

The State of American Energy: A Summary

Energy's Role in Economic Growth, Job Creation and Providing for the Future

Our energy future depends on the ability of America's energy companies to safely and reliably provide the oil and natural gas the United States needs to grow the economy, create jobs and enhance energy security.

It is time for a new focus on energy policy, and we remain committed to working with all policymakers to identify solutions that will advance our country's economic interests and sustain our way of life.



Bettina J.
Environmental, Health and Safety Technician
One of 9.2 million Americans whose jobs are supported by the oil and natural gas industry.

Safely Providing America's Energy

The U.S. oil and natural gas industry has always had a strong safety performance record, and we continue to improve upon it.

Following the Gulf oil spill, our industry demonstrated its commitment to ensuring the safety of our operations. Our response to the spill in ships, materials and manpower was unprecedented. We created industry-wide task forces to identify and learn from any gaps in operations or practices. Recommendations from these task forces have already helped improve the industry's safety performance.

Across our industry—from exploration and production to distribution and refining—we develop and constantly improve best practices for safe operations, including training, operational procedures, equipment improvements, industry standards and technology—allowing access to new energy resources while enhancing safety, efficiency and environmental protection.

The Oil and Natural Gas Industry, an Economic Engine for Our Nation

The oil and natural gas industry's impact on the U.S. economy is significant, supporting more than **\$1 trillion** to the economy annually and **9.2 million** U.S. jobs.¹ Developing more of America's oil and natural gas resources will help meet growing demand, create hundreds of thousands of jobs, provide revenue to federal and state governments, and enhance our nation's energy security.

Economic growth opportunities associated with oil and natural gas development are significant. A new study from Wood Mackenzie shows the greater potential for higher government revenue from increased energy production compared to higher taxes on energy companies:

- ▶ The study found that from 2011 to 2025, negative economic consequences of higher taxes will, in the long run, more than offset any short-term tax revenue gains. Under higher taxation, revenues are estimated to decrease by **\$128 billion**, but increased access could generate an estimated **\$149 billion** in additional government revenue.
- ▶ More importantly, as millions of Americans struggle to find work, in 2025 **more than 400,000** additional jobs are possible in the increased access scenario. The higher tax scenario could result in job loss—estimated at almost **170,000** in the peak job loss year of 2014.

Growing the Economy by Developing America's Energy Resources

- Oil and natural gas companies paid **\$1 trillion**² in total income taxes from 1980 through 2008 and more than **\$178 billion**³ to the government in rent, royalty and bonus payments from 1982 through 2009.
- The oil and natural gas industry provides the U.S. Treasury, on average, with well over **\$20 million** each day.⁴
- Allowing companies to access oil and natural gas resources currently off-limits could generate an additional **\$1.7 trillion**⁵ in government revenue.
- Industry taxes, royalties, rental payments and other development fees **fund community needs**, including roads, schools and parks.
- **Millions of Americans benefit** from the industry's strong economic performance as shareholders in these companies through pension plans, mutual funds, IRAs and 401k plans.

- Thousands of U.S. **businesses large and small depend** on oil and natural gas operations. The industry supports businesses well outside the Gulf region—vendors that provide vital support and services to Gulf operations are located as far away as Pennsylvania and Illinois.

Creating Good Jobs

- The oil and natural gas industry supports more than **9.2 million** U.S. jobs, including **2.1 million** direct jobs and **7.1 million** indirect jobs from the purchase of goods and services.
- In 2008 and 2009, industry salaries in the exploration and production sectors were **more than double** the national average for all U.S. jobs.
- The number of direct oil and natural gas industry employees is larger than the populations of **15 states**.⁶
- Allowing oil and natural gas companies to access domestic resources currently off-limits could create **hundreds of thousands of new jobs** in the future.

with the right public policies and partnership between industry and policymakers, we can enhance our economic, environmental and energy security

API and its member companies are committed to working with policymakers to pursue a thoughtful, commonsense energy agenda—one that promotes U.S. economic growth, job creation and safe, reliable, affordable energy for the future.

