

**Economic Outlook Presentation  
for the LPSC**

**November 6, 2014**

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**Loren C. Scott & Associates, Inc.**

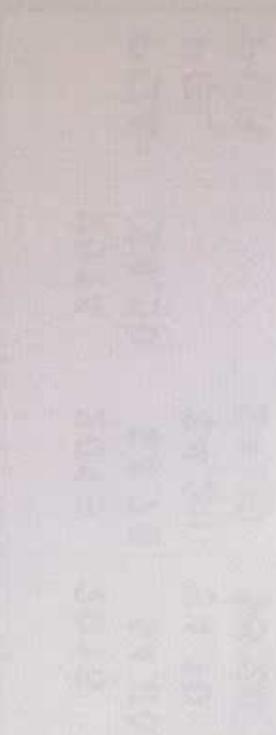
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# Amazing Industrial Boom: Case of Louisiana

- Past: Good year = \$5 billion
- GRIMA Survey: \$119.3 Billion!
- Highly concentrated by industry;
  - Chemicals = \$111.5 billion
- Highly concentrated geographically  
(chemicals only)
  - Baton Rouge to New Orleans: \$37.0 billion
  - Lake Charles MSA: \$78.1 billion

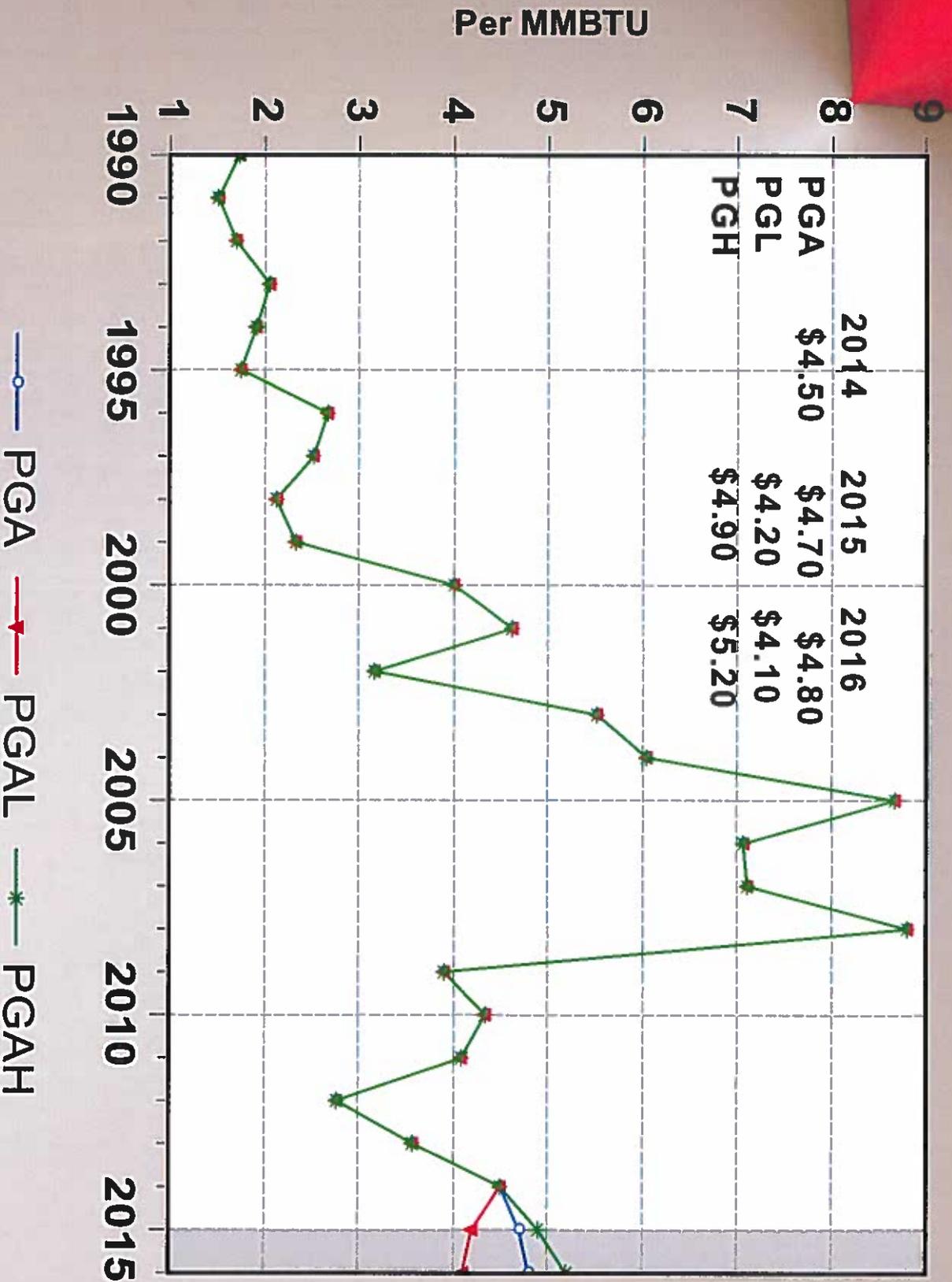
# Three Reasons for the Boom

- **Low natural gas prices**



DATE	TIME	LOCATION	STATUS
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10/21/10	10:00 AM	101	OK
10/22/10	10:00 AM	101	OK
10/23/10	10:00 AM	101	OK
10/24/10	10:00 AM	101	OK
10/25/10	10:00 AM	101	OK
10/26/10	10:00 AM	101	OK
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Figure 7: Price of Natural Gas

