level and the potential for a U.S. manufacturing renaissance fueled by abundant energy supply.

America’s New Energy Future: The Unconventional Revolution and the Economy report is based on the IHS CERA analyses of each play which calculate the investment of capital, labor and other inputs required to produce these hydrocarbons. The economic effects of these investments are then calculated using the proprietary IHS Global Insight economic impact assessment and macroeconomic models to generate the contributions to employment, GDP growth, labor income and tax revenues that will result from the higher level of unconventional gas development. The research was supported by the American Petroleum Institute, Institute for 21st Century Energy, the American Chemistry Council and the Natural Gas Supply Association IHS is exclusively responsible for all of the analysis and content.

To download America’s New Energy Future: The Unconventional Revolution and the Economy complete report and methodology visit http://www.ihs.com/unconventionalsandtheeconomy

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