

## Shale Gas: A Renaissance In U.S. Manufacturing?



Bob McCutcheon, U.S. industrial products leader, PwC

The abundance of shale gas resources may spark a U.S. manufacturing renaissance with economic benefits that include cost savings, greater investments to expand U.S. manufacturing facilities, and increased levels of employment, according to a new report released by PwC titled, [Shale Gas: A renaissance in US manufacturing?](#) [1]. To achieve these results, however, PwC says that manufacturers must help manage the environmental, regulatory, and tax concerns created by shale gas resources.

PwC expects an estimated \$11.6 billion in cost savings by 2025 by combining recent natural gas consumption levels with potential natural gas prices under high shale recovery scenarios. Additionally, manufacturing employment could increase by approximately one million workers by 2025 in high shale recovery scenarios.

“An underappreciated part of the shale gas story is the substantial cost benefits that could become available to manufacturers based upon estimates of future natural gas prices as more shale gas is recovered,” said [Bob McCutcheon, U.S. industrial products leader, PwC](#) [2]. He continued, “In fact, the number of U.S. chemicals, metals, and industrial manufacturing companies that disclosed shale gas potential and its impact so far in 2011 easily surpassed that of the last three years combined, indicating this is of growing importance in the outlook of U.S. manufacturers. The significant uptick in shale gas commentary among the manufacturing community reflects the positive influence that shale gas is having from investment, operational, and demand standpoints.”

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Resulting from production of a stable supply of shale gas, manufacturing industries are able to lower feedstock and energy costs, and are looking to shale gas as a source of growth for their own products. For example, companies that sell goods such as metal tubular products, drilling, and power generation equipment should experience a near-term growth in sales as domestic natural gas production rates move higher.

“Manufacturers and communities throughout the country are beginning to see and recognize the real economic benefits of shale gas,” said National Association of Manufacturers President and CEO Jay Timmons. “Shale gas development is a bright spot in our economy and it has the potential to boost manufacturing employment by one million jobs, which are badly needed.”

Shale gas has already contributed to greater manufacturing investments in the U.S., particularly with chemical companies seeking cost advantages by using cheaper ethane, a natural gas liquid derived from shale gas, differentiating themselves from foreign competitors who rely more on oil-based naphtha. Manufacturers outside the chemical industry have also announced expansion plans due to incremental energy resources, and plan on making investments in the U.S. based upon the opportunity to sell equipment for shale gas plays, according to PwC.

The relatively inexpensive and stable long-term source of natural gas is helping manufacturing companies expand and open more facilities in the U.S., presenting an opportunity to create more jobs in the industry.

“Lower natural gas prices resulting from incremental shale gas production have the potential to add over one million manufacturing jobs in the U.S. by 2025. The expectation of the new shale gas resource providing a significant long-term boost to move the U.S. manufacturing employment needle shines a light across the nation amid the current labor market woes,” added McCutcheon.

Environmental and regulatory concerns of shale gas resources include the rapid decline in production rates for shale as compared to conventional gas, which requires drilling more new wells to offset decline in existing wells. Also, there is a need to build out infrastructure in regions that haven’t already produced significant amounts of natural gas.

“The economic benefits to U.S. manufacturers can’t happen if shale gas is not extracted in a profitable and safe manner. To achieve these significant outcomes, manufacturing companies must effectively communicate the value that shale gas can create for U.S. workers and communities,” concluded McCutcheon.

For a copy of PwC’s *Shale Gas: A renaissance in US manufacturing?* please visit: [www.pwc.com/us/shalegas](http://www.pwc.com/us/shalegas) [3].

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[PwC’s Industrial Manufacturing practice](#) [4] comprises a global network of industry professionals strategically located in more than 30 countries around the world. The practice brings experience, international industry best practices, and a wealth of

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specialized resources to help solve business issues.

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