

Energy Development in Montana – We all have a stake!

By Don Sterhan

At a time when this nation is faced with high unemployment, a sluggish economy and political bickering, it's hard for most people to get excited about the future outlook. But here in Montana – and especially Billings – we are blessed to have some unique opportunities at our doorstep. I'm talking about energy development and production.

To put Montana's energy production in context, let's take a closer look at the nation's energy supply. In 2010, our nation's appetite for electricity was met by a number of supply sources, with Coal-fired power plants being the largest supplier (46% of total demand), followed by Natural Gas (23%), Nuclear (20%), Hydroelectric (6%), Other Renewables (4%) and Petroleum (1%).

This type of supply mix has been consistent and relatively unchanged for a number of years. So in translation, that means “fossil fuels” are the backbone of our energy supply, accounting for 70% of the electricity supplied to consumers nationwide. That also means that despite all the talk and political pressure to adopt “green energy” renewable alternatives, the rhetoric is falling way short of the reality.

The point is this ... we rely heavily on fossil fuels in our day-to-day lives and our energy infrastructure is built accordingly. That's not to say we shouldn't continue to pursue alternatives, but let's be practical. Unless we're prepared to make a huge investment in changing our infrastructure, alternative energy sources are not likely to displace fossil fuels anytime soon. And that's a good thing for Billings!

Aside from the daily commerce these industries bring to Billings, the direct benefits are substantial. The energy sector employs hundreds of workers at pay scales that are 2 to 3 times higher than Montana's average wage. Oil and gas producers alone employ 4,600 people with an annual payroll of \$300 million; they also contribute \$308 million in tax revenue to state and local governments. The four oil refineries in Montana represent 50% of all manufacturing, accounting for \$8.2 billion in economic output each year.

As for coal, six operating mines in Montana represent over 1,200 jobs and an annual payroll of \$87.5 million. These coal producers are also responsible for over \$64 million per year in tax revenues; to date, they have also paid \$1.39 billion in royalties to mineral interests and landowners. And yet there is room for upside, as this data is based on coal production ranging from 38-44 million tons per year, only about one-tenth of Wyoming's production level.

As significant as these contributions are, I believe the opportunities ahead are much greater and the real story has yet to unfold. Several new energy development proposals are now before us in Montana, including the development of the Otter Creek coal tracts, construction of the Keystone XL Pipeline, the MATL transmission line, and increased oil

and gas development in the Bakken formation of eastern Montana. These projects represent a major capital investment and serious economic benefits if they are approved and built. So in my opinion, we have a vested interest in promoting these projects.

But not everyone sees the world through the same lens, so make no mistake there will be others working to frustrate the process and dismantle the projects. Noting the importance of these industries to Billings, your support could be critical.

As members of this community, we can get involved and work for responsible energy development. Or alternatively, we can step aside and allow opposition groups to carry the day. Choose carefully, because when these projects fail, we lose the economic vitality and we say good-bye to the jobs.

Montana has an opportunity to play a major role in supplying low-cost and abundant energy resources to this nation. Let's embrace this opportunity – and facilitate our own success.