

# The Benefits of Natural Gas Production and Exports for U.S. Small Businesses

## Ohio Summary Sheet | May 2013

The opportunity for increased shale natural gas production exists in Ohio, but is only beginning to move forward. It is worth noting that a December 2012 IHS study projected that jobs tied to unconventional oil and gas production in Ohio could rise from 38,830 in 2012 to 143,595 in 2020 and 266,624 in 2035. And it was reported in a March 2013 *New York Times* story that “natural gas buried in shale thousands of feet below the surface is attracting more than \$1 billion in private investment and rapidly reviving the area as an energy producer... With all this energy-related construction, industry executives believe that Ohio will produce two billion to three billion cubic feet of processed gas daily within the decade.”

### Natural Gas Production

Ohio's natural gas production actually contracted between 2005 and 2011, falling by 7.8 percent.

### Energy Jobs

While U.S. total employment *declined* from 2005 to 2010 it fell even more in Ohio. And the jobs story in the energy sector was mixed, with employment:

- declining by 1.1 percent in the oil and gas extraction sector;
- increasing by 5.7 percent in the drilling oil and gas wells sector;
- declining by 15.2 percent in the support sector for oil and gas operations;
- and increasing by 5.7 percent in the oil and gas pipeline and related structures construction.

### Small Business and Energy

For all of the U.S., total employer establishments declined by 1.4 percent from 2005 to 2010, including a 3.5 percent decline in establishments with less than 20 workers, and a

3.1 percent fall in establishments with less than 500 workers. In Ohio, the decreases in total establishments were even steeper. Ohio's numbers in the energy sector regarding establishment growth have been very mixed:

- Among oil and gas extraction businesses, the number of employer establishments fell by 5.7 percent, including a fall of 6.2 percent among establishments with less than 20 workers and 5.7 percent among establishments with less than 500 workers.
- Among drilling oil and gas wells businesses, the number of employer establishments declined by 1.4 percent, including growth of 5 percent among establishments with less than 20 workers and a decline of 1.4 percent among establishments with less than 500 workers.
- Among oil and gas operations businesses, the number of employer establishments actually grew by 9.4 percent, including growth of 9.4 percent among establishments with less than 20 workers and 9.4 percent among establishments with less than 500 workers.
- Among oil and gas pipeline and related structures construction businesses, the number of employer establishments grew by 16.9 percent, including growth of 13.2 percent among establishments with less than 20 workers and 19 percent among establishments with less than 500 workers.

- Among oil and gas field machinery and equipment manufacturing businesses, the number of employer establishments fell by 33.3 percent, including a decline of 50 percent among establishments with less than 20 workers and 33.3 percent among establishments with less than 500 workers.

It must be noted that the Ohio energy sector is not about huge enterprises, but instead is overwhelmingly populated by small and midsize establishments.

- Among oil and gas extraction businesses, 92.9 percent of employer establishments in 2010 had less than 20 workers, and 100 percent had fewer than 500 employees.
- Among drilling oil and gas wells businesses, 91.3 percent of employer establishments in 2010 had less than 20 workers, and 100 percent had fewer than 500 employees.
- Among oil and gas operations businesses, 92.1 percent of employer establishments in 2010 had less than 20 workers, and 100 percent had fewer than 500 employees.

- Among oil and gas pipeline and related structures construction businesses, 62.3 percent of employer establishments in 2010 had less than 20 workers, and 100 percent had fewer than 500 employees.

### **The Future: LNG Exports**

Looking ahead, the opportunity exists for exporting liquefied natural gas (LNG), given the large differential in natural gas prices in the U.S. versus elsewhere in the world, and rising global demand. Expanded demand for U.S. natural gas in international markets will result in greater U.S. natural gas production, with such benefits as increased investment, GDP growth, rising incomes, and more jobs being among the developments. A recent study for the Brookings Institution noted, "In their analyses, both Deloitte and EIA found that the majority—63 percent, according to both studies—of the exported natural gas will come from new production as opposed to displaced consumption from other sectors." Clearly, LNG exports guided by market forces mean further expanding opportunity for small and midsize businesses to be created, to grow, and to create jobs.



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