

# Is Louisiana still an oil and gas state?



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**LOUISIANA HAS OVER** a century of history in the oil and gas business. “Spindletop” was drilled in 1901 on the Texas side of the Texas/Louisiana border. Within nine months, Jennings Field was developed here in Louisiana. Oil and gas became the driver of Louisiana’s business cycles for the foreseeable future. But around 1970, both oil and gas production in the state began to decline. And this decline has continued for decades.

Today, employment in the upstream oil and gas extraction and services sectors is at historic lows. While severance taxes and royalties from oil and gas production directly accounted for more than 40 percent of Louisiana’s taxes, licenses, and fees collected in the oil peaks of the 1970s and 1980s, that number is about 5% today.

The reason for this decline has been attributed to three primary factors.

First, oil and gas production has moved, over time, deeper offshore into federal waters. Thus, while much of the workforce to support this activity is still based in Louisiana, the production itself is not counted toward Louisiana production and is therefore not taxed directly by the state.

Second, with the advent of shale production elsewhere in the country, onshore competition is fierce. One only needs to look west to the Permian Basin and Eagle Ford Shale in Texas.

And third, Louisiana’s legal system is viewed by some as unfriendly to industry.

A simple look at production,

employment and state revenue numbers alongside a casual reading of Louisiana newspaper articles beg an obvious question: Is Louisiana still an oil and gas state?

The answer to this question today is more nuanced than in the past. And the answer requires additional historical context.

Over the past two decades, the landscape for oil and gas development has experienced a fundamental shift due to technological advancements. With the advent of horizontal drilling and hydraulic fracturing, U.S. crude oil and natural gas production are at historic highs, and this is expected to continue for the foreseeable future.

But how does Louisiana fit into this mix? Our oil production on state lands and waters is at a historic low. And while natural gas production has seen an uptick in recent years, we are still far off from our peak production in the early 1970s.

In order to assess Louisiana’s place in the energy landscape, one needs to look past just the upstream oil and gas exploration, production and services

sectors. While the traditional “upstream” part of the business is what many associate with the “oil and gas business,” the reach of this industry in Louisiana is more significant.

Once produced, hydrocarbons must be transported and processed into usable products that can be sold to customers. Most obviously, oil is processed into gasoline, diesel, and jet fuel. But hydrocarbons (both oil and natural gas) are also the feedstock for Louisiana’s robust chemical manufacturing industry.

Hydrocarbon-based chemical products are shipped all over the world, supporting a robust port industry. And there have been billions of dollars in investments in the liquefaction of natural gas (i.e. Liquefied Natural Gas, or LNG) to support the sale of U.S. natural gas globally.

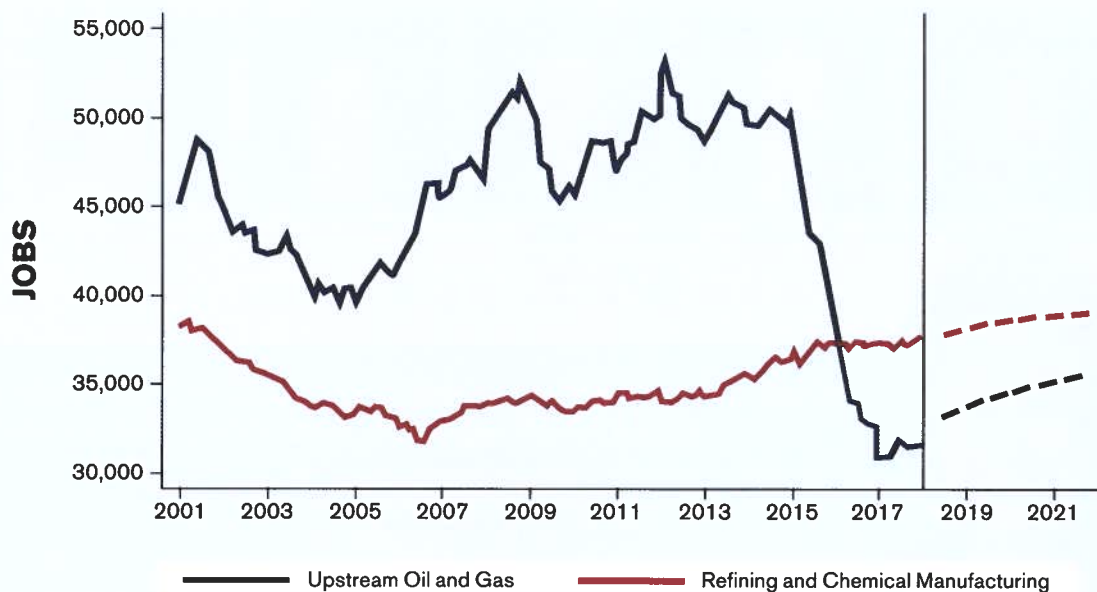
Unlike upstream oil and gas employment that are at all-time lows, refining and chemical manufacturing employment has been growing consistently for over a decade. Today we employ more people in the downstream part of the business than in the upstream.

Recently, Louisiana Economic Development and Louisiana Department of Revenue released a statement highlighting that since January of 2016, Louisiana has won 128 economic development projects, securing 27,000 new jobs with capital investments for these projects exceeding \$33 billion.

LED provided this data to the LSU Center for Energy Studies to analyze. Of the 128 projects, 28% were associated with the energy industry. Further, more than 30% of the total direct and indirect jobs created (based on LED’s economic models), and over 94% of the investment dollars come from the energy industry. You read that right, over \$31 billion of the approximately \$33 billion in investment dollars are concentrated in the energy industry and overwhelmingly concentrated in LNG export, refining, and chemicals.

So, is Louisiana still an oil and gas state? Absolutely. Just maybe not in the same way as two decades ago. And we are currently in the midst of making the consequential investments needed to support thousands of Louisiana jobs for decades. ■

**Louisiana upstream oil and gas, refining and chemical manufacturing employment**



SOURCE: 2019 Gulf Coast Energy Outlook