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Shale gas lowers energy costs

The rapid development of U.S. shale gas resources is reshaping the industrial landscape. Natural gas prices are down, reducing costs of power as well as feed stocks. Sectors whose growth had been sluggish are hiring again. And capital that had been directed overseas – where gas costs are significantly higher than they are in the United States – is coming home.

The shale boom “has helped reduce energy imports and, in some cases, encouraged companies producing petrochemicals, steel, fertilizers and other products to return to the United States after relocating overseas,” The New York Times reported. The Wall Street Journal added: “Plunging prices have turned the U.S. into one of the most profitable places in the world to make chemicals and fertilizer, industries that use gas as both a feedstock and an energy source. And they have slashed costs of gas and power for makers of energy-intensive products such as aluminum, steel, and glass.”

Energy economist Philip Verleger told the paper, “The U.S. is now going to be the low-cost industrialized country for energy. This creates a base for stronger economic growth in the United States than the rest of the industrialized world.”

One of the biggest advantages of cheaper energy is that it gives companies a reason not to close U.S. facilities or move offshore. “Cheap natural gas might do more to keep existing manufacturing plants open than it will to get people to build new ones,” he said

A 2011 study from PricewaterhouseCoopers estimated that accelerated shale gas development could generate up to 1 million new manufacturing jobs by 2025. A natural gas revival, said Robert McCutcheon, U.S. industrial products leader at PwC, has the potential to deliver benefits that include “billions in cost savings, a significant number of new jobs, and a greater investment in U.S. plants.”

Two more recent studies confirm that optimism. McKinsey Global Institute released an analysis during the summer that called shale gas a “catalyst for growth” and estimated that the boom could add 2 percent to 4 percent – or \$380 billion to \$690 billion – to the annual gross domestic product and create up to 1.7 million permanent jobs by 2020. It added that annual GDP in manufacturing alone could increase by \$55 billion to \$85 billion.

Electricity Pricing – Oct 1, 2013 Com Ed Average LMP Electric Price

Time Period	Average per Kwh
Sep, 2012	\$.03034
Oct, 2012	\$.02829
Nov, 2012	\$.03327
Dec, 2012	\$.03081
Jan, 2013	\$.03111
Feb, 2013	\$.03219
Mar, 2013	\$.03665
Apr, 2013	\$.03821
May, 2013	\$.03501
Jun, 2013	\$.03215
Jul, 2013	\$.04067
Aug, 2013	\$.03112
Sep 1 – Sep 30	\$.03274

Extended Temperature Forecast: Chicago Area

	Tue	Wed	Thu	Fri	Sat
High	82	78	79	83	71
Low	61	65	65	68	46