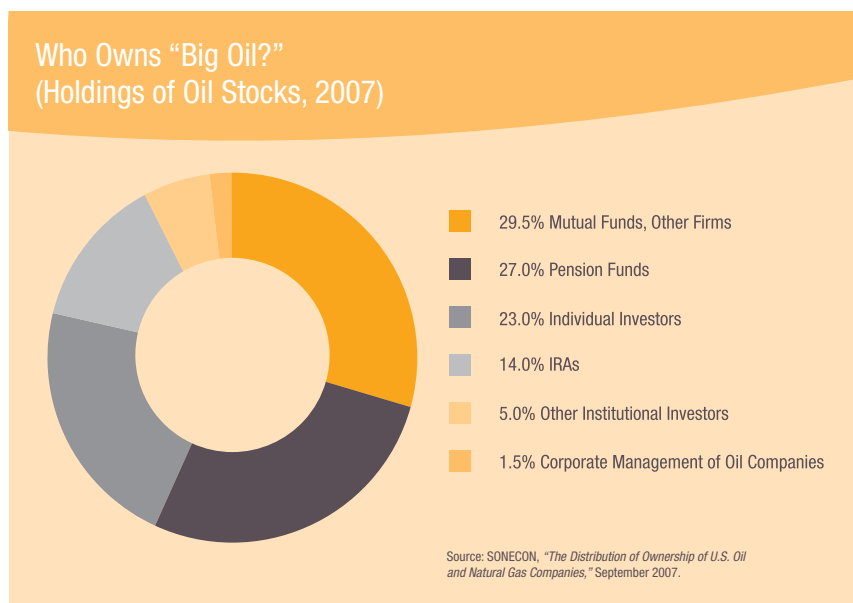
What the Industry is Doing

In addition to the development and improvement of safety standards and operations, the oil and natural gas industry is at the forefront of:

- Developing **advanced energy technologies**, putting us on the cutting edge of exploring for, finding and producing energy resources;
- Increasing **energy efficiency**; and
- **Diversifying energy resources**, drawing upon a full range of energy sources, including alternatives and renewables.

Industry investments in technologies such as cogeneration and carbon capture and storage (CCS), have reduced greenhouse gas (GHG) emissions by more than **48 million metric tons** of carbon dioxide equivalent from 2007 to 2008, a reduction comparable to taking **9.7 million cars** off the roads.⁷

The industry is also researching, developing and marketing alternative and renewable sources of energy, including solar, geothermal, biofuels, fuel cells, hydrogen power and wind energy.



What Policymakers Should Do

Develop America's Energy Resources

Developing North America's vast oil and natural gas resources, both offshore and onshore, will help meet growing energy demand, create hundreds of thousands of new U.S. jobs, provide billions in critical revenue to federal, state and local governments, and enhance our energy security. With this in mind, policymakers should:

- Re-examine and reconsider limiting offshore exploration and production in the eastern Gulf of Mexico and in the Atlantic and Pacific.
- Continue plans for on- and offshore Alaska development, which will generate thousands of jobs throughout the country—from pipeline manufacturers in the Midwest and computer technicians on the coast to labor union workers for construction and maintenance.
- Expediently process and approve drilling plans and permits for pending and future lease areas.
- Support the onshore development of natural gas, including shale gas, and refrain from imposing unnecessary new regulations or taxes on natural gas operations.
- Promote policies and a regulatory environment that will support the growth and free trade of Canadian oil sands, a reliable, safe and readily available energy source, including the approval of key pipeline projects that will help create jobs in both the United States and Canada.

Avoid Punitive New Energy Taxes

With policies that create and sustain a level playing field for all energy options, the oil and natural gas industry will create new jobs and help fuel the nation's economy. Conversely, adding billions of dollars in new and punitive taxes on our industry will have a devastating impact on American jobs and economic growth. With this in mind, policymakers should:

- Advance policies that encourage company investment—creating jobs and making U.S. companies more competitive.
- Resist efforts to impose punitive new taxes or costly and unnecessary regulations on American energy companies that would kill jobs, slow or reverse economic growth and harm American businesses and consumers alike.

