Unanswered Questions About the Economic Impact of Gas Drilling in the Marcellus Shale
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, Cornell University)
- Pennsylvania (Penn State, American Petroleum Institute)
- Arkansas (University of Arkansas)
- Texas (Perryman Group)
- Western States (Headwaters Economics, Sociological Inquiry)

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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)

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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.

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Barnett Shale Play

Perryman Study

Data Sources ?
Model Structure ?
Accuracy ?

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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
CONCLUSIONS:

Unemployment and Poverty Rates Worsen AND

Highest Levels of Long-Term Poverty

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

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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
• Long-term bust!

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BEWARE
Gas drilling in the Marcellus Shale may result in:

A NET NEGATIVE ECONOMIC IMPACT FOR NEW YORK AND PENNSYLVANIA

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