Marcellus Shale: Let’s Find A Middle Ground

by Eric Epstein

Pennsylvania is strategically located to reap a windfall associated with Marcellus shale. But any mineral extraction policy should be balanced by environmental stewardship and equitable revenue strategies.

Natural gas is not the magic bullet to cure our fiscal and energy woes. We need to avoid putting all our eggs into the Marcellus shale basket, and maintain a diverse energy portfolio.

We know what happens when coal companies abandon mines. And Pennsylvania tax payers remain at significant financial exposure as our nuclear stations continue to store thousands of tons of nuclear waste onsite with no forwarding address.

We need to plan ahead. Let's learn from previous mistakes. When we take a mineral out of the ground, we should factor in local input and oversight, and prepare a cleanup plan for when the gas and the companies are gone.

Pennsylvania remains the largest natural gas-producing state without a severance tax. In 2012, Pennsylvania’s revised Oil and Gas Act included the imposition of a impact fee assessed on new wells to "offset impacts associated with natural gas drilling."

So, what is the difference between an “impact fee” and a “severance tax?”

According to *StateImpact.org*: "Impact fees are levied on a per-well basis, so each time drillers punch a hole in the ground, they pay. A ‘severance tax’ is applied when resources are severed from the earth, so it would be a tax on the amount of gas produced."

No matter how you look at the terminology there is a significant impact to the environment because of fracking.

Jan Jarrett, former CEO of Penn Future, noted: "The Marcellus shale offers us a tremendous opportunity to expand our supply of domestic fuel... But it also offers a tremendous risk to the land, water and wildlife that makes Pennsylvania so special."

Is there a middle ground? We cannot let this issue degenerate into a win-lose sum game. Any compromise must look into history's rearview mirror.

We should not bulldoze local communities by cannibalizing their infrastructure, leaving behind a fractured environmental and economic legacy.

Dr. Timothy W. Kelsey of Penn State's Cooperative Extension provided a fair, balanced, and sobering assessment of the fallout from gas exploration. Dr. Kelsey observed in his study, "Potential Economic Impacts of Marcellus shale in Pennsylvania: Reflections on the Perryman Group Analysis from Texas," the possibility that local communities may get hammered by the existing tax structure, experience resource depletion, and lack the ability to implement local land use regulations.

Among the proposals we should consider to arrive at an equitable compromise: a graduated severance tax; accelerated depreciation; establishment of a dedicated fund for cleanup costs and site remediation; a Memorandum of Understanding between the state and local municipalities for local revenue sharing; true up costs for water extraction; and an arbitration panel to reconcile local land use with state mandates.

We can't tax our way into prosperity, and we should not sell off our resources or the future without considering local impacts, cleanup costs and water use.