Small Business & Entrepreneurship Council

The Benefits of Natural Gas Production and Exports for U.S. Small Businesses

Arkansas Summary Sheet | May 2013

While total U.S. and Arkansas employment both declined in 2005 to 2010, jobs in the state’s energy sector grew, in part due to growth in natural gas production. In addition, business growth – again, while down in the overall U.S. economy – was positive in key Arkansas energy sectors, including among small and midsize businesses. In fact, the energy sector is dominated by small businesses. Expanded demand for U.S. natural gas internationally will be a net positive, resulting in greater U.S. natural gas production, increased investment, enhanced GDP growth, rising incomes, and more jobs. Let’s look at the numbers for Arkansas.

Natural Gas Production

Arkansas’ natural gas production expanded by 462.7 percent from 2005 to 2011.

Energy Jobs

While U.S. total employment declined by 3.7 percent from 2005 to 2010, energy jobs in Arkansas grew:

• by 161.5 percent in the oil and gas extraction sector;
• by 254.9 percent in the drilling oil and gas wells sector;
• by 259.4 percent in the support sector for oil and gas operations;
• and by 126.9 percent in the oil and gas pipeline and related structures construction sector.

Small Business and Energy

For all of the U.S., total employer establishments declined by 1.4 percent from 2005 to 2010, including a 3.5 percent decline in establishments with less than 20 workers, and a 3.1 percent fall in establishments with less than 500 workers. Compare those declines to the growth in these energy industries in Arkansas:

• Among oil and gas extraction businesses, the number of employer establishments grew by 14.6 percent, including growth of 13.1 percent among establishments with less than 20 workers and 14.6 percent among establishments with less than 500 workers.
• Among drilling oil and gas wells businesses, the number of employer establishments grew by 56.3 percent, including growth of 40.0 percent among establishments with less than 20 workers and 56.3 percent among establishments with less than 500 workers.
• Among oil and gas operations businesses, the number of employer establishments grew by 77 percent, including growth of 51.8 percent among establishments with less than 20 workers and 77 percent among establishments with less than 500 workers.

In addition, each Arkansas energy sector looked at here is overwhelmingly populated by small and midsize establishments:

• Among oil and gas extraction businesses, 93.1 percent of employer establishments in 2010 had less than 20 workers, and 100 percent had fewer than 500 employees.
• Among drilling oil and gas wells businesses, 70 percent of employer establishments in 2010 had less than 20 workers, and 100 percent had fewer than 500 employees.
• Among oil and gas operations businesses, 81.8 percent of employer establishments in 2010 had less than 20 workers, and 98.8 percent had fewer than 500 employees.

• Among oil and gas pipeline and related structures construction businesses, 48.3 percent of employer establishments in 2010 had less than 20 workers, and 95.3 percent had fewer than 500 employees.

**The Future: LNG Exports**

Looking ahead, the opportunity exists for exporting liquefied natural gas (LNG), given the large differential in natural gas prices in the U.S. versus elsewhere in the world, and rising global demand. Expanded demand for U.S. natural gas in international markets will result in greater U.S. natural gas production, with such benefits as increased investment, GDP growth, rising incomes, and more jobs being among the developments. A recent study for the Brookings Institution noted, “In their analyses, both Deloitte and EIA found that the majority—63 percent, according to both studies—of the exported natural gas will come from new production as opposed to displaced consumption from other sectors.” Clearly, LNG exports guided by market forces mean further expanding opportunity for small and midsize businesses to be created, to grow, and to create jobs.