Brief Statement on the Economic Impact of Gas Drilling in the Marcellus Shale
By Jannette M. Barth, Ph.D. (June 14, 2011)

I am a long-time homeowner in Delaware County, New York. I am also a Ph.D. economist and have been conducting economic analyses and developing economic models for 35 years for public and private clients. I have been qualified as an expert in economics in various courts.

The gas industry spends millions of dollars on PR, advertising, lobbying and political contributions in order to make a lot of money for themselves from the production of shale gas. A gas industry representative has even offered payment to individuals to encourage them to make supportive comments at public forums.

The industry representatives are misleading the public when they claim that hydrofracking will bring great economic prosperity to upstate New York.

The gas industry itself, and its various hired guns, trade associations and landowner coalitions, regularly spread falsehoods about economic impacts.

The facts are that while gas drilling may produce limited short-term job gains, it is very likely to be devastating to communities in the intermediate to long-term. It is likely to cause declines in our important existing industries such as agriculture, tourism, wine making, hunting, fishing and river recreation. There will be huge costs to the region, including the costs to maintain and repair over-used infrastructure, costs of environmental degradation, costs to human health, increased demands on social services and first responders, and the costs associated with declines in other industries. Homeowners can expect trouble refinancing and insuring properties on or near gas drilling, as both banks and insurance carriers avoid the risks associated with gas drilling. The predictable results will be reduced property values and reduced tax revenues.

At this point there are two sets of economic studies that paint very different pictures of the economic impact of gas extraction. There are industry-funded studies and then there is unbiased research. Not surprisingly, the methodology used in the industry-funded economic studies overestimates the positive economic impacts, and plays down or ignores the negative economic impacts. A recently published, peer reviewed academic paper confirms this assertion.

Recently, gas industry groups such as the Marcellus Shale Coalition and Energy in Depth, have continued to mislead the public by mis-interpreting a new report from the Pennsylvania Department of Labor & Industry. The Pennsylvania Department of Labor & Industry assigned 6 industries to the "core" Marcellus Shale activity and an additional 21 industries to "ancillary" Marcellus Shale activity. The report states that there were 48,000 New Hires in these industries from 4$^{th}$ Quarter 2009 through 1$^{st}$ Quarter 2011. Anyone familiar with "New Hires" data knows that these data do not accurately reflect employment growth. The gas industry representatives fail to point out that users of "New Hires" data should not draw conclusions about job growth trends based on "New Hires" data. Note that new hires and the actual change in employment may be vastly different when a large number of jobs are added by some employers during the same period that a large number of jobs are eliminated by other employers. Also, a "new hire" is not necessarily a "new job."

According to the same Pennsylvania Department of Labor & Industry report, employment growth in these "core" and "ancillary" industries was only 10,600 from 1st Quarter 2008 through 3rd Quarter 2010. Even this is an exaggerated estimate of Marcellus Shale job creation in Pennsylvania. Note that there is a very important (and accurate) statement in the report, a statement that the industry representatives have chosen to ignore. This statement is " While the vast majority of Marcellus Shale employment can be found in these industries, not all establishments in these industries are necessarily involved in Marcellus Shale." So, while the report warns against this type of interpretation, the industry nonetheless exaggerates the employment numbers attributed to Marcellus Shale activity.

In addition, while former reports stated that 70% of gas workers in Pennsylvania are from out of state, industry groups are now reporting that only 30% are from out of state. The 30% figure appears to be from an industry survey. Is this survey unbiased? We should insist on seeing the details of this survey as in reality, the oil & gas industry is known for hiring many out of state workers and dormitory style housing has been built in Pennsylvania for the out of state workers. Why build such housing if the industry is truly committed to hiring local residents?

Unbiased economic research, not funded by the gas industry, paints a very different picture. These studies show that when the gas is gone, our region will likely be left worse off than it is now. Communities across the nation and the world where gas drilling takes place often become "throw away" communities. Non-metropolitan regions that have focused on mining and fossil fuel extraction as an economic development strategy end up with the highest levels of long-term poverty and unemployment.

Every new, unbiased academic study published on hydrofracking confirms negative impacts, including negative health impacts, negative environmental impacts, and negative economic impacts.

In reality, the only parties likely to benefit from gas drilling in the long run are the gas companies and a very few lucky and large landowners. If we allow horizontal hydrofracking in New York, our water, air and land may become contaminated, our population may suffer failing health, our landscape will become industrial, our communities may be "thrown away", and our economy is likely to experience a long-term bust.