

# **Economic Impacts of BP's Proposed Crown Landing LNG Terminal**

Submitted to:

BP – Crown Landing Project

## Project Team

Dr. Joseph J. Seneca

Dr. James W. Hughes

Dr. Frank A. Felder

Dr. Michael L. Lahr

Dr. Nancy H. Mantell

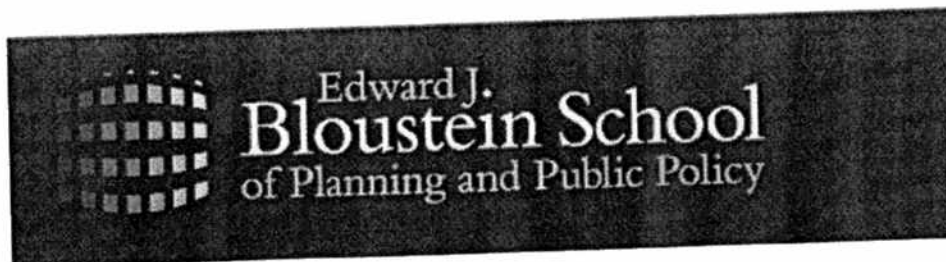
Nora Lovrien

Will Irving

Edward J. Bloustein School of Planning and Public Policy

Rutgers, The State University of New Jersey

April 2007



78 65  
66

## **Chapter V: Summary and Conclusions**

This study estimates the economic benefits of the proposed LNG terminal to be constructed and operated by BP at Crown Landing, New Jersey. The facility represents a \$700 million investment that will significantly add to the storage capacity of natural gas in the region with major effects on the state and local economies and potential impacts on the broader natural gas market in the state and region.

### **Summary of Benefits**

A number of categories of benefits are estimated. First, the report finds that the construction phase of the facility for both the land terminal and docking facilities and related infrastructure requirements is expected to generate 1,115 three-year jobs, 281 eighteen-month jobs, \$209 million in additional personal income, and \$277 million in additional gross state product during approximate three-year construction period of the project. Approximately 90% of these totals is projected to occur in the seven-county South New Jersey region. In addition, it is projected that this phase of the project will result in an additional \$5.9 million in state tax revenues, \$7.1 million in local tax revenues (excluding direct property tax revenues that may be paid by the facility), and \$31.9 million in federal tax revenues. Of the local tax revenues, we project that 62% will accrue to the South Jersey region.<sup>47</sup>

Second, the report estimates that the operation phase of the project will generate 231 additional permanent jobs on an annual basis. Over the estimated 30-year life of the project, it is estimated that the operation of the LNG terminal will increase New Jersey personal income by \$641 million and add \$920 million to gross state product. We also project that the operation of the facility will generate \$40.7 million in additional state taxes, \$47.5 million in local taxes, and \$186.1 million in federal taxes over this 30-year period. Of the local tax revenues, we project that 92% will accrue to the South Jersey

---

<sup>47</sup> This percentage results from the fact that many of the workers during the construction phase of the project will be coming from outside the South Jersey region. Local taxes consist of property taxes paid by individuals and businesses. Thus, while these workers' salaries will be paid in South Jersey and recorded as income there, their effect will be to raise housing demand and increase construction of new properties and improvements to existing property elsewhere in New Jersey.

region.<sup>48</sup> Finally, given existing and projected land use patterns in the area near the Crown Landing site, an assessment is made that the most likely alternative use of the project's proposed site is for a warehouse and distribution facility. This alternative use becomes the basis for an estimate of the annual opportunity costs of using the site for the LNG terminal. These opportunity costs are relatively small compared to the estimated annual economic benefits of the operations phase of the LNG facility.

Third, the report presents a profile of the natural gas market in New Jersey. The LNG terminal's proposed daily delivery capacity of 1.2 billion cubic feet would represent 15% of the current daily consumption of 7.8 billion cubic feet of natural gas in the region. As a result of this significant addition to supply, and the fact that the facility can be re-supplied by vessel from multiple sources of natural gas, the project has the potential to increase the reliability of energy supplies in New Jersey, decrease the frequency and size of price spikes as a result of abnormal events, and possibly reduce the rate of natural gas price increases or actually reduce the price of natural gas. It is projected that such potential reductions would decrease the rate of overall inflation, increase employment, and raise real (inflation-adjusted) personal income and gross state product. These benefits would be potential additions to the benefits estimated for the construction and operation phases of the project.

### **Caveats and Qualifications**

There are several qualifications to the benefit estimates and analysis of the report. First, the benefit estimates for the construction and operation components of the project are dependent on the cost and expenditure data provided by BP. The actual benefits of the project will depend on the exact amounts expended on the various construction phases and on the actual annual operating costs of the facility. In addition, comparisons of such costs and expenditures are not readily made across different existing or proposed LNG projects in the U.S. because of significant differences in local economic conditions.

---

<sup>48</sup> As with the construction phase, the local taxes (property taxes) resulting from the operations phase will be generated where the majority of the salaries earned are spent. However, in contrast to the construction phase, it is presumed that the majority (if not all) of the permanent operations staff of the facility will reside in South Jersey, and thus the majority of the tax revenues will remain in the region.

<http://www.policy.rutgers.edu/news/reports/BPCrownLanding.pdf>, pp. 65, 66