

HOW PIPELINES CAN SPUR IMMEDIATE POST-COVID ECONOMIC RECOVERY



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PIPELINES FOR AMERICA



Activism and regulatory intransigence in New York, New Jersey, and Pennsylvania against infrastructure is:

- Helping create some of the nation's highest energy prices across the region
- Risking more than \$3.5B in economic activity and more than 17,000 mostly union jobs
- Nearly \$52M/Yr in tax revenues for the three states over decades
- Blocking immediate environmental improvements by keeping higher-emitting fuels in service

New York State's regulatory intransigence and refusal to allow any new pipeline infrastructure to pass through its geography is having drastic economic effects on its own economy and that of neighboring states. New Jersey's similar politically

motivated energy policies appear to ignore the economic harm they are causing. Both states have denied opportunities for Pennsylvania's energy to reach other markets in the most affordable fashion, and are blocking billions in energy savings to consumers and industrial customers. Even more importantly, the delays and denials are removing immediate opportunities to put natural gas into service to replace higher-emitting fuels, therefore are blocking rapid environmental gains.

Note to Readers: Given the interrelated nature of the three states' energy markets and the pipeline projects analyzed, this section examines the individual states' economic and policy challenges separately first, and then catalogues the economic impacts on project-by-project basis with state-specific data broken out.

NEW YORK

After COVID-19 struck, the city that never sleeps finally slept under lockdown. As cases surged in the first three months of the pandemic, the cascade effect across the economy of New York, both city and state, was severe. In June, federal data showed the unemployment rate had risen to 15.7% from 14.5% in April, counter to the trend in many states of an April unemployment peak.¹⁷ This economic and public health hardship is compounded by the fact that New York's residential electricity rates in May were 43% higher than the national average and the highest in the country after Hawaii, Alaska, California and New England as group.¹⁸

While New York suffered, so did its neighbors in New England who saw high electricity rates in

¹⁷ <https://www.bls.gov/web/laus/laumstrk.htm>

¹⁸ https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=table_5_06_a

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part because New York has refused for years to let any new and needed pipelines pass through the Empire State to the Northeast. This led directly to bottlenecks and unnecessarily higher prices similar to those found in geographically remote areas like Hawaii and Alaska. That, for example, has forced Massachusetts in the past to bring in Russian LNG to meet demand, when an ample supply of American gas is barely four hours' drive away.¹⁹

That same punishing energy policy hurts New Yorkers. The state consistently faces natural gas supply issues, which has led to service moratoria – particularly in the New York City metropolitan area and Long Island. Temporary solutions have been offered to address pipeline capacity shortfalls but the state has persistently blocked new infrastructure from being built, even if it would help lower carbon emissions and provide economic relief to families and consumers.²⁰

This refusal to build any pipeline infrastructure – but especially natural gas – on environmental and power generation grounds is confounding, since carbon emissions from the electric sector in New York are down 55% since 1999 while the use of natural gas has increased. It's also placing a large burden on downstate New York's grid, about 70% of which relies on gas.²¹

Then there is the activist-driven closure of the Indian Point Nuclear Power Plant, which provides

nearly a quarter of New York City's power now, without any replacement for its output. Then add in the looming deadlines to implement the Climate Leadership and Community Protection Act (CLCPA), an aggressive carbon emissions plan so short on implementation details that even the governor has admitted it may not be achievable, and the risk to New York's energy reliability becomes clear.²²

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To date, the committee working groups to develop the CLCPA have yet to be staffed and little progress has been made with one year left to submit an implementation plan.²³ The legislation requires New York to develop a plan to reduce total carbon emissions by 40% of 1990 levels by 2030 and 85% by 2050. It also mandates that New York generate 70% of its power from renewable energy resources.

In 2018, roughly 27% of that came from renewables, most of it from hydropower generation.²⁴ What many opponents of natural gas pipelines fail to acknowledge is the role it plays in providing back-up power generation that helps expand the deployment of renewable resources to empower the clean energy future the public wants.

19 https://www.washingtonpost.com/business/economy/tanker-carrying-liquefied-natural-gas-from-russias-arctic-arrives-in-boston/2018/01/28/08d3894c-0497-11e8-8777-2a059f168dd2_story.html

20 <https://www.reuters.com/article/us-natgas-williams-pipeline/new-york-denies-pa-ny-williams-northeast-supply-natgas-pipe-idUSKBN22R3FT>

21 <https://www.nyiso.com/documents/20142/2223020/2020-Power-Trends-Report.pdf/dd91ce25-11fe-a14f-52c8-f1a9bd9085c2>

22 <http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=15-E-0302&submit=Search>

23 <https://www.eenews.net/climatewire/stories/1063366177/search?keyword=new+york+climate>

24 <https://www.nyiso.com/documents/20142/2223020/2020-Power-Trends-Report.pdf/dd91ce25-11fe-a14f-52c8-f1a9bd9085c2>

