

Deepwater energy industry impacts on economic growth and public service provision in Lafourche Parish, Louisiana[☆]

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Available online 12 March 2007

Abstract

Oil and gas produced from active deepwater leases (over 1000 feet water depth) in the Gulf of Mexico as a percentage of total output increased from 27% in 1992 to 54% in 2005. This increase is requiring more land-based services. Port Fourchon's strategic location provides it with a competitive advantage as a supply base for a diverse set of deepwater oil and gas related activities, ranging from petroleum rig supply boats to the maintenance and repair of mobile drilling rigs. Further development of Port Fourchon as a supply base is expected to markedly impact Lafourche Parish. Community impact models (CIM) quantify the linkages among local economic activity and the demand for, and ability to support, local government services. A CIM developed for Louisiana, including an input–output module of the local economy, is used to evaluate the impact of the deepwater energy industry on the economy and government finances of Lafourche Parish. According to model results, the deepwater energy industry will continue to have a significant impact on that economy. By 2010, the industry was predicted to be directly and indirectly responsible for 2593 new jobs and \$571 million in total output. Such activity should not strain the ability of local governments to deliver services.

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1. Introduction

The offshore energy industry has had, and will continue to have, a strong influence on local economies in Louisiana and other Gulf of Mexico (GOM) states. The industry has seen rapid expansion and contraction, with strong growth in the 1970s and early 1980s followed by a collapse in the mid-1980s [1]. Recently, however, activity in the deepwater GOM (depths in excess of 1000 feet of water) has experienced a substantial

[☆]This study was supported by funding from Minerals Management Service, U.S. Dept. of the Interior, in partial fulfillment of Cooperative Agreement 14-35-0001-30660, "A Socio-economic Analysis of Port Fourchon".

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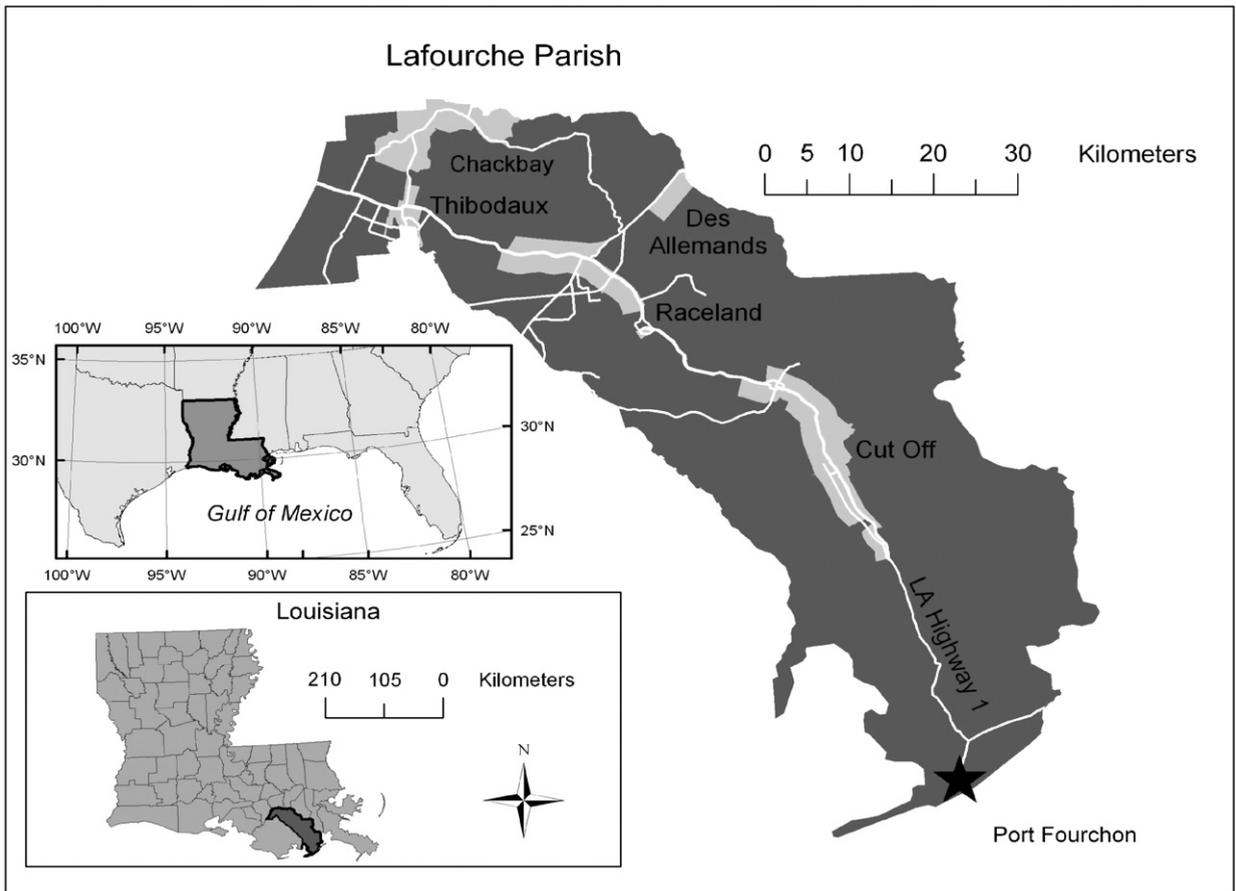


Fig. 1. Map of Lafourche Parish showing Port Fourchon in relation to Louisiana and the Gulf of Mexico.

resurgence which, while potentially revitalizing the economies of many GOM communities, may contribute to pressures on publicly provided services.

Growth in the GOM deepwater energy industry (DEI) has centered around Port Fourchon, located in Lafourche Parish, Louisiana, as the major on-shore support base (see Fig. 1).¹ Concerns have arisen as to the impact of resulting local economic growth on public services. Community impact models have been advanced as a means to evaluate such effects. The research presented in this paper is based on a community impact model developed for Louisiana (LCIM). The LCIM is a combination of an input–output module of the local economy, a local labor market module, and a fiscal impact module for local (parish area) government.

Initially provided is a discussion of past and current activity in the GOM DEI. This is followed by a discussion of Port Fourchon, including its DEI support facilities. The structure of the LCIM model is then presented, followed by a discussion of model results. The impacts of DEI activity on the local economy, and on local public services and revenue yields, are emphasized. Limitations of the analysis are then summarized along with study implications.

2. Gulf of Mexico activities

The GOM is an oval sea encompassing some 3.9 million square kilometers. It is the most intensely developed offshore oil and gas production region in the world, accounting for 90% of the petroleum produced

¹For purposes of this discussion, “energy” refers to all fossil fuels, primarily oil and gas.

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