



EMPLOYMENT IMPACTS OF A DEDICATED ETHANOL PIPELINE

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December 7, 2009

Magellan Midstream Partners L.P. and POET Ethanol Products are partnering to construct and operate a new pipeline dedicated to the shipment of ethanol from South Dakota to New York harbor, a distance of more than 1,800 miles. Magellan Midstream Partners' primary business is the transportation, storage, and distribution of refined petroleum products. Magellan currently operates a 9,500 refined petroleum products pipeline system including 51 terminals; seven marine terminals; 27 inland terminals and a 1,100 mile ammonia pipeline system. POET is the nation's largest ethanol marketer with a network of 35 plants in eight states producing more than 1.8 billion gallons of ethanol annually. POET LLC also provides design, engineering, construction, and management services for the ethanol industry.

This pipeline will facilitate the shipment of ethanol produced in the Midwest to the major markets in the Northeast and will be the first long-distance pipeline dedicated to ethanol in the United States. When complete and operational, this pipeline will have the capacity to ship 240,000 barrels of ethanol a day. This amounts to more than 3.6 billion gallons of ethanol or about one-fourth of the ethanol required to be used in the U.S. by the Renewable Fuel Standard provision of the Energy Independence and Security Act of 2007 (EISA) in 2015.

Magellan and POET will invest more than \$4 billion to develop and construct this ethanol pipeline between 2010 and 2014 when the pipeline is scheduled to become operational. The expenditures associated with this investment will create and support nearly 80,000 jobs in all sectors of the economy over this five-year period. This estimate includes direct jobs employed in pipeline development and construction as well as the indirect and induced jobs supported by the economic activity generated by the expenditures by Magellan and POET.



The estimate of jobs created and supported by the pipeline project was made by applying final demand employment multipliers for the appropriate supplying industry for the U.S. to estimates of expenditures by category and year supplied by Magellan and POET.¹ The annual expenditures for the pipeline project by year and industry are detailed in Table 1.

Table 1
Expenditures for Pipeline Development and Construction
(Million \$)

	2010	2011	2012	2013	2014	Total
Construction	\$0.0	\$0.0	\$0.0	\$856.1	\$1,380.5	\$2,236.6
Material/Equipment Delivery	\$0.0	\$0.0	\$273.7	\$497.1	\$93.4	\$864.2
Real Estate (Purchase Right of Way)	\$4.2	\$176.2	\$115.1	\$0.0	\$0.0	\$295.4
Other Basic Organic Chem Mfg	\$0.0	\$0.0	\$0.0	\$0.0	\$234.6	\$234.6
Banking/Finance	\$33.2	\$5.1	\$17.6	\$41.9	\$121.7	\$219.5
Architectural & Engineering Svcs	\$4.8	\$63.8	\$41.9	\$8.7	\$0.0	\$119.1
Other Professional & Technical Svcs	\$0.0	\$3.7	\$0.0	\$0.0	\$25.9	\$29.6
Environmental & Tech Consult Svcs	\$0.0	\$3.3	\$11.8	\$6.2	\$0.0	\$21.3
Fabricated Structural Metal Mfg	\$0.0	\$0.0	\$3.2	\$3.0	\$0.0	\$6.1
Management	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.6
Total	\$42.3	\$252.2	\$463.3	\$1,413.1	\$1,856.2	\$4,027.0

The largest share of expenditures and job creation are associated with construction activities which take place in years four and five of project development. Spending and job creation in the first several years of the project are primarily associated with project development, permitting, and engineering. Table 2 details the jobs creation that will result from the expenditures for the project.

¹The multipliers used in this analysis are the RIMS II final demand employment multipliers for selected industries at the national level calculated by the Bureau Economic Analysis, U.S. Department of Commerce. These multipliers are based on the 1997 National Input / Output Table and 2006 Regional Data. The employment multiplier indicates the total change in the number of jobs that occurs in all industries for each \$1 million of output delivered to final demand by the supplying industry.

Table 2
Jobs Created by Pipeline Development and Construction
(Full Time Person Year Equivalents)

	2010	2011	2012	2013	2014	Total
Construction	0	0	0	20,418	32,405	52,823
Material/Equipment Delivery	0	0	4,505	8,046	1,489	14,039
Real Estate (Purchase ROW)	50	2,066	1,328	0	0	3,443
Other basic organic chem mfg	0	0	0	0	3,036	3,036
Banking/Finance	426	65	219	515	1,472	2,697
Architectural & Engineering Svcs	103	1,361	879	179	0	2,523
Environmental & Tech Consult Svcs	0	75	262	134	0	471
Other Professional & Technical Svcs	0	33	0	0	220	253
Fabricated Structural Metal Mfg	0	0	47	43	0	90
Management	2	2	2	2	2	11
Total	581	3,603	7,241	29,337	38,625	79,388

The majority of the jobs created by this project will be provided by the construction and transportation industries. It is important to note that these jobs are temporary and will end when construction and development cease and pipeline operations begin. Magellan estimates that 143 jobs will be directly associated with ongoing pipeline operations. When the direct employment multiplier for the pipeline transportation industry is applied to this estimate, this project will generate more than 1,100 permanent jobs throughout the economy after 2014.

The Magellan POET ethanol pipeline will provide economic benefits over and above job creation. The U.S. economy will be \$6.6 billion larger by 2015 as a result of the investment in development and construction and the pipeline will generate nearly \$3.7 billion of additional household income. Finally, the project will increase Federal tax revenues by \$715.1 million while State and local governments realize additional tax revenues of nearly \$618 million.