Policy Matters Ohio

Press release

Oct. 16, 2015

Contact: **Amanda Woodrum**, 216.361.9801

Shale Research Collaborative applauds tri-state pact

PA, OH, WV groups call for consistent taxing and environmental standards

HARRISBURG, Pa. – Oct. 16, 2015 -- The Multi-State Shale Research Collaborative, which monitors the impact of shale drilling in five states, applauds the governors of Ohio, Pennsylvania and West Virginia for signing an agreement Tuesday related to development of shale gas and oil.

The agreement provides a framework for the states to cooperate on infrastructure, job training and other areas. This kind of regional cooperation can avoid a bidding war for jobs and investment. The agreement acknowledges that a multi-state strategy will maximize opportunities.

"This cooperative agreement signals that the states understand they can act together to minimize the potential unhealthy aspects of competition that would engage them in a 'race to the bottom,'" said Dr. Stephen Herzenberg, executive director of the Pennsylvania Budget and Policy Center. "Too often when it comes to economic development, states engage in wasteful bidding wars for new jobs and investment."

In the three signatory states, the Multi-state Shale Research Collaborative includes the Pennsylvania Budget and Policy Center, Policy Matters Ohio and the West Virginia Center on Budget and Policy. While the groups are pleased with the agreement, they urge more cooperation among the states on tax policy, community planning and environmental standards to ensure the shale revolution benefits all the residents of the region.

"The Multi-State Shale Research Collaborative advocated a regional cooperation agreement in a 2014 letter to the three governors. However, we also recommended a joint approach to minimizing costs of shale development in addition to maximizing the benefits," said Amanda Woodrum, energy researcher for Policy Matters Ohio.

Woodrum said this would require a fair and adequate severance tax, similar across all states, where proceeds could be used to pay for sufficient industry oversight, resources for job training, and needed infrastructure.

Herzenberg said the states can strengthen the agreement by explicitly including a commitment to consistent policies on taxes and job training, and by helping communities plan for harm caused by drilling. The states should also set high environmental standards for the industry.

Structuring smart tax policies can enhance state revenue, and if that revenue is invested wisely it can promote the growth of the industry and jobs in the region, said Ted Boettner, executive director of the West Virginia Center on Budget and Policy.

“West Virginia has been down the ‘boom-bust’ path before. The gas production boom in West Virginia has not led to broader economic development,” Boettner said. “Overall, West Virginia lost jobs during the boom, and growth has been disappointing in the counties that have seen the biggest increase in gas production.”

The West Virginia center has proposed a new severance tax incentive based on a higher rate for natural gas liquids, with a credit to related West Virginia industries. The credit may encourage ethane cracking and other chemical manufacturing to create jobs, while generating additional tax revenue for investment in infrastructure and job training.

“Research by the multi-state collaborative has shown that shale drilling imposes significant costs on communities, and that the industry’s claims of local jobs created have been consistently inflated,” Herzenberg said. “The agreement should be extended to include more information-sharing on the impact of shale gas extraction, and credible methods for estimating jobs and effects on taxes, the economy, the environment and health and human services.”

The Pennsylvania Budget and Policy Center has called for a 5 percent severance tax on natural gas extraction, similar to the tax already in place in West Virginia. Similarly, Policy Matters Ohio has called for a 5 percent severance tax on oil and gas production, to be used for oversight and regulation, and for covering community costs. Policy Matters Ohio also advocates for an additional 2.5 percent tax on oil and gas production to pay for infrastructure that would increase energy use locally.

The recently signed Tri-State agreement calls for policies such as those proposed by the West Virginia and Ohio think tanks to ensure more shale energy is processed and/or used locally. This is important to maximizing benefits of shale development in our region, but requires upfront capital to invest in energy-related infrastructure.

For too many years, the orientation of state policy in all three of these states has put the best interests of the gas industry ahead of sound economic and community development that improves our quality of life. The Tri-State Regional Cooperation Agreement represents an important first step to reorienting state policy towards a different objective: what policies related to the natural gas industry best serve the residents of the three states and ensure environmental sustainability.

The Multi-state Shale Research Collaborative stands ready to participate in crafting a cooperative action plan by sharing what its members have learned to ensure that the industry benefits all the communities and people of the region.