

Economic benefits of shale-gas extraction unclear

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TRAPPED gas could prove problematic for the energy industry. Despite the money being poured into efforts to extract natural gas from shale, the economic benefits are unclear.

Studies into shale gas extraction are typically supported by industry bodies. Because their reports are not peer-reviewed, economist Thomas Kinnaman of Bucknell University in Lewisburg, Pennsylvania, decided to review six of them himself. Three were written by academics at major universities, while three were written by private consultants. All support extracting shale gas, arguing that it creates new jobs and revenue.

Kinnaman found that they all contained flaws that exaggerated the benefits of shale gas extraction to local economies. Most rely on an economic model called IMPLAN, which supposes, say, that local services such as hotel rooms are going unused until the gas industry comes along to spend money on them. In fact, such spending may displace other consumers, creating no net benefit. Kinnaman also claims that none of the studies measured all the costs and benefits of extracting shale gas, so could not determine if it really offers a net gain (Ecological Economics, DOI: 10.1016/j.ecolecon.2011.02.005).

This week The New York Times published hundreds of gas industry emails, many of which claim that the amount of gas being produced is exaggerated.