

LNG plans boosting area job numbers

Editor's note: This is the second in a Sunday series on the area LNG industry.

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The Southwest Louisiana job market is changing, and one reason is the liquefied natural gas industry.

The marshy coastland and its urban epicenter, Lake Charles, attracted little attention from investors until a resurgence of the natural gas industry several years ago spawned a number of capital announcements, including facilities that could ship LNG to other countries.

Ten LNG export facilities are being developed in the area, one of which, Cheniere Energy's Sabine Pass LNG, is the only operating exporter in the contiguous U.S. While Cheniere expands its capacity, another project, Cameron LNG, is nearing the end of construction. The other eight are still being planned and awaiting permits.

Multiple economic reports have cited the benefits of these projects for the local economy, such as future revenues from property taxes once 10-year industrial tax exemptions expire.

But a much more immediate effect, and one that can already be seen, is their impact on the job market.

Southwest Louisiana is by far the biggest job gainer in the state, and the leading category is construction, according to monthly reports by the Louisiana Workforce Commission. Cheniere has peaked at about 4,000 construction workers, and Cameron LNG at about 6,500. Peaks for other LNG projects will range from 1,000 to 7,000 workers — creating tens of thousands of jobs over the next several years.

Economist Loren Scott noted that many workers are from out of town. And while construction jobs stimulate economic growth in the short term, most of the jobs will eventually end, sending commuter employees home and leaving many locals without work.

"There's no question there's going to be an adjustment period," Scott said.

He said workers won't have trouble, though, finding jobs in other sectors, like health care and food service, that have grown as a result of construction.

“Your economy is going to be a lot bigger than it was in 2012, so there’s going to be other spots for them, though they may not be as high paying as the construction was,” he said. He noted that some temporary employees will also stay on as contractors to help maintain the facilities.

Additionally, the LNG projects will create about 2,500 high-paying permanent jobs and thousands of indirect jobs if all projects come to fruition, according to company reports. Local businesses will also have opportunities to subcontract for these projects, as well as for other industrial facilities going up in the area.

Jobs

Clair Marceaux, director of the Cameron Parish Port, Harbor and Terminal District, said that although Cheniere and Cameron LNG have used local workers and subcontractors, she hopes future projects use even more.

Cameron LNG reported that about “40 percent of the construction workforce is from the surrounding region and a significant portion of the permanent staff is from the local community.” Cheniere reported that 51 percent of its 400-plus permanent employees are from Louisiana, and about 73 percent are from Southwest Louisiana and from nearby Texas cities like Orange and Port Arthur.

“For the projects that are proposed and waiting on their permits from the Federal Energy Regulatory Commission, I would like to see a higher level of qualified local contact engaged,” Marceaux said.

She said the people of Cameron Parish are no strangers to industrial jobs, having worked for decades in the oil and gas industry. Local contractors are licensed and bonded and have good safety records, she said, and should be allowed to compete for jobs.

“People who do things like commercial trucking, aggregate work, engineering work, people who rent portable toilets, hand-washing stations, light plants — every possible service that someone operates in my parish, I’m trying to give them a fair shot to provide the work as a supplier, a subcontractor or a vendor,” she said.

She said that in the past the lack of a single database where companies could search for local contractors made hiring local difficult. In response to this issue, the state recently launched Louisiana Business Connection, an online portal that matches small

businesses with jobs at large projects based on their qualifications.

Marceaux said she hopes the website also encourages more transparency in the hiring process.

“With this many billion dollars in capital expenditure, there are crumbs of business available,” she said.

Industry-minded programs at institutions like Sowela Technical Community College and McNeese State University are busy preparing qualified workers. The region also uses Louisiana Economic Development’s FastStart, which has been ranked as the nation’s No. 1 workforce training program for the past eight years by Business Facilities magazine.

Jobs can be found on Cheniere’s and Cameron LNG’s websites. The other projects are waiting to reach final investment decision before hiring. To sign up as subcontractor, supplier or vendor, visit Louisiana Business Connection’s website.

Effects

Scott noted that the increased demand for workers at LNG projects and other industrial facilities would have ripple effects throughout the local economy.

Higher-paying industry jobs tend to pull people away from other jobs in the market, Scott said, meaning the only way businesses will survive is by offering employees more money.

“You’re going to have to dance lighter on your feet, no matter what industry you’re in, to try to keep your help,” he said.

Despite the pressure to raise wages, Scott said more job opportunities are overall a plus for the community.

“I just think that having a situation where you have an increased demand for labor is an absolute good thing, because I think everybody is going to end up earning higher wages than they would have if none of this would have ever occurred,” he said.

One potential result of higher wages is a higher cost of living. Port of Lake Charles Executive Director Bill Rase said a cost-of-living increase is inevitable.

“The cost of living’s going to go up,” Rase said. “It’s a fact that

that's going to happen."

If by next year, projects do break ground and bring in up to 8,000 people, the higher cost of living should start to take effect, Rase said. He said this increase can already be seen in the housing market, where the prices of land and rent have risen significantly in the Lake Charles area.

As they have with housing, higher living costs — especially in the short term — will hurt low-income residents the most, he said.

"It's really the lower economic classes that are going to be pushed the hardest," he said.

Rase said the fact that growth is a mixed bag in the short term doesn't mean it won't be a positive thing for the community overall.

"If you want your area to grow and continue to grow, then you've got to have something different. If you keep doing the same thing, you get the same answer," he said. "As long as the jobs are here and some people have a chance to make \$80,000 to \$100,000 a year vs. \$25,000-\$50,000, I think that's a good thing."

In the long term — when living costs adjust and economic growth tapers off — Rase said lasting permanent jobs and sustained benefits to the local economy will remain.

"Twenty years from now, the younger crowd will have good jobs and the ability to take care of their families a lot better than they have now," Rase said.

Uncertainty

Scott has noted that some planned LNG projects in Southwest Louisiana may not make it to construction. Two projects, Live Oak and Louisiana LNG, although they haven't officially been canceled, no longer have websites and couldn't be reached by the American Press.

Many of the remaining projects have faced delays because of the low price of oil and a current global oversupply of natural gas. Their future depends on increased global demand and commitments from buyers for longterm contracts. Other industrial projects in the region are on hold for now for similar reasons.

Scott said that if projects don't start up soon, the area may see a decline in construction work.

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Economist