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Would the Atlantic Coast Pipeline be the job creator its TV ads claim?

By Sue Sturgis

9-12 minutes

Dominion and Duke Energy got more bad news about their controversial Atlantic Coast Pipeline project this month, with North Carolina regulators announcing they would not issue the necessary air quality permit for a planned compressor station in Northampton County by Dec. 15, as the utilities had hoped. The proposed 600-mile pipeline would carry fracked gas from West Virginia to North Carolina, with most of it used to generate electricity at gas-fired power plants.

On Dec. 4, the N.C. Department of Environmental Quality (DEQ) — headed by the Environmental Defense Fund's former Southeastern regional director Michael Regan — asked for additional information about air pollution impacts, indefinitely extending the deadline for a response. This marks the fifth time that Democratic Gov. Roy Cooper's administration has asked the ACP developers for more information about the project, which has the necessary approvals from the Federal Energy Regulatory Commission but still needs air, water and erosion permits in North Carolina. Last month the state requested additional details about economic benefits to communities along the pipeline's route.

Amid ongoing questions from state regulators about the ACP's impacts, its developers are running TV ads in North Carolina touting the project's job-creation potential. They're doing so through a group called the EnergySure Coalition, an alliance of pro-pipeline businesses and associations that's funded by Dominion and Duke as well as the other two minor ACP investors, Piedmont Natural Gas and Southern Company Gas.

One of the recent ads features Durwood Stephenson, a commercial and industrial construction contractor based in Johnston County, which lies along the ACP's route. He's also the executive director of the U.S. 70 Corridor Commission, a regional economic development group.

"We need the pipeline if we're going to bring in industries and jobs," Stephenson says.

But are those job claims accurate? Will the $5.5 billion pipeline that would be financed primarily by Dominion and Duke Energy ratepayers be an economic boon for Eastern North Carolina, a region that faces higher-than-average unemployment?

An analysis released last week concluded that the developers' jobs claims are overly optimistic. It was commissioned by the Natural Resources Defense Council and carried out by the Applied Economics Clinic (AEC), a nonprofit consulting group housed at Tufts University in Massachusetts that focuses on energy, environment and equity. The researchers looked at the overall economics of the ACP as well as specific claims about manufacturing jobs and found the developers' promises to be unsubstantiated.

"Recent data on states with new natural gas pipeline capacity does not support the claim that the addition of a new natural gas pipeline in a state is correlated with lower industrial electricity prices or an increase in the number of manufacturing jobs in that state," the report said.

'No support for the conclusion'

The official pipeline job numbers are based on two reports the developers commissioned from private consulting firms: one from ICF International, a publicly-traded company based in Virginia, and the other from Chmura Economics & Analytics, a private firm with offices in Virginia, Ohio and Washington state.

The Chmura report released in September 2014 concluded that the ACP would boost employment in the three states it would cross — West Virginia, Virginia and North Carolina. (Since then, the developers have said the ACP might eventually extend into South Carolina.) The Chmura report also said the ACP would lead to new manufacturing opportunities in those states, though it didn't try to quantify them.

However, the Chmura report takes as a given the developers' claims that the ACP will lower electricity rates — a claim on which the AEC analysis casts doubt.

Dominion bases the promise of lower rates on the ICF report's finding of significant savings in the price of natural gas from the Dominion South supply hub that would serve the region with the ACP in operation as compared to the existing Transco regional hub. But AEC notes this price gap has been narrowing in recent years with new pipeline capacity added and may not be as great as the developers assumed, with Dominion itself now projecting a smaller differential.

And there's some evidence there might not be any cost savings at all: A report released in September by Oil Change International, the Sierra Club and Public Citizen found that higher pipeline transportation costs would mean gas delivered by the ACP would be 28 percent more expensive than Transco gas.

The Chmura report goes on to assume that lower gas prices would lead to lower electricity prices, which in turn would increase manufacturers' spending and employment. But AEC found no reliable trend in those relationships.

