The oil and gas industry makes a significant contribution to the California economy. Extraction, production, refining and related manufacturing result in highly tradable products consumed domestically and exported, producing high revenues, high wage jobs and significant fiscal revenues for all levels of government.

The industry is facing changing market conditions as a result of regulatory mandates issues and under consideration in California to meet emissions goals by 2020, 2030 and 2050. Understanding the size of the oil and gas industry, and who will secondarily be affected by regulations and mandates under consideration, is important when considering additional changes.

Last year, the Los Angeles County Economic Development Corporation (LAEDC) Institute for Applied Economics conducted an industry contribution analysis of the oil and gas industry as a whole in California in 2015, which quantifies the value of the industry in the state in terms of economic growth, employment and income, including activity related to industry purchases of goods and services in its supply chain and its payment of labor income.

The oil and gas industry generates over $148 billion in economic output annually, sustained by direct spending of over $111 billion, supporting over 368,000 total jobs (including indirect and induced effects) with an associated labor income of $33 billion. Activities related to the oil and gas industry in California generated value added equaling $65.8 billion, approximately 3 percent of the state’s GDP of $2.5 trillion, with a fiscal contribution estimated to exceed $42 billion annually.

The oil and gas industry provided close to 143,000 direct jobs across California in 2015, including contingent workers; oil and gas extraction (NAICS 211) accounted for the most with 43,500 jobs. The industry operates in close geographic proximity to wherever reserves are found—often in rural areas with limited industry. Without a diverse economic base, these rural areas typically have challenges in attracting and sustaining other industries. Oil and gas industries provide employment opportunities with higher than average wages, translating into larger indirect and induced effects that ripple throughout the economy.

The workforce is ethnically and racially diverse, with 30 percent of workers identifying as Hispanic and an additional 13 percent and 5 percent identifying as Asian- and African-American respectively.

Employment opportunities exist across the skills spectrum with about 40 percent of workers with an educational attainment of high school or less, and an additional 30 percent are middle-skill workers with a community college level education. Across all levels of educational attainment, earnings are higher in oil and gas industries compared to the all industry average.

Due to limits placed on in-state production, refineries import crude oil sourced from Alaska and outside the U.S. Production volumes from domestic sources have been declining over the years, foreign crude has taken its place, leading to increasing amounts being delivered to marine terminals in the San Pedro and San Francisco ports to augment the supply which is constrained locally; foreign crude now accounts for over half of the oil supplied to refineries in California.

Many industries are directly dependent on refinery and petrochemical products in their production processes and will be exposed to the risk of cost increases, relocation or closure should there be a reduction in the availability or increase in the prices of these products.

In addition to the contribution analysis of the oil and gas industry and the overview of the characteristics of its workforce, a deeper look at forward industry linkages for petroleum refineries in California in 2015 was conducted. Forward linkages are the industries that purchase petroleum products as inputs. These primary user industries of the refinery and petrochemical industry represent significant economic activity which is at risk. The most vulnerable primary user industries represent: (1) 1.7 million jobs (7.6 percent of state total), (2) $111 billion in labor income, (3) $207 billion in value added, accounting for 8.4 percent of state GDP and (4) are mostly found in the manufacturing sector and the trade and logistics industry and agriculture.

Forced market changes will impact both upstream and downstream operations in the state and the available supply of petroleum and petroleum products. Industry contractions will result in decreases in employment, business revenues in the supply chain and fiscal revenues. Increases in price due to constrictions in supply will not only be incurred by firms in the industry, but will impact industries that use petroleum as an input of production and will eventually find their way to the end user as well.

The full report can be found here:

<https://laedc.org/research-analysis/search-reports/download-info/oil-gas-california-industry-economic-impact/>

Thank you, for the opportunity to comment.

Shannon Sedgwick

Senior Economist

LAEDC Institute for Applied Economics