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**SMALL BUSINESS**

## **Study: Oil & Gas Industry Creates 9.3 Million Jobs in U.S.**

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Aug. 31, 2014



Wanting to determine just how much of an impact the revival of the nation's oil and gas industry was having, The Perryman Group undertook a study as a public service.

What the firm found was that the revival is having significant, widespread effects nationwide.

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“When you include the ripple effects through the economy, oil and natural gas exploration and production supports nearly 7 percent of the U.S. economy,” said Dr. M. Ray Perryman, president and chief executive officer of The Perryman Group, in releasing the report.

The Perryman Group also found that the economic benefits of oil and natural gas production have more than doubled over the past 10 years even after accounting for the effects of inflation. “The new jobs created by the oil and gas sector since the recovery from the recession began are responsible for about 30 percent of the national increase,” Perryman said.

Looking at individual states with major energy production, the study found Texas realizes the largest benefits both from its substantial reserves and long history with the industry. States, like North Dakota, where activity is still relatively new, the benefits are smaller and are expected to rise over time. Perryman noted that North Dakota saw the benefit of over 100,000 jobs in an economy with total employment of only about 500,000.

“While changing market conditions will lead to cycles in the industry,” said Perryman, “the oil and gas industry will be a driver of substantial economic activity for many years to come.”

He took time to answer some additional questions about the findings.

**Q.:** The benefits to Midland-Odessa are obvious, with thousands of new jobs and among the nation's lowest unemployment. How has that spilled over into the general economy?

The Permian Basin is responsible for a significant portion of the new activity. It spills over into the general economy in many ways. Locally, it is apparent in direct

suppliers to the industry as well as housing, construction, retail, restaurants, services, and many other sectors. Nationally, the benefits (beyond the improved security and sustainability associated with a stable oil supply) are felt by many professional service firms and throughout the entire economy. Only about 10 percent of the jobs generated by the industry are in direct drilling and exploration.

**Q.:** What actions do you see hurting domestic production — EPA regulations? Endangered species? Oversupply? Do you think the federal government appreciates the contributions of increased domestic production?

Domestic production can be both positively and negatively impacted by many factors. Market forces can move prices in either direction, as can changing situations in the volatile areas around the world where substantial amounts of oil are produced. Technological improvements, the pace of global economic growth, demand for various fuel types, and changes in environmental policy or other elements of the regulatory framework can materially impact the oil and gas industry.

While there are certainly some elements of the federal government and the public that appreciate the significance of the industry and the recent shale boom, there is likely a general lack of recognition. Our findings that the economic benefits have more than doubled in just over a decade or that it has been responsible for more than 30 percent of the jobs during the recovery will hopefully help to spark a greater degree of understanding. We developed the study as a public service in order to evaluate these issues and help bring key results to light. Hopefully, we will contribute to a greater recognition of the fundamental role of oil and gas exploration, drilling, and production.

**Q.:** Describe in a little more detail the ripple effects for the national economy — for example, the return of manufacturing jobs.

The ripple effects are everywhere. If you think about the role of oil in your life, it is not only the primary source of many of our fuels, but is also critical to our lubricants, chemicals, synthetic fibers, pharmaceuticals, plastics, and many other items we come into contact with every day. The industry supports almost 1.3 million jobs in manufacturing alone and is responsible for almost \$1.2 trillion in annual gross domestic product. If you think about the law, accounting, and engineering firms that serve the industry, the pipe, drilling equipment, and other manufactured goods that it requires, and the large payrolls and their effects on consumer spending, you will begin to get a picture of the enormity of the industry.

Q. Is there a price level that is too low to fund current drilling rates?

4. Unlike the situation in the 1970s, which was highly leveraged and vulnerable to even slight price declines, the current oil surge is characterized by greater use of cash financing and current prices are well above break-even levels. There is, of course, a price at which it's not profitable to pursue shale oil, but it is likely in the \$65-\$75 range according to most industry experts. These levels could occur temporarily (as in the last recession when prices fell briefly to the high \$30s), but is unlikely to be sustained. The fact that wells drilled using hydraulic fracturing tend to have steep decline curves, thus requiring “refracing” or replacement in a relatively short period of time adds an element of stability.

Q. What's your opinion on resuming crude exports?

I think that we should seriously consider expanding oil exports. While we are not yet at total energy independence as a country, we are very close to a situation where we can obtain our oil requirements from proximate and friendly sources. Thus, we should begin to explore avenues to allow more U.S. oil into the global market.

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