

Energy Transformation in U.S. Just Beginning, Says John Kingston, McGraw Hill Financial Institute President

PR Newswire
WASHINGTON

WASHINGTON, March 3, 2015 /[PRNewswire](#)/ -- **John Kingston, President of the McGraw Hill Financial Institute**, will be testifying before the U.S. House of Representatives Energy and Commerce Committee and Energy and Power Subcommittee today. The hearing, entitled "21st Century Energy Markets: How the Changing Dynamics of World Energy Markets Impact our Economy and Energy Security" will focus on the transformation of the energy industry and its implications on the U.S. economy. McGraw Hill, with its Platts business, is uniquely positioned to provide insights to Congress and policymakers as these changes unfold.

"When talking about U.S. competitiveness on energy, it's important not to forget that natural gas is what gives the U.S. an enormous edge," said Kingston. "Because it's a pipeline-delivered product, it is only slightly part of a global market. So you first had natural gas break away from its loose correlation with oil back in 2009, and, even with the fall in oil recently, that relationship remains at a level that makes natural gas consumption in the U.S. far more competitive than gas consumption in the rest of the world," he added. "Most important to note today is the duration of this revolution: six years and counting. In terms of economic transformation, six years is just a warm-up. The changes in the U.S. resulting from these added flows have just begun."

Key highlights:

Supply and Demand Explains Recent Drop In Oil Prices

— Unlike past boom-bust cycles, the current slide in oil prices is mainly attributable to the growing imbalance between supply and demand. One recent estimate put the amount of capacity on the sidelines is 4.5 million barrels per day. The natural gas boom has been an important factor in price drops in the U.S. as it has made natural gas prices more competitive with other forms of energy.

Impact Of Oil Prices On The Industry

— S&P Ratings Services (S&P) is seeing, on average, a 35 percent reduction in capital expenditures (CAPEX) from exploration and production (E&P) companies. Halfway through the first quarter of 2015, S&P Ratings Services has downgraded 26 oil and gas companies—the largest number of oil and gas downgrades over a single quarter since 1999, when 28 were downgraded. A majority of these companies are based in the U.S. Without a meaningful pricing rebound in 2016, we could see increasing issuer defaults. **Standard & Poor's Ratings Services is a leading provider of credit ratings, research, and analytics under parent company McGraw Hill Financial.**

Impact On Jobs And The Economy

— It's important to note that the oil and gas sector represents 200,000 U.S. jobs, or 0.14 percent of the 140 million jobs in the U.S. economy. That being said, jobs losses in the oil and gas extraction industry reached 2,000 for the month of January. Regions that are heavily reliant on the energy sector could see a negative impact on employment and local economies.

— In the near term, low oil prices are a boon for the U.S. economy, according to a recent report by **S&P U.S. Chief Economist Beth Ann Bovino** and her colleague, **U.S. economist Satyam Panday**. A \$50 drop in the price of oil translates to a \$240 million decline in oil imports every day, S&P estimates. This results in savings of about \$87.6 billion of savings annually.

— Gasoline prices have fallen \$1 per gallon. Considering that the typical American household buys more than 1,000 gallons of gasoline each year that means each household has an extra \$1,000 to spend. If all of this were spent the "gas dividend" would be up to two-thirds of a percentage point of GDP.

A copy of Kingston's testimony submitted to the Committee is available [here](#).

About The McGraw Hill Financial Institute

The Institute's mission is to support the advancement of open and transparent capital and commodity markets, increased economic opportunity for individuals, communities and nations and to address other societal issues and trends contributing to global growth and prosperity. We partner with leading academic, business and nonprofit organizations to develop effective thought leadership programs including events, white papers and research that educate and inform key stakeholders and help advance the Institute's mission.

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