

Opinion

Letter to the Editor: There is no up side to Marcellus Shale drilling

Wednesday, October 19, 2011

Dear Editor;

The Oct. 13 edition of The Kutztown Area Patriot contained an op-ed by Chris Papst entitled "Pennsylvania is sitting on a gold mine, Marcellus Shale."

I was disappointed to see that the writer, a reputed Emmy-award winning journalist, was so quick to parrot industry talking points without questioning them. Unconventional natural gas drilling is not the gold mine Mr. Papst claims it is. In fact, drilling has already done untold damage to our natural resources, health, safety, and infrastructure.

Mr. Papst's first claim is one he takes directly from Penn State regarding the amount of natural gas contained within the shale. Penn State is directly responsible for much of the frenzy over natural gas in Pennsylvania, thanks to wildly inflated estimates of the amount of natural gas contained within Marcellus Shale that were made by Terry Engelder, a Penn State geologist in 2008. In 2002, the U.S. Geological Survey had put the estimate at 1.9 trillion cubic feet. Engelder's 2008 estimate put the amount at about 500 trillion cubic feet.

On Aug. 29 of this year, the U.S. Geological Survey issued a revised estimate of only 84 trillion cubic feet. The estimates are important because the 2002 estimate was so low that the industry didn't feel that it was worth pursuing. It was Engelder's estimate that set the modern-day gold rush in motion.

The New York Times published the results of an investigation into hundreds of gas industry internal documents and emails on June 25 of this year that portray shale gas as the new dotcom, saying that "energy executives, industry lawyers, state geologists and market analysts voice skepticism about lofty forecasts and question whether companies are intentionally, and even illegally, overstating the productivity of their wells and the size of their reserves."

The next claim Mr. Papst makes regards the number of jobs created. In 2010, Penn State estimated that over 100,000 jobs would be created in Pennsylvania. This June, Stephen Herzenberg of the Keystone Research Center published a report, *Drilling Deeper into Job Claims: The Actual Contribution of Marcellus Shale to Pennsylvania Job Growth*. In his report, Herzenberg explains that there were 48,000 new hires, not 48,000 jobs created. New hires include those who replace people who have left an existing job. In fact, during the same period, there were 2.8 million new hires across Pennsylvania industries, but only 85,467 jobs created. According to the Department of Labor and Industry's own Center for Workforce Information and Analysis, job creation across Marcellus core industries from fourth quarter 2007 through fourth quarter 2010 totaled 9,288. During the same period, Marcellus ancillary industries lost 3,619 jobs, bringing the total number of Marcellus jobs created down to 5,669. Cheerleaders for gas drilling credit the industry with Pennsylvania's 2010 ranking as third in job growth. Herzenberg points out that Pennsylvania still ranks third if you subtract Marcellus core jobs.

According to Mr. Papst, the shale is filling the government's coffers. Not true. According to a report from the Pennsylvania

Budget and Policy Center from April 2011, entitled Representation without Taxation: How Natural Gas Producers Escape Taxes in Pennsylvania,

“Natural gas drillers in Pennsylvania pay very little in state and local taxes, despite industry claims to the contrary.”

Corporate Net Income Tax -

The report cites 2008 tax data when 783 oil and gas companies filed returns, but only 15 percent owed any tax thanks to the Delaware Loophole that allows companies to shift profits out of state.

Capitol Stock and Franchise Tax –

51 percent of the companies paid a total of \$8 million. This tax is being phased out.

Sales Tax –

It's true that the drillers are subject to sales tax – on desk chairs and copier paper. They are, however, exempt from paying tax on some other items, though. “Supplies and equipment directly used in manufacturing, including oil and gas production, are exempted from the state sales tax. This means that fracking chemicals, drilling equipment, pipes used to convey gas to processing plants, testing equipment, and pollution control devices are all tax free in Pennsylvania.” By the way, Governor Corbett, you want PA to be the Texas of natural gas? They charge sales tax on most of the above in Texas.

State Income Taxes –

By structuring themselves as limited liability companies (LLCs) and Limited Partnerships (LPs), many companies, including 9 out of the 10 top permit holders, avoid the Corporate Net Income Tax altogether and pay the much lower personal income tax. A host of federal tax incentives significantly reduce the federal income taxes, and in turn, the state income taxes the companies pay regardless of how they file. Range Resources, the second largest driller in the state, had a federal tax rate from 2005 – 08 of 0.4 percent.

Additional breaks –

Oil and gas reserves are not subject to property taxes, as are other mineral deposits.

Drillers are exempt from local business privilege taxes.

State and local hotel taxes are waived on all those rooms rented long-term by the imported workers from Texas, Oklahoma, and elsewhere.

Many drillers are exempt from local earned income taxes.

Mr. Papst then says that PA customers are saving money on their electric and heating bills, but admits in the next breath that the gas extracted here will be exported. Of course, the way he puts it, “it turns our commonwealth into a potential global competitor,” when he really means that the private corporations and drilling companies tearing PA to shreds will be global competitors.

Papst then turns to environmental concerns. He makes the case that natural gas is cleaner burning than oil. According to a Cornell University study released this March, natural gas has a worse carbon footprint than oil and coal, not because of how it burns, but because of what it takes to extract the gas. Drs. Robert Howarth and Anthony Ingraffea cited specifically the migration of methane that occurs as a result of the drilling. A study from Duke University published shortly after the

Cornell study looked at methane levels in well water in proximity of drilling and found that methane levels diminished the farther away a well was from a drilling site. Their conclusions flew in the face of industry claims that the water had always contained methane, but nobody had ever looked for it before.

The only downside Papst can find is in the fracking fluid used in combination with millions of gallons of water and sand to fracture the shale and release the gas contained within. He acknowledges that the fracking fluid contains chemicals that are harmful to the environment, but claims that 40 percent stay in the ground and cause no harm. That is a short-sighted view, according to Cornell's Dr. Ingraffea who explains that everything underground will eventually make its way to the surface. It may take years and how and where it surfaces is unknown to us, but it will surface causing unknown consequences. Papst is correct, however, that a lot of the fracking water returns to the surface quickly and that its disposal is an issue. He claims to be "an avid fisherman and conversationalist" (I imagine he meant conservationist) who believes "a balance must be found between economic growth and environmental stability," but offers no specific suggestions about how that balance could be struck. The fact is that the drilling process is inherently dangerous and poorly regulated. Because the drilling process is comprised of four relatively new technologies that have been combined in large-scale operations for only about a decade, there are lots of things we're learning as we go about the risks of drilling.

His last point is a strange one. He talks about the potential to add to the state's population, presumably by attracting workers to the state to take some of those many, many jobs the industry is creating here. The population boost, he continues, would help us gain back some electoral votes. What he doesn't seem to understand is that the gas companies have imported workers from Texas, Oklahoma, and other states. They are here temporarily. Not an upside.

There is no upside.

Karen Feridun is founder of Berks Gas Truth, a grassroots community organization fighting unconventional natural gas drilling in PA.

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