NEW JERSEY

The damage to New Jersey from the pandemic has been fearsome and sustained. The Garden State's unemployment rate rose to 16.6%, the second highest in the nation, in June, sharing neighboring New York's trend-bucking increase from the April peak.²⁵ It got so bad that the NJ Department of Labor and Workforce Development said "it had never before processed as many claims in such a short period."²⁶ That's in a state where 9% of the population was already living in poverty,²⁷ while the elderly and fixed-income families accounted for 16% of the populace.²⁸

No one in New Jersey has it easy when it comes to energy costs, either. Residential electricity prices are 19% above the national average, and are 12th most expensive in the country, according to federal data.²⁹ And bear in mind, U.S. Energy Information Administration data has shown that more than a fifth of the roughly 118 million households in the U.S. have had to forgo food or medicine to pay their energy bills.³⁰

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"We can't ask people, residential or business customers, [suffering from impacts of the COVID-19] to pay more for an essential service like electricity right now, unless it's absolutely

necessary," a representative of New Jersey's Division of the Rate Counsel – the state body responsible for protecting consumers from high energy costs – said at a recent webinar.³¹

New Jersey is one of the most expensive real estate markets in the country and has some of the nation's highest property taxes; almost three-quarters of the homes in the state are heated by natural gas. Any change to their energy access would likely increase the already-daunting financial burden on homeowners. Over 90% of the state's electricity comes from nuclear power and gas.

Unfortunately, legislators, regulators, and policymakers in New Jersey have repeatedly pushed forward mandates and directives against pipelines and natural gas use that have made energy more expensive and less reliable.

For example, the Governor's Energy Master Plan envisioned a 100% carbon-free energy mandate that is estimated to cost \$115 billion – or nearly \$40,000 for every household in the state.³² At the same time, the State of New Jersey blocked or impeded billions of dollars in economic activity that pipelines could provide, which would cut energy bills by hundreds of millions of dollars for New Jersey consumers and reduce emissions.

This kind of activist-led policymaking appeals to a narrow interest – most led by out-of-state groups – at the expense of the overall economic health

25 <https://www.bls.gov/web/laus/laumstrk.htm>

26 <https://www.nj.com/coronavirus/2020/06/94-of-nj-unemployment-claims-are-being-paid-labor-office-says.html#:~:text=At%20the%20end%20of%20last,94%25%20have%20collected%20some%20payments.>

27 <https://www.thebalance.com/us-poverty-rate-by-state-4585001>

28 <https://www.prb.org/which-us-states-are-the-oldest/>

29 https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=table_5_06_a

30 <https://www.nature.com/articles/s41560-020-0582-0>

31 <https://register.gotowebinar.com/recording/1544180925673058822>

32 <https://njbia.org/high-cost-of-njs-energy-master-plan-deserves-a-hard-look/>

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of New Jersey. These are easy decisions to make now in a bid for re-election, but these leaders will not have to face voters when the true financial impacts become clear a few years later.

PENNSYLVANIA

As in neighboring states, the pandemic wreaked havoc on the slow but steady revival occurring in Pennsylvania. More than 2 million people have filed for unemployment, and in April, the unemployment rate topped 15%.³³ Although unemployment eased to 12.5% in June, it is still the ninth highest rate in the country.³⁴

Fortunately, the state's regulatory climate is favorable and policymakers largely view Pennsylvania's incredible energy resources as an asset to its economy. Because of this, they've supported policies that have reinvigorated communities that previously suffered from the loss of manufacturing and industry during Pennsylvania's earlier economic heydays. However, municipalities in Pennsylvania are being pushed to ban the use of natural gas and traditional fuels by small, shrill groups who are often supported by large national organizations.³⁵

Activists are ramping up opposition against pipelines and large infrastructure projects like the planned ethylene cracker facility in Western Pennsylvania, which would create the ingredients used in a myriad of consumer products, but is especially critical now for the production of PPE. It would be the single largest source of private investment in the state since World War II, and

before the start of COVID, the project had over 8,000 workers on site before it had to shut down.

The petrochemical sector has also sparked over \$300 billion in new U.S. investment, with nearly 70% of that economic growth coming back to the U.S. from overseas markets primarily because of America's abundant and affordable energy supply and pipeline infrastructure.³⁶

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Yet, despite this proven economic growth due to energy development, states like New York and New Jersey have actively used their permitting processes to stop pipeline infrastructure originating in Pennsylvania. This type of policymaking in neighboring states has led to higher energy costs and lost savings for families, seniors and small businesses—especially in eastern Pennsylvania—and denied the state thousands of new jobs and millions in local tax revenue that would help alleviate the current economic pain being felt across so many communities.