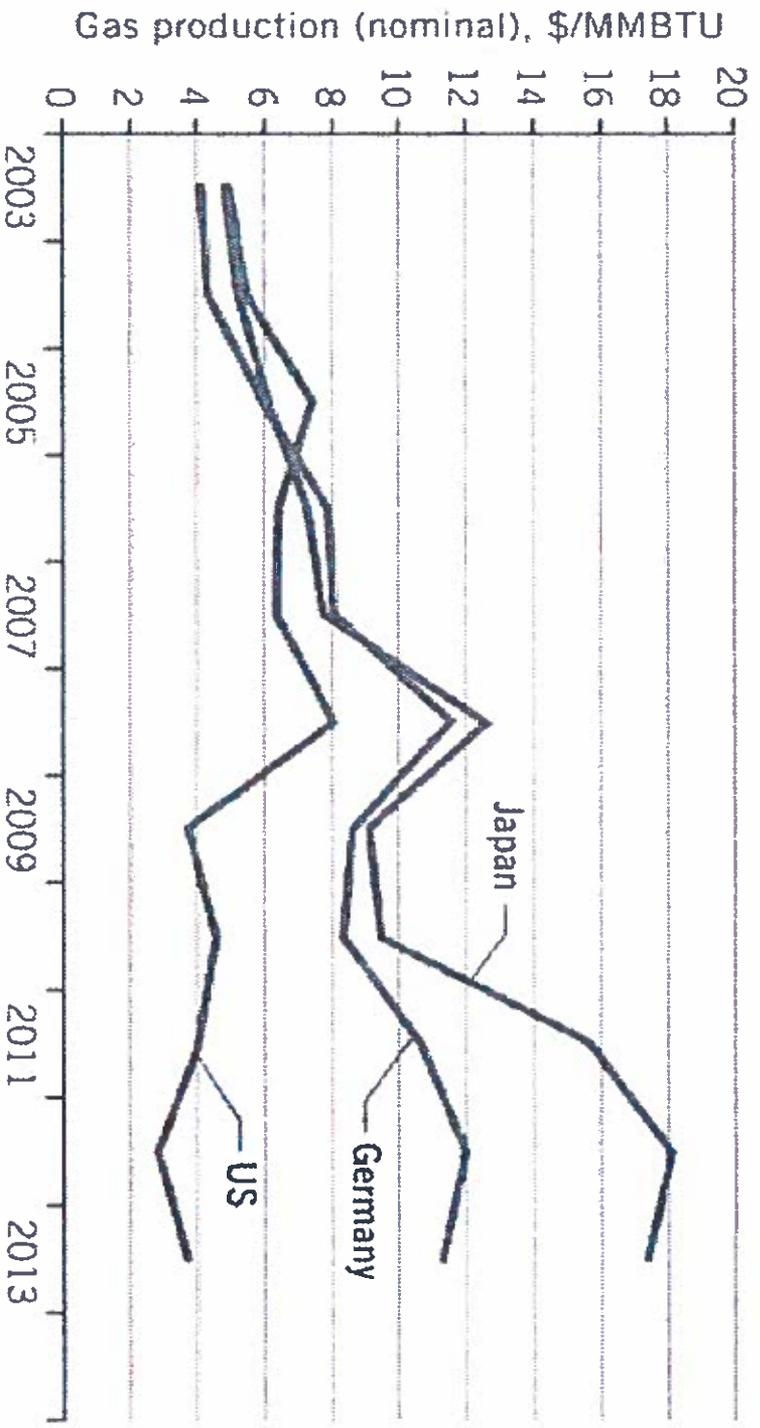


# Three Reasons for the Boom

- **Low natural gas prices**
- **High natural gas prices in Europe**

# WORLD NATURAL GAS PRICES COMPARED\*

FIG. 2



\*Japan: long-term LNG contract prices for imports from Indonesia; Germany: long-term contract prices for imports from Russia; US: average price at the wellhead. Values through September 2013 only.  
 Source: BP PLC, International Monetary Fund

