

## Opinion - Will Pennsylvania Be Smart Or A Sap On Natural Gas?

by Rep. Camille "Bud" George

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Pennsylvania sits atop a multistate Marcellus Shale deposit estimated to hold 363 trillion cubic feet of natural gas – enough to meet the nation's natural gas needs for at least 14 years.

Yet, Pennsylvania does not tax the extraction of the cleaner-burning fuel, despite facing a \$1.7 billion budget deficit.

Giving the oil and gas industry a free pass to utilize Commonwealth waters, treatment plants and highways and skirt responsible safeguards makes no economic or environmental sense.

West Virginia doesn't give drillers a free ride. Its extraction levy – called a severance tax – could reap \$400 million this fiscal year for its state and local governments.

"Severance tax collections are going to keep West Virginia in the black," said West Virginia's deputy secretary of revenue in November.

Arkansas expects to reap more than \$100 million by 2013 from its severance tax.

Louisiana, New Mexico, North Dakota and Wyoming are enjoying budget surpluses, thanks to their extraction taxes. New Mexico used its surplus for tax rebates and highway construction.

Alaska derives almost 65 percent of its revenues from extraction taxes.

In Pennsylvania, coal, sand, gravel and limestone are assessed for property taxes while natural gas drillers get a free ride.

Most gas drillers realize that the free ride will end. They come from states like Texas and Oklahoma where extraction taxes are a staple of doing business.

Despite the facts, it's been suggested that Pennsylvania should not adopt an extraction tax because the oil and gas industry already pays the corporate net income tax. It doesn't wash – most gas states have both.

In West Virginia, also part of the Marcellus Shale boon, oil and gas drillers pay a corporate net income tax, a 5 percent severance tax of gross receipts at the wellhead and 4.7-cents for every thousand cubic feet of gas produced.

Pennsylvania also must ensure that water protection is the priority. Its regulations are not "bureaucratic b.s.," as one gas official alleged, but designed to protect a state that still is reeling from unregulated mining of the past.

Drilling permits – almost 8,000 have been approved last year alone, including 353 shale-drilling permits -- generally are approved within 45 days. When they're not, there's usually a good reason.

A driller applied for a well permit in Clearfield County on September 23. The regional DEP office received the water-management plan -- the well would require up to 4 million gallons of water -- on October 23.



The safeguards worked. The sewage-treatment plant that was to treat the “frac” water – the enormous volumes of environmentally suspect water needed to extract the gas – was not approved for such use.

Also missing was Susquehanna River Basin Commission approval to purchase 50,000 gallons a day from the local municipal authority. Both issues were resolved by the end of October.

However, drought forced the municipal authority to renege on its decision to sell the water, and a new water source was needed.

Despite the glitches, the drilling permit was issued 48 days after the application was received. The process protected water resources and hardly resembled “bureaucratic b.s.”

Drillers deserve an efficient permitting system, and the state has listened. The Environmental Quality Board in mid-December overwhelmingly approved new permit fees, backed by the oil and gas industry, which will streamline the process.

Industry officials also insinuate that it will simply move its rigs elsewhere. Pennsylvania doesn't cater to it. However, the gas isn't going anywhere, demand for it will remain high, and gas prices probably now are lower than we can expect over the long term.

Pennsylvania must continue to listen to its partners in the gas industry, as 40,000 permit applications are anticipated over the next three years.

However, giving the industry a free ride at the expense of Pennsylvania taxpayers, water resources and economy is a poor deal and deserves a tin ear.

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