NORTHEAST SUPPLY ENHANCEMENT PROJECT

The Northeast Supply Enhancement Project is a \$1 billion investment—now on hold—to boost existing pipeline infrastructure and increase service capacity

33 <https://www.post-gazette.com/business/money/2020/06/15/Pennsylvania-extended-benefits-unemployment-Pandemic-Emergency-Unemployment-Compensation-coronavirus-COVID-19/stories/202006150077>

34 <https://www.bls.gov/web/laus/laumstrk.htm>

35 <https://stateimpact.npr.org/pennsylvania/2017/01/09/pa-environmental-groups-join-forces-to-increase-advocacy/>

36 CEA Appalachian Basin Petrochemical Update Briefing, June 2020. <https://www.youtube.com/watch?v=5B8QI96Oe1Y>

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to meet consumer demand in the northeast and parts of New York City and Long Island.

Unfortunately, the project's permits have been denied by New York and New Jersey regulators despite the fact it would have solved the supply constraints in the New York City area and created significant environmental benefits. If the project had gone forward, it would have removed the carbon emissions equivalent of a half-million vehicles. The design and construction of the project would create roughly \$327 million in additional economic activity for the states of New Jersey, New York, and Pennsylvania, according to a study by Rutgers University's Bloustein School of Planning and Public Policy.³⁷ The research estimated that the project would supply an estimated 3,186 direct and indirect jobs worth \$234 million in labor income. It could have also helped New York make it almost 10% of the way to its clean energy goals by displacing higher-emitting fuels.³⁸

Below is a state-by-state breakdown of the benefits that could have been put in place:³⁹

New Jersey

- Economic Activity: \$239.9 million
- Jobs: 2,411 direct and indirect jobs
- Labor Income: \$171.9 million
- State and Local Tax Revenue: \$16.4 million

New York

- Economic Activity: \$23.7 million
- Jobs: 276 direct and indirect jobs
- Labor Income: \$16.6 million
- State and Local Tax Revenue: \$2.3 million

Pennsylvania

- Economic Activity: \$63.6 million
- Jobs: 499 direct and indirect jobs
- Labor Income: \$45.6 million
- State and Local Tax Revenue: \$3.9 million

Customer Savings

- According to an analysis by the company, NESE could have saved residential customers 65% on their utility bills and up to \$2,300 on home heating.⁴⁰
- An average commercial or industrial customer could have saved up to \$36,000 a year.⁴¹

Environmental Benefits

- The planned project was located in states with some of the most stringent carbon emissions requirements in the country.
- If delays ended, the project could reduce carbon emissions by 200,000 tons per year, which is the equivalent of taking 500,000 cars off the road.⁴²

PENNEAST PIPELINE

The PennEast Project is roughly a 120-mile long pipeline project that originates in Pennsylvania and would provide 1 billion cubic feet of natural gas per day for families and customers in the eastern part of the state and New Jersey. It would generate roughly \$1.6 billion in economic activity and had it been built, it could have saved customers over \$1.3 billion in energy costs in just two winters.⁴³

37 <https://bloustein.rutgers.edu/transco-gas-pipeline-will-bring-jobs-to-middlesex-county-study-says/>

38 <https://www.williams.com/2018/10/30/highlighting-the-benefits-of-the-northeast-supply-enhancement-project/>

39 <https://northeastsupplyenhancement.com/wp-content/uploads/2017/06/FINAL-Williams-NESE-Analysis-5-24-2017.pdf>

40 <https://northeastsupplyenhancement.com/the-projects/project-benefits/>

41 Ibid.

42 <https://northeastsupplyenhancement.com/home/about-the-project/>

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Yet it has been blocked at every turn by activists who refuse to look at the economic benefits and the environmental improvements it could offer.

These include:

New Jersey⁴⁴

- Economic Activity: \$210 million
- Jobs: 2,870
- Labor Income: \$200 million
- State and Local Tax Revenue: \$6.4 million
- Energy Savings: \$549 million

Pennsylvania⁴⁵

- Economic Activity: \$520 million
- Jobs: 9,290
- Labor Income: \$540 million
- State and Local Tax Revenue: \$11.1 million
- Energy Savings: \$779 million

The project would strengthen American energy self-sufficiency by creating a pathway northward for abundant natural gas from the Marcellus shale formation in Pennsylvania. The benefits would include:

- Economic Activity: \$931 million
- Jobs: 1,680
- State and Local Tax Revenue: \$11.8 million

NORTHERN ACCESS PIPELINE

The roughly 100-mile long project would bring stable and affordable supplies of natural gas in Pennsylvania into New York to help meet consumer demand and lower energy costs in the Empire State, as well as the Midwest and Canada. Despite the nearly \$1 billion in economic activity it could create now, New York regulators denied a water quality permit and denied Western New York municipalities revenue for schools, roads and bridges as well over 1,600 jobs, the vast majority of which would be skilled union workers from Buffalo, Niagara and Southwestern trade unions.⁴⁶

43 https://penneastpipeline.com/wp-content/uploads/2018/05/PennEast_Concentric_Update_FINAL_4-24-2018.pdf

44 <https://penneastpipeline.com/DrexelEconomicStudy/>

45 *Ibid.*

46 <https://www.natfuel.com/pipelineandstorage/supply/NorthernAccess2016/NA%20Project%20Update%20January%202017.pdf>