



Hope and optimism for our energy economy

When Dr. Loren Scott speaks, people listen, especially when the news is good. As one year closes and another begins, his words of hope and optimism for our local economies supporting offshore oil and gas production sound like music to our ears.

In his Louisiana Economic Outlook for 2019-2020, the acclaimed Louisiana economist and professor emeritus at LSU predicts oil prices to rise to \$80 a barrel by 2020, spurring a serious revival in Gulf energy activity and job growth along our energy coast. We are already seeing encouraging indicators that this economic bounce is beginning.

As the second-largest producer of crude oil in the U.S., Louisiana is especially sensitive to the ups and downs of global oil prices, and no communities in our state feel the impact more than our energy hubs of Lafayette and Houma. After reaching \$105.71 a barrel in 2014, crude oil prices hit a low of \$27.76 in 2016, before recovering to around \$50 a barrel in 2017. The sudden price drop ushered in a 28-month recession in Louisiana and a net loss of 23,300 jobs, according to Dr. Scott, and the impacts in

Acadiana and the Bayou Region have been much more severe.

Lafayette is Louisiana's third-largest metropolitan statistical area, and Houma is the state's sixth-largest. These two areas host a very high concentration of businesses associated with the oil and gas exploration and production industry, particularly in the deepwater Gulf of Mexico. As a larger metropolitan area located relatively close to the coast, Lafayette is home to hundreds of national, as well as locally owned, offshore service companies. The Terrebonne and Lafourche Parish area, because of its location on the coast, supports major shipbuilding, fabrication and service companies, along with the critical energy port of Port Fourchon, which currently services 100 percent of deepwater oil and gas activity in the Gulf.

In his 2019-2020 economic study, Dr. Scott points to losses of about 21,600 jobs in the Lafayette metropolitan area from 2015-2018, and 15,800 job losses in Terrebonne and Lafourche Parishes over the past three years since oil prices plummeted. These numbers align closely with rig counts in the

Gulf, which dropped from 53 in late 2014 to only 17 by the middle of 2018. The key to stopping the economic bleeding, so to speak, and getting the Gulf and our energy hubs back to work is higher oil prices.

As Dr. Scott notes, "Louisiana desperately needs oil prices to both rise and stay high for an extended period for a drilling recovery in the Gulf of Mexico and a revival of the state's oil-centered metropolitan areas."

A rise in crude oil prices not only produces a better return for current producers, but also creates more confidence among investors deciding where to spend their exploration dollars. New investments in leases in the Gulf, for example, will yield more rigs, more domestic oil and gas, and — most importantly — more jobs for Louisiana workers. Dr. Scott points to signs that economic recovery for places like Lafayette and Houma could be just around the corner:

- After bottoming out at nearly \$27 a barrel in early 2016, crude oil prices have been steadily rising over the past three years and now average about \$65 a barrel. Dr. Scott predicts prices to rise to \$80 by 2020.

- The August 2018 Gulf lease sale generated \$178 million in bids, up 39 percent from the \$128 million in bids generated earlier in the year.

- After declining three straight years, the traffic count on LA Highway 1 to Port Fourchon increased an average of 3.7 percent in the first seven months of 2018, with a 6.7-percent gain in June alone.

- Local oilfield service companies, fabricators and vessel operators have adapted to the changing economy by diversifying their business offerings and securing contracts from other business sectors. This has allowed workers to stay on the job while anticipating the revival of the offshore industry.

For Lafayette and Houma, Dr. Scott predicts an increase of about 6,300 jobs and 2,800 jobs, respectively, through 2020 as renewed Gulf oil and gas activity indicated by the signs above "lights a fire" under these local economies. That's the good news all of us along our energy coast have been waiting to hear.

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