Enact Smart Energy Policy Based on Sound Economic Principles

Burdensome and unnecessary EPA regulations could erode industry environmental and efficiency gains and have unintended consequences for the U.S. economy. Our nation needs policies that provide for energy exploration, energy production and environmental protection. With this in mind, policymakers should:

- Prevent the unintended consequences of EPA proposals. EPA's mission can and should be met through scientifically sound, cost-effective measures that allow for continued economic growth and job creation.
- Allow Congress to commit to a thoughtful and balanced approach to climate change that involves all stakeholders, rather than continue EPA efforts to regulate GHG emissions under the Clean Air Act.

The Economic Impacts of the Oil and Natural Gas Industry on the U.S. Economy in 2007 by Industry

Industry	Employment	Labor Income (\$ millions)	Value Added (\$ millions)
Direct Impact of the Oil and Natural Gas Industry	2,123,291	199,344	456,971
Indirect and Induced Impacts on Other Industries	7,114,090	358,916	580,089
Services	3,399,474	149,462	181,720
Wholesale and Retail Trade	1,174,762	49,711	80,915
Finance, Insurance, Real Estate, Rental and Leasing	828,904	47,487	73,322
Manufacturing	680,834	49,936	73,322
Transportation and Warehousing	276,492	13,892	18,746
Construction	220,923	11,185	13,722
Information	165,859	15,206	29,324
Agriculture	122,542	2,193	5,197
Utilities	26,272	4,309	14,652
Mining	10,898	1,037	2,068
Other	207,130	14,499	16,122
Total Impact	9,237,381	558,260	1,037,060
As a % of U.S. Total	5.2%	6.3%	7.5%

Source: PricewaterhouseCoopers, "The Economic Impacts of the Oil and Natural Gas Industry on the U.S. Economy," September 2009.

Conclusion

Policy Choices That Ensure Future Energy Security

Our leaders must pursue a thoughtful, commonsense energy agenda that promotes U.S. job creation, economic growth and energy security, and avoids harmful taxes or regulations. We encourage policymakers to:

- ▶ Increase energy production by supporting policies that promote all energy sources;
- ▶ Pursue policies that encourage investment in new energy projects and provide market-based solutions to meet energy demand;
- ▶ Reject new energy taxes and turn aside unnecessary regulations on oil and natural gas development; and
- ▶ Abandon efforts by the EPA to regulate greenhouse gases under the Clean Air Act; instead, allow Congress to commit to a thoughtful and balanced approach to climate change that involves all stakeholders.

Oil and natural gas are engines of economic development around the world. For the next several decades at least, we will continue to rely on oil and natural gas to meet growing energy demand, even as we increase our energy efficiency, and as renewables and alternatives play an increasingly important role in a changing energy landscape.

Given this energy reality, the nation has important decisions to make about its energy future. What we need today—and tomorrow—are policy choices that increase, not decrease, energy production. We need increased access to where oil and natural gas are found, while protecting national parks and fragile ecosystems. Government policies should harmonize our energy and environmental goals, encouraging responsible development that creates jobs and helps drive our economy.

As a society, we cannot remain passive to energy, the environment or economic growth. Each will fall short of its fullest promise, absent constructive industry-government partnerships committed to providing our nation with a workable energy security policy.

We need to get it right on energy. Too much is at stake for our nation to do otherwise.



Do Kim C., Homeowner
One of the 168 million Americans who keeps her home warm thanks to oil and natural gas.

www.energytomorrow.org

Sources

¹ PricewaterhouseCoopers LLP, “*The Economic Impacts of the Oil and Natural Gas Industry on the U.S. Economy: Employment, Labor Income And Value Added*,” September 8, 2009.

² <http://tonto.eia.doe.gov/cfapps/frs/excel.cfm?tableNumber=12&startYear=1977&endYear=2008>.

³ MMS, Office of Natural Resources Revenue (ONRR).

⁴ BOEMRE and API calculations.

⁵ ICF International, “*Strengthening Our Economy: The Untapped U.S. Oil and Gas Resources*,” December 5, 2008.

⁶ U.S. Census Bureau, “Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2000 to July 1, 2009.”

⁷ T2 and Associates, “*Emission Reductions Associated with U.S. Oil and Gas Industry Investments in Greenhouse Gas Mitigation Technologies*,” March 2010.