AEC's analysis looked at states where electricity prices fell from 2015 to 2017 and found that a similar number lost manufacturing jobs as added them; that also held true for states where electricity prices rose over the same period, with a similar number experiencing manufacturing job gains as losses. In addition, AEC looked at states that either had new pipelines built or existing pipelines expanded during the same period and found no relationship to new manufacturing jobs.

"Recent evidence from states with new natural gas pipeline capacity shows no support for the conclusion that the addition of new pipelines leads to additional opportunities for new manufacturing jobs in those states," the AEC analysis concluded. "There is also no support for claims that the ACP or the [Mountain Valley Pipeline] would lead to an increased number of manufacturing jobs in West Virginia, Virginia, and North Carolina.

The other side of the ledger

One way the ACP would lead to jobs is not in dispute: Its building would require about 17,000 temporary construction jobs, according to Dominion and Duke Energy. The companies have held construction expos along the route for subcontractors, suppliers and vendors.

But critics have raised concerns that many of the pipeline construction jobs will go to people who live outside of the impacted communities. The profits from the primary construction contract would also be flowing outside affected communities — and outside of the Southeast altogether. The developers chose as their lead contractor Spring Ridge Constructors, a venture formed specifically for the ACP that includes four major U.S. pipeline construction companies: Price Gregory and U.S. Pipeline of Houston, Rockford Corp. of Oregon, and SPMC of Wisconsin.

At the same time, Dominion and Duke Energy's economic claims fail to account for the other side of the ledger: existing and planned jobs that the pipeline puts at risk.

For example, the Southern Environmental Law Center's "Path of the Pipeline" documentary website shares the story of the Fort Lewis Lodge resort in Bath County, Virginia, whose land the ACP would cross in three different locations and divide with two permanent access roads. As a consequence, owner John Cowden fears he may have to shut down the business for as long as two years, which would affect not only his income and that of the 35 or so people he employs throughout the year but also the county's tax collections.

And he worries that once the ACP is completed the tranquility that draws customers to his resort along the pristine Cowpasture River will be shattered by the fact that his property lies in the blast zone — where if something goes wrong with the pipeline there's a reasonable risk of incineration, injury or death. His concerns are not baseless: Since 2005, explosions and other pipeline accidents have killed 129 members of the public and injured another 560, according to data from the federal Pipeline and Hazardous Materials Safety Administration.

The analyses paid for by the ACP's developers did not account for these downsides of pipeline building. But a 2016 report commissioned by conservation groups opposed to the ACP did. That report was undertaken by Key-Log Economics of Charlottesville, Virginia, a research firm that integrates ecological considerations into its economic analyses of conservation issues.

Focusing on Virginia's Augusta, Nelson, Highland, and Buckingham counties along the ACP's route, it estimated that the pipeline would put at risk somewhere between about $56 million and $80 million in property values in those four counties, cause a related drop in annual property tax collections of between $281,000 and $408,000, and lead to lost "ecosystem service value" such as air and water purification of somewhere between $5 million and $18 million. It estimated the ACP's total one-time costs in those counties at between $73 million and $141 million and its annual costs at around $100 million.

The report also found that the ACP would lead to lost jobs. Among the specific examples it cites is an eco-resort planned for Nelson County that would provide 50 full-time and another 50 part-time jobs as well as $15 million to $30 million in annual taxable revenue for the county. The ACP would slice right through the property, derailing the owner's plans and investments. In another example, Wintergreen Resort in Nelson and Augusta counties expects a 40 percent drop in business due to the pipeline, affecting a planned expansion.

"The decision to approve or not approve the ACP does not hinge on a simple comparison of estimated benefits and estimated costs," as the Key-Log report concluded. "The scope and magnitude of the costs outlined here, however, reflect and are an important component of the full environmental effects that must be considered in making that decision."