

# Blue Ridge Environmental Defense League

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## ECONOMIC ISSUES SURROUNDING PIPELINES

### **JOBS**

In regards to the Keystone Pipeline, according to a George Mason University study, via Bloomberg,<sup>1</sup> the pipeline's construction could create between 2,500 and 20,000 jobs. More likely, it'll be between 2,500 and 4,650.<sup>2</sup> A huge chunk (as much as 50 percent) of steel production will be outsourced to China, Canada, and India. When construction ends, the number of permanent jobs could fall to 20. Yes, 20.

A more optimistic estimate, from the State Department's report,<sup>3</sup> puts the number of permanent jobs at 35. A study by Cornell's Global Labor Institute claims that the project may actually kill more American jobs than it creates. "Furthermore, pipeline spills, pollution and increased greenhouse gas emissions incur significant human health and economic costs, thus eliminating jobs."<sup>4</sup> It also claims that 85-90 percent of people hired for the line's construction will not be from the areas through which the pipeline is running.

The alternative? The Union of Concerned Scientists state that: "Compared with fossil fuel technologies, which are typically mechanized and capital intensive, the renewable energy industry is more labor-intensive. This means that, on average, more jobs are created for each unit of electricity generated from renewable sources than from fossil fuels."<sup>5</sup>

### **WHAT'S DRIVING JOB CREATION?**

Policy: There has been a national initiative to double renewable energy resources in three years. Sixteen states and the District of Columbia have renewable portfolio standards with solar energy requirements or bonuses (DSIRE 2012). Twenty-four states and the District of Columbia have direct cash incentives for solar projects and 22 offer tax credits (DSIRE 2012). There is also a Federal investment tax credit (ITC) of 30% for solar residential and commercial systems through 2016.

Falling Costs: Residential and commercial installed costs of solar systems fell roughly 15% in 2012 (SEIA 2013). As costs continue to fall solar will become more prominent in the country's energy mix.<sup>6</sup>

### **COST OF SAFETY ISSUES**

"A new analysis of federal records reveals that in just the past year and four months, there have been 372 oil and gas pipeline leaks, spills and other incidents, leading to 20 deaths, 117 injuries and more than \$256 million in damages.

The new data adds to a June 1, 2013 independent analysis of federal records revealing that since 1986, oil and gas pipeline incidents have resulted in 532 deaths, more than 2,400 injuries and more than \$7.5 billion in damages."<sup>7</sup>

### **DISTRIBUTION COSTS**

The EIA estimated that, the typical small volume consumer faces a natural gas bill, which is composed of up to 47%

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<sup>1</sup> <http://www.bloomberg.com/news/2012-02-13/keystone-s-thousands-of-jobs-fall-to-20-when-pipeline-opens-1-.html>

<sup>2</sup> [http://www.ilr.cornell.edu/globallaborinstitute/research/upload/GLI\\_KeystoneXL\\_012312\\_FIN.pdf](http://www.ilr.cornell.edu/globallaborinstitute/research/upload/GLI_KeystoneXL_012312_FIN.pdf)

<sup>3</sup> <http://keystonepipeline-xl.state.gov/documents/organization/221135.pdf>

<sup>4</sup> [https://www.ilr.cornell.edu/news/092811\\_GLI\\_study\\_finds\\_Keystone\\_XL\\_pipeline\\_will\\_create\\_few\\_jobs.html](https://www.ilr.cornell.edu/news/092811_GLI_study_finds_Keystone_XL_pipeline_will_create_few_jobs.html)

<sup>5</sup> [http://www.ucsusa.org/clean\\_energy/our-energy-choices/renewable-energy/public-benefits-of-renewable.html#.VGAmWDTF\\_2g](http://www.ucsusa.org/clean_energy/our-energy-choices/renewable-energy/public-benefits-of-renewable.html#.VGAmWDTF_2g)

<sup>6</sup> <http://energy.gov/eere/education/explore-solar-careers-0>

<sup>7</sup> [http://www.huffingtonpost.com/noah-greenwald/pipeline-accidents\\_b\\_6174082.html](http://www.huffingtonpost.com/noah-greenwald/pipeline-accidents_b_6174082.html)

of distribution costs, while the physical commodity price comprises about 34% of the bill and the transmission and storage costs make the remaining 19%.

