The Importance of Affordable and Abundant Oil and Natural Gas for Colorado

Colorado is a dynamic state, supporting urban, rural and mountain populations, and an economy and industry base as diverse as its terrain. Families and businesses in these communities depend on abundant and affordable Colorado energy in order to sustain the state’s current and future growth. Luckily, the only thing growing faster than our population is the savings families and businesses are experiencing from local oil and natural gas production – almost $12.4 billion in fact!

That’s a lot of savings, especially for the Colorado tourism and transportation sectors that rely on motor fuels to move people and goods across our state. Or the Colorado manufacturing sector, which relies heavily on natural gas to produce goods and equipment for diverse products and industries ranging from the automotive sector to aviation and biotech. Colorado farmers also rely on natural gas, diesel and gasoline to keep their agricultural operations up and running. During years of low yield or inclement weather, when their income cannot be sustained by their crops and livestock, many of these same farmers turn to oil and gas royalties to meet their day to day living expenses. Individuals and families across the state also rely on this energy to get across town and into the mountains for weekend getaways, but also to heat our homes during cold snowy winters and to cool off during hot summers.

It’s clear that energy here means much more than just turning on the lights - it is a vital, unseen component of our everyday lives.

Consumer Energy Alliance (CEA) works to support and advocate for the continued development of natural gas and other traditional and alternative energy sources as well as infrastructure, such as pipelines and transmission lines, which move energy throughout Colorado. It is important for our state’s elected officials to embrace the benefits and growth potential that our state’s diverse energy production brings to families, schools, and businesses across the state.

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$4.3 BILLION
Residential users in Colorado alone saved over $4.3 billion.
Coloradoans Count on Affordable Energy

On average, each Colorado resident spent $2,681 for their energy needs in 2016. While this may not seem like a lot to some, it is for the more than 10 percent of Coloradoans who live in poverty. To give it some perspective, that is more than 564,000 men, women and children – enough people to fill Mile High Stadium almost 8 times. And for those people living at or below the poverty line that translates to at least 22 percent of their income going toward energy expenses.

And while the economic growth that Colorado has experienced is largely positive, the surging population has also caused housing costs to skyrocket, forcing some residents to leave the Denver metropolitan area for the suburbs or move out of the state entirely. For those that don’t have the means to leave, this high cost of living has contributed to a surging homeless population in several Colorado cities, including Denver and Colorado Springs. However, one important tool to help maintain a lower cost of living with affordable basic necessities is to keep energy costs low through the production of Colorado oil and natural gas.

With these types of statistics here in Colorado, it should come as no surprise that many other American families just like the ones who live here struggle daily to pay for rising energy costs. According to a 2015 survey by the U.S. Energy Information Administration, nearly one-third of American households struggled to pay their energy bills to light, heat and cool their homes. The survey found that roughly “one in three households reported reducing or forgoing basic necessities like food and medicine to pay an energy bill, and 14 percent reported receiving a disconnection notice for their energy service. Households also used less energy than they would prefer to – 11 percent of households surveyed reported keeping their home at an unhealthy or unsafe temperature.”

In a trend developing across the nation, more and more families are living paycheck to paycheck – with little to no savings. A January 2018 survey by Bankrate found only 39 percent of Americans had $1,000 saved to cover a financial emergency. CNBC recently reported that “69 percent of Americans had less than $1,000 in total savings and 34 percent had no savings at all.” Policies that allow for expanded production and transmission of natural gas, oil, wind and other diverse and affordable energy sources in the state are an important solution that can help to alleviate the economic stress of so many Coloradoans.
Abundant Oil and Natural Gas

Colorado is now the 7th largest oil producer in the U.S., accounting for 4 percent of our nation’s crude oil production. Most production in the state – 9 out of every 10 barrels – is from Weld County, which sits atop the nation’s fourth largest oil field. Colorado refineries produce 100,000 barrels a day of products such as gasoline, asphalt and diesel fuel.

Colorado is also one of the top five natural gas producers in the nation, and its residents are the largest consumers of natural gas in the state with seven out of ten Colorado homes relying on natural gas as their primary heating source. Electric power generation rounds out as the second largest consumer of natural gas in the state. Without a guaranteed supply of abundant and affordable domestic energy, Coloradoans’ current way of life will be challenged.

Luckily, advances in horizontal drilling and hydraulic fracturing have lowered costs of, and increased production of natural gas across Colorado, allowing consumers to save almost $12.4 billion between 2006 and 2016. Residential users alone saved over $4.3 billion. Based upon current population estimates, this translates to over $767 per citizen. Commercial and industrial users saved over $8 billion combined. These energy savings bring relief to Colorado families and help keep our state’s industries competitive.

