

**Congressional Natural Gas Caucus Field Hearing
to Examine the Economic Impacts of Shale Production**

Testimony of
Patrick Henderson
Energy Executive
Commonwealth of Pennsylvania
Office of Governor Tom Corbett
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Members of the committee, thank you for the opportunity to provide this testimony on behalf of Governor Tom Corbett and the Commonwealth of Pennsylvania. As a proud native of Lycoming County, I am particularly grateful that you took the time to hold this hearing here in Williamsport.

Governor Corbett has made explicitly clear that the highest priority of his administration is to protect public health and safety. Under the Governor's leadership, Pennsylvania has taken great strides to ensure shale gas development happens safely and responsibly. As the following will show, states, including Pennsylvania, are best suited to lead on this issue, given their particular and unique characteristics. A "one-size-fits-all" federal approach would be ineffective and unnecessary.

Doing It Right

Governor Corbett is committed to protecting the state's air, water and land resources. In the years prior to Governor Corbett taking office, debate in Harrisburