Written by Brian Koenig on February 18, 2013

Fracking Boosts Job Growth, Saves East Coast Oil Refineries

After several major Northeast oil refineries shuttered operations last year, a rebirth of East Coast refineries that utilize the controversial drilling method known as hydraulic fracturing, or "fracking," is altering the United States' energy future, paving the way for it to become the world's top oil producer within the next five years.

Amidst already rising gasoline prices, in March 2012 three major refineries serving New England and other parts of the Northeast ceased operations. Analysts projected that the loss of production from these plants, which account for more than half of the East Coast's refining capacity, could inflate New England gas prices by an average of 15 cents per gallon — in addition to price spikes driven by domestic regulations, unrest in the Middle East, and other global disruptions.

Refiners halted production after losing billions of dollars over the past few years, spawned largely by weakened economic conditions, increased competition abroad, and an influx of new environmental regulations. Oil company Sunoco Inc. of Philadelphia lost nearly $1 billion over three years, resulting in numerous plant shutdowns. "We could stay in the refining business and put the entire company at risk," Sunoco spokesman Thomas Golembeski noted last year, "or we could exit the refining business and stop the financial losses."

In recent years, fracking has unearthed vast reserves of natural gas, and it has now popped the cork on lavish reserves of crude oil trapped in shale deposits. In fact, the practice has ramped up domestic production so much that the United States is expected to unseat Saudi Arabia as the world's largest oil producer by 2017 — as well as become a net oil exporter by 2030 — according to a recent report by the International Energy Agency.

In addition to a boost in overall energy efficiency, the *New York Times* reported in a November 2012 article, rising oil production by unconventional practices will greatly bolster the United States' standing in the global oil marketplace:

> There are several components of the sudden shift in the world's energy supply, but the prime mover is a resurgence of oil and gas production in the United States, particularly the unlocking of new reserves of oil and gas found in shale rock. The widespread adoption of techniques like hydraulic fracturing and horizontal drilling has made those reserves much more accessible, and in the case of natural gas, resulted in a vast glut that has sent prices plunging.

The influx of domestic crude, prompted by new extraction methods such as fracking, has allowed East Coast refineries to curb their reliance on costly foreign oil, leading to increased profit margins and greater economic competitiveness. “A savings of $1 per barrel across our entire refining system is worth several hundred million dollars of net income to Phillips 66,” asserted Dennis Nuss, spokesman for a Houston company that operates the Bayway refinery in New Jersey.

The *Boston Globe* notes that such domestic oil gains are particularly visible in Philadelphia and surrounding areas:

> In Philadelphia, domestic supplies have helped resurrect a facility that accounts for nearly one-fourth of East Coast refining capacity. It was put up for sale in 2011 and expected to close for good last summer as high oil prices and slackening demand made it barely profitable. Today, it is refining up to 330,000 barrels of oil a day, getting about 10 percent of its crude from the Bakken shale formation in North Dakota.
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> Phil Rinaldi, CEO of Philadelphia Energy Solutions, which now operates the refinery, acknowledged that the domestic supply spike is increasing pressure on foreign producers to make their prices more competitive. “It allows us for the first time in a very long time to have some genuine diversity of supply,” he affirmed. “The shale plays are game-changers.”

Still, environmental activists and many liberal lawmakers remain opposed to fracking, which pumps chemical-laced water deep into the earth to crack open shale, which in turn releases oil or gas. Opponents such as the Natural Resources Defense Council (NRDC) contend that the chemicals and other substances used in the process will pollute drinking water and the environment.

“It’s a lot of the same risks from any oil and gas production, and a lot of the same risks that people have been hearing about from shale gas production,” says NRDC staff scientist Briana Mordick. “There’s broad agreement that something needs to be done.”

But such objections — which, note, have yet to be proven — have become difficult to accept, as the benefits of job growth and price competitiveness are enormous. In Southeast Ohio, for example, there has been a 24-percent spike in pipelining and oil drilling jobs in a single year, with the average worker earning $73,934 a year.

“The growing oil and gas industry holds great economic potential for Ohio,” Ohio Department of Job and Family Services Director Michael Colbert argued in a report detailing the economic impact of Utica Shale exploration in the state. “Ohio is fortunate to have a natural gift with great potential for reinvigorating our economy: huge deposits of shale rock, beneath which sit potentially vast reserves of oil and natural gas.”

As more and more natural gas drillers in Ohio tap into the state’s shale deposits, many of the wells are proving extremely profitable. Consequently, drillers need pipelines to transport the oil and gas, paving the way for vast increases in drilling and pipelining jobs.

Still, in some states fracking opponents have been successful in blocking these enormous economic gains, which are generating jobs, curbing energy costs for consumers, and igniting energy booms in Texas, North Dakota, and other oil-producing states. Why anyone would want to stall such growth is beyond imaginable, industry advocates note.

“What I’m trying to do is get energy prices down for New England,” says Joe Petrowski, who heads Cumberland Farms Gulf Oil Group, a leading Northeast fuel distributor. “The less your average person in Brockton has to spend on gas and heating oil, the more they can spend on a sweater, a vacation, or a sub [sandwich] from Cumberland Farms."