Our state is also crisscrossed by a pipeline network which transports natural gas supplies to energy consumers in California, and along eastern regions including West Virginia. Since Colorado’s demand for refined petroleum is higher than its refining capacity, pipelines are also responsible for bringing petroleum products from Wyoming, Texas and Kansas.

Energy Resources Are Vital for Colorado’s Economy

The Colorado oil and gas industry supports 232,900 workers and contributes over $31.4 billion to the state’s economy – almost 10 percent of the gross state product.
The economic benefits of the oil and gas industry can be felt across the state - supporting jobs in 50 of Colorado’s 64 counties. In 2014, Colorado producers contributed almost $1.2 billion to the state’s coffers via property, income and severance taxes in addition to public land leases and royalties. This money goes to funding public safety, streets and highways, our state’s schools and other projects that benefit communities statewide. For example, in September 2018, the Aurora City Manager proposed a budget that included $1 million in oil and gas property taxes to be set aside for affordable housing projects.

Despite these major contributions to the economy, and to Colorado’s budget, activist groups have led an effort to pass Ballot Proposition 112, which would make 54 percent of Colorado’s entire land surface off-limits to oil and gas production. This loss of land would result in diminished property and severance taxes as well as lost income from land leases and royalties. Local tax revenues statewide would be reduced during the first year alone from $459 to $258 million, a 56 percent decrease. These lost revenues could reach $1 billion in 2030.

This potential loss of funding poses a serious threat to Colorado’s school system. Over the last 10 years, the Colorado State Land Board, which administers surface land and subsurface mineral rights for state-owned land, has distributed $1.4 billion in revenue from energy development to build and support Colorado public schools. The State Land Board estimates that Proposition 112 would impact a large portion of its estate and reduce school funding by 60 percent - eliminating $230.3 million over a three-year period - severely impacting our children and our teachers.

Don Shawcroft, President of the Colorado Farm Bureau, stated that the best crop rotation around Colorado farms includes an oil well. Weld County, Colorado’s leading producer of crude oil, is also the state’s leading agricultural county. Farmers lease land to oil and gas companies, and in turn, companies provide royalty checks based upon production to the farmers’ families. As noted prior, these payments support farm operations and supplement income when crop yields are low. The proposed 2,500-foot oil and gas setbacks before Colorado voters this November would cut off an important portion of farmers’ incomes and cripple their way of life.

Colorado’s transportation industry is also a significant contributor to the state’s, and the nation’s, economies. Centrally located on major air, rail and highway networks, our state plays a major role in moving goods such as food, apparel, pharmaceuticals, cars and electronics across the country to homes all across America. Colorado’s transportation sector also consumes four-fifths of the petroleum in the state and relies heavily on affordable fuel prices to meet the industries slim margins. As access to our state’s energy resources is
challenged, these prices have risen above the national average – a 4.7 percent increase for gasoline and a 1.7 percent increase for on-highway diesel.23 These cost increases are reflected in the higher prices we must pay at grocery stores and shopping malls as carriers shift those costs to their customers, and their customers shift it onto consumers who eventually pay the difference.

The Future of Colorado Energy

Anti-development activists, funded by organizations from out of state, are threatening our way of life here in Colorado by attempting to eliminate the production and transportation of safe, affordable sources of energy. These anti-development efforts not only harm the environment, but they lack solutions to help meet consumer demand and our environmental goals.

What these activists refuse to acknowledge is that rigorous environmental standards and energy production can and do exist. Colorado has the strongest air and water regulatory framework for oil and gas production in the nation – and is a model for the world. Despite the criticism, U.S. energy-related CO2 emissions have declined during seven of the past ten years, and are now 14 percent lower than in 2005.24 In December 2017, the oil and gas industry announced its Environmental Partnership to further reduce emissions of methane and volatile organic compounds.25 These improvements are occurring at the same time as our country has catapulted forward to become the world’s leading producer of oil and natural gas.26

With the savings that have occurred over the last decade and energy’s critical role in the state economy, Colorado’s state and local leaders must come together in support of all forms of energy production and infrastructure development that will continue to let our state, and its residents, prosper.
7. https://www.eia.gov/consumption/residential/reports/2015/energybills/
13. Calculations developed by Orion Strategies. $6.2 billion saved by industrial users, $4.36 billion saved by residential users, and $1.84 billion saved by commercial users. This number was calculated by using the annual average price per thousand cubic feet of natural gas for residential, commercial, and industrial consumers. This EIA price was then applied to the total MMcf consumed in Colorado, also sourced by EIA. The Consumer Price Index utilized by the Bureau of Labor and Statistics was applied to each year’s price in order to adjust each price to 2016 dollars. 2016 was used as a cutoff date as it was the last year for which residential and industrial data were released.
23. https://www.eia.gov/petroleum/gasdiesel/