



HARRISBURG REGIONAL
CHAMBER & CREDCSM

POSITION STATEMENT

Proposed Severance Tax on Natural Gas/Marcellus Shale

What is Marcellus Shale:

Marcellus Shale is a deep geologic formation that contains vast natural gas reserves. New drilling techniques have made it economically feasible to explore and produce these reserves. Industry representatives cite the enormous potential economic and energy production. The broad based economic impact may create an additional 212,000 jobs over the next ten years, according to a recent study by professors at Penn State. These benefits must be weighed with the risk of potential negative effects including environmental damage, water supply issues, road damage, housing and social issues, and changes to the way of life in rural Pennsylvania.

What are the potential opportunities:

- Stimulate rural economy, i.e. service jobs (housing, food, entertainment), increases in county budgets, permit fees;
- Housing- increase in housing prices and rental prices;
- Education- need for child care, teachers, after-school activities; and
- Services that support production of natural gas include engineering and surveying, construction and earthmoving, environmental permitting, water hauling and wastewater management, gas well servicing, equipment manufacturing, maintenance and repair and legal services.

What are some potential adverse impacts:

- The drilling process, including storm water management and wastewater disposal, has the potential to contaminate both surface and groundwater;
- Landscape and soil concerns associated with tree cutting, citing drilling pads, pipeline infrastructure and loss of wetlands;
- Infrastructure costs, including building and/or upgrading local roads to handle heavy truck traffic;
- New workers to the region, many with families and children, will create new demand for schools and other public services;
- Developed sites may need to be remediated and disrupted natural habitats will need to be rehabilitated;
- Noise pollution from traffic, drilling and compressor stations; and
- Public safety- potential increase in crime, traffic accidents, need for increased law enforcement, impact on district attorneys and county courts, emergency management

What are the reasons to support taxing extraction:

- Oil and gas wells are presently exempt from property taxes. A tax on the removal or "severance" of natural gas from the ground will provide revenue to local governments to compensate them for the adverse impact of this new industry. Similar arguments were made for county and local governments hosting casinos;
- Every other major energy-producing state imposes tax on natural resource extraction, including Texas, Oklahoma and West Virginia;
- The tax impact from the number of jobs directly created from this industry is not sufficient considering the potential revenue to be generated from a severance tax;
- A severance tax will not affect drilling decisions and will have little to no effect on production or employment; and
- The Commonwealth has a huge gap in its budget and needs new revenue streams.

Reasons to oppose new tax:

- There is no guarantee tax revenue will be utilized to address potential adverse impacts;
- It reduces the amount of capital available for drilling;
- It is a disincentive to the overall economic impact of the Marcellus Shale industry in the state of Pennsylvania, to possible voluntary contributions to the local community by drilling companies, and to state government to control overall fiscal spending.

Position of Harrisburg Regional Chamber and CREDC:

The Harrisburg Regional Chamber & CREDC believes Marcellus Shale exploration and production to be a worthwhile and necessary endeavor that will have a significant and continuing positive effect on Pennsylvania's economy.

Natural gas well drilling and production can and must be done in an environmentally responsible and scientifically sound manner while minimizing the potential for adverse environmental impacts.

Potential adverse environmental impacts must be recognized and prevented via the use of best industry practices, appropriate regulations and strict enforcement.

DEP has sufficient personnel and strict standards that are protective of the environment and it must continue to have ample resources to process applications and enforce existing regulations.

At this time the benefits from Marcellus Shale far outweigh the risks and the imposition of a state severance tax has the potential to hinder the benefits without adequately addressing the risks. However, the imposition of a local impact fee would be supported if it would directly benefit, and be controlled by, the local communities that are affected by the Marcellus Shale industry.

The Harrisburg Regional Chamber & CREDC opposes a state severance tax but would support a local impact fee.

Chamber Position: OPPOSE**Date:** June 1, 2010**Chair:** Bill Cluck/Scott Shearer**Committee:** Environmental & Energy/Tax**Date:** June 3, 2010**Chairs:** Sheilah Borne, Deb Suder**Committee:** Government Relations**Harrisburg Regional Chamber Board of Directors:** June 9, 2010