

Louisiana's parallels to the Bakken:

"It's like chemical row down there."

"It's like chemical row down there."

That is the comment state Rep. Vicky Steiner (R-Dickinson) made about Louisiana's oil and gas activity a little over a year ago on my energy show, "Build-



JASON SPIESS
For Bakken Breakout Weekly

ing the Bakken." Her comment has been driving my interest in oil's ancillary market — natural gas. Steiner has since returned to Louisiana offering advice on government relations and dealing with a quick influx of a temporary workforce.

Recently I had the opportunity to meet and interview Dr. Loren Scott. First, a little of his background: Scott is arguably one of the most dynamic and entertaining speakers in oil and gas today, as well as economics and forecasting. Over the past couple of months, Scott has been speaking across the United States on the current state of the industry including stop in Jackson Hole, Wyo., for the Energy and Infrastructure Summit and the North Dakota Oil and Gas Producing Counties Annual Meeting in Williston.

Scott is President and Founder Loren Scott & Associates. According to the Loren C. Scott & Associates website, he was on the Economics Department faculty at Louisiana State University from 1969 to 1998, where he rose through the ranks from Assistant Professor to the holder of the Freeport-McMoran endowed Chair of Economics. He is presently Professor Emeritus of Economics at LSU.

Over the 13-year period from 1983-96, Scott was the chairman of the Economics Department at LSU. During that time, the Department's ranking among the 3,000 economics departments in the

U.S. rose from 101st to 38th. He received seven awards at LSU for outstanding classroom teaching.

Scott is co-developer of the Louisiana econometric model, a model used for providing annual forecasts of the Louisiana economy, which are released each fall. He was a co-investigator on over \$1 million in grant research at LSU and is the author of over 75 articles and technical reports in addition to reports written for consulting clients.

Upon interviewing Scott, regarding North Dakota and Louisiana's shale similarities and differences, I prefaced the interview with Steiner's observation referencing "chemical row." Scott said she was right on the money.

"Well number one, it is chemical row. If you go New Orleans to Baton Rouge over to Lake Charles in the Southwest Corner, that's the I-10 corridor, along there you have the three things that chemical firms need," Scott said. "You need lots of water, and you have the Mississippi, the Gulf of Mexico, Calcasieu ship channel, Lake Charles. You need a

way to move bulk product, which most of these chemical firms are moving bulk products, again barge is the cheapest ship and way to do that and you have the river. Number three is you need lots of natural gas and we have lots of natural gas. So even before the recent boom, Louisiana

was number two in the nation in terms of chemical production. Second only to Texas. Texas has those same three things that I mentioned."

Scott said like North Dakota, Louisiana is seeing companies invest into infrastructure and new companies are coming to the state building facilities due to the natural gas play.

"But now what is going on is you are having a huge industrial expansion of all those firms and brand new firms coming in and the reason for that is because they are huge users of natural gas," Scott said. "And the reason for that is because they



Dr. Loren Scott, left, answers a question for Jason Spiess.

PAUL FLESSLAND/For the Tribune

are huge users of natural gas. And the price of natural gas has dropped a lot, at one point \$14 (per) million BTU down to around four now,"

Scott added on of the most important factors in how this whole natural gas cycle is playing out is the price has dropped here in the United States and remained high in Europe.

"So what is happening, even though the world's demand for chemicals has not changed very much because the world's economy isn't doing that well, what is happening is the U.S. share of the world's chemical market is growing because we are kicking the behinds out of the Europeans. They can't compete with us when they are having to pay \$12 per million BTU for natural gas. So there is in Louisiana today, about \$104 billion with announced expansion."

Scott continued saying some of that construction is underway, some has just been completed, some is still projected to break ground and some are in the "potential stage." He added this level of expansion is unprecedented and is bringing in a surge of people to the state and Steiner's knowledge on workforce housing and government relations

"Our problem is we have this huge influx of industrial construction workers, because we don't have enough (workers) to build \$104 billion dollars worth of plants, so we're bringing them and we

have the question of where are we going to put them?" Scott said. "We don't have enough apartments or rentals so they are building crew camps in Lake Charles just like they built up in the Bakken so Mrs. Steiner is getting all kinds of questions on: 'What kind of regulations do you have? How do you run these? How do you keep these from turning into chaos?' So that's some of the things she ran into down there."

Scott assessment of the Bakken is that it is a gold mine town during a gold rush. He believes what happened in Louisiana in the 1970s is now happening in North Dakota.

"We saw this in the late '70s in Louisiana when the price of crude went from \$3 dollars up to \$35," Scott said. "We had a big boom in the Lafayette-Houma area where it just went crazy. We had all the same issues you had now in North Dakota, only we didn't have crew camps."

□ □ □

Jason Spiess is a multi-media journalist and host of Building the Bakken Radio. Building the Bakken Radio can be heard in Bismarck on SuperTalk KLXX 1270AM on Sundays at 10am CT. To see if your listening area carries the radio program or see the entire Building the Bakken Media Network, visit www.buildingthebakken.com. Spiess can be contacted at jason@buildingthebakken.com.