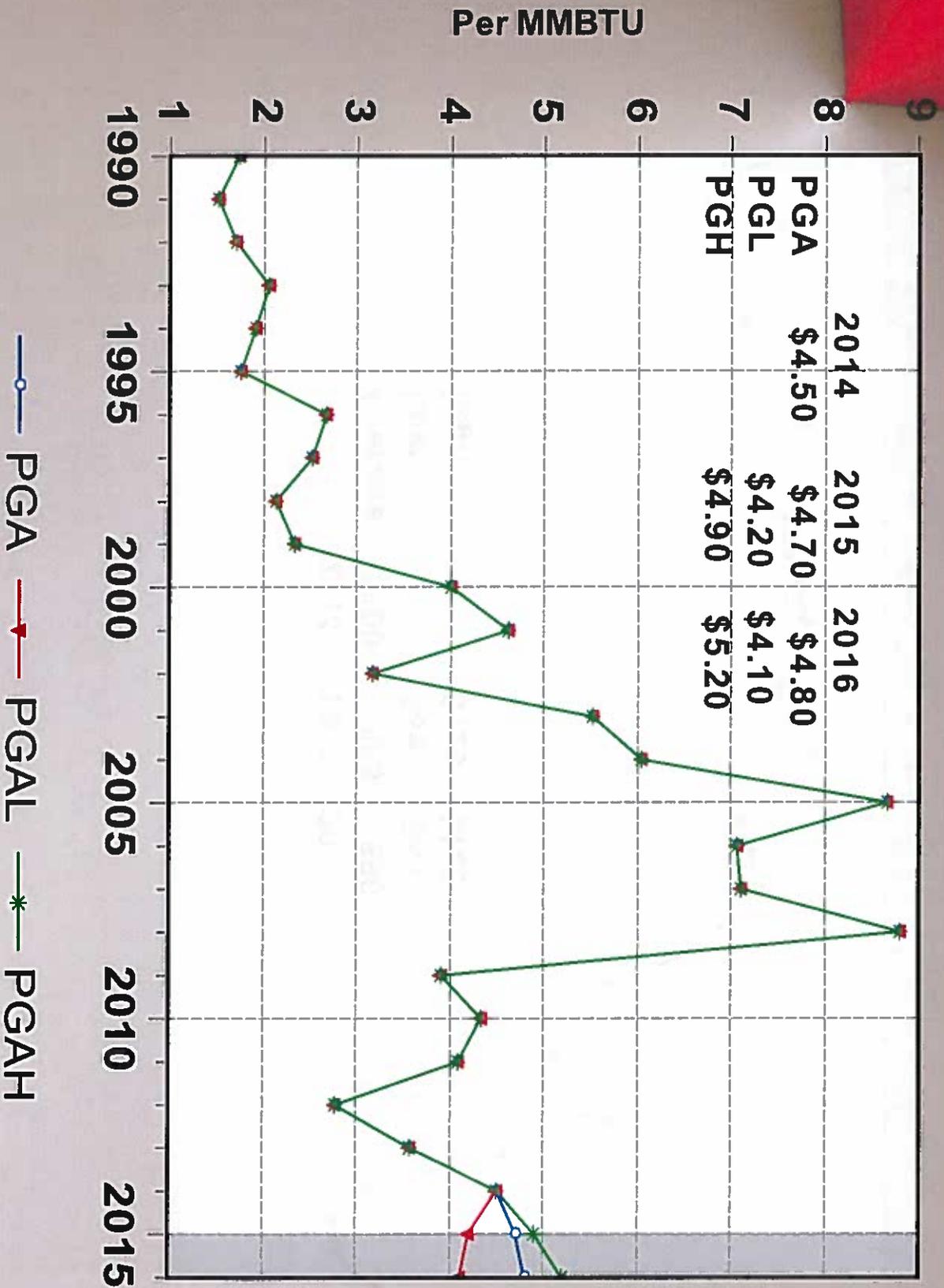
# Three Reasons for the Boom

- Low natural gas prices
- High natural gas prices in Europe
- Oil/natural gas price differential
  - Sasol: \$12-\$14 billion
  - G2X Energy: \$1.5 billion

## **3 Massive Bets**

- **Massive bet on price staying low**
- **Massive bet on Europe remaining stupid**
- **Massive bet on oil/natural gas price split**

Figure 7: Price of Natural Gas



**Fig. 6: Oil Prices**





# **Expansion in Chemicals Is Big for the State**

# Average Weekly Wage: Top 5 2013-II

- **O&G Extraction** \$2,140
- **Refining** \$2,026
- **Chemicals** \$1,804
- **Pipelines** \$1,640
- **Support Activities Mining** \$1,581
- **Average: manufacturing** \$1,207
- **Average: All LA** \$ 824

# **Very Large Multiplier Effects**

**2010 Study:**

**6.2**

# **Of 167,843 Jobs Connected to Chemical Industry in 2010:**

- **Manufacturing: 52,279**
- **Retail Trade: 16,868**
- **Healthcare: 15,104**
- **Wholesale Trade: 9,673**
- **Administrative & Waste: 9,001**
- **Food & Drinking Places: 8,216**
- **Trans/Warehousing: 7,724**
- **Real Estate: 7,722**

# **8 Parishes with Highest Concentration of Chemical Industry**

- **All ranked in top half of parishes in per capita property tax collections**
- **Except for EBR all in parishes where businesses paid over ½ of property taxes**
- **With exception of Calcasieu, all where in top 17 of 64 parishes in teacher pay**

# **The “Announced” v “Actual” Issue**

# Of \$119.3 Billion Announced

- Statewide:
  - \$59.2 billion underway or completed
  - \$60.1 billion @ FEED or permitting stage

# Of \$119.3 Billion Announced

- Baton Rouge to New Orleans:
  - \$16.1 billion underway or completed
  - \$20.9 billion @ FEED or permitting stage
- Lake Charles MSA: \$78.1 Billion
  - \$38.6 billion underway or completed
  - \$39.5 billion @ FEED



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