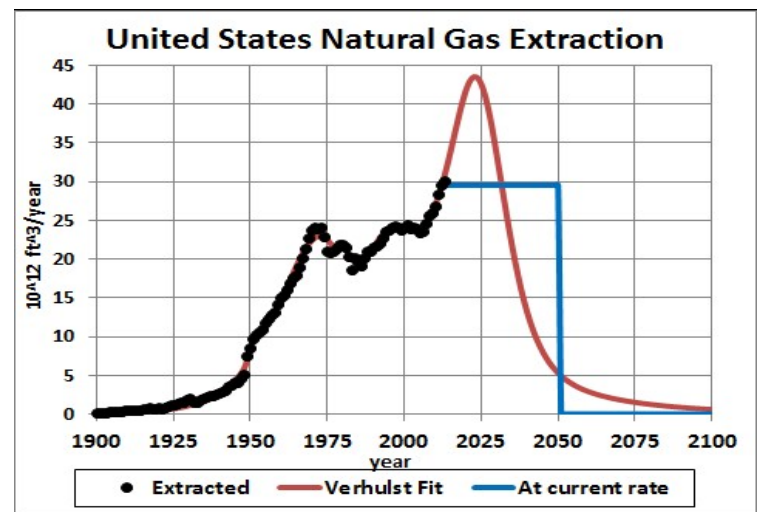
Due to the extensive infrastructure required in the delivery of natural gas across the country, the distribution costs account for a bulk of natural gas costs for smaller consumers who receive gas through LCD. The larger users of natural gas, such as industrial consumers, can take advantage of lower unit costs through the distribution of large volumes through wide-diameter pipes. Distribution companies face the expenses and inefficiencies of delivering small amounts of gas to small volume gas consumer in many different geographic locations. Many companies proposing large, interstate transport lines through small rural communities suggest that the gas will be available for local distribution, but this is often a fallacy.

## BOOM AND BUST

From Dave Roper: "The U.S. state of United States is having a boom in extracting natural gas by the technique of fractionating ("fracking") shale/dolomite formations.

A "boom" in nonrenewable resource extraction from the Earth is defined as a time period in which extraction is occurring very fast in a given area; thus, many workers come in from outside the area to man the drilling rigs, to build housing for the oil workers and to provide other services for the increased population.

This article shows mathematically that the United States crude-oil boom will become a bust within a decade. A "bust" in nonrenewable resource extraction from the Earth is defined to begin at the time when extraction of the resource peaks and then falls to negligible amounts over a time period."



## DIFFICULTY GETTING MORTGAGES AND INSURANCE<sup>8</sup>

Fannie Mae and Freddie Mac's standard mortgage agreement, commonly used by lenders, prohibits borrowers from signing gas leases without first obtaining written consent from their local lender, Fannie Mae, or Freddie Mac. If borrowers fail to get permission from Fannie Mae or Freddie Mac before they sign a gas lease on their mortgaged property, they risk foreclosure. Some banks have become reluctant to grant mortgages on properties leased for gas drilling. A credit union in upstate New York has started requiring gas companies to promise to pay for any damage caused by drilling that may lead to devaluation of its mortgaged properties. Another will make home loans only to people who expressly agree not to sign a gas lease as long as they hold the mortgage. More generally, bankers are concerned because many leases allow drillers to operate in ways that violate rules in landowners' mortgages. These rules also require homeowners to get permission from their mortgage banker before they sign a lease -- a fact that most landowners do not know. "Gas/oil leases are generally NOT accepted by lenders such as Wells, First Place Bank, Provident Funding, GMAC, FNCF, Fidelity, FHA, First Liberty or Bank of America." -- VP Residential Mortgage Lending, Tompkins County Trust Company, 3/24/11

"What happens to your property values or homeowners insurance a pipeline company takes your land to gouge a path for its fracked methane or oil? It affects the property values not just of your land, but of your neighbors', and yours and their property insurance. It also opens the pipeline company and associated businesses to civil lawsuits. And FERC's assertion that federal law supersedes state and local laws for eminent domain does nothing to stop such lawsuits; many such lawsuits are winning lately. Not even the federal government is immune from pipeline lawsuits."<sup>9</sup>

<sup>8</sup> <http://www.stopthepipeline.org/why-do-we-care-if-the-constitution-pipeline-is-built-wee28099ll-be-next-in-line-to-be-fracked/loss-of-property-values-difficulty-getting-mortgages-and-home-insurance/>

<sup>9</sup> <http://spectrabusters.org/2014/03/26/pipelines-property-values-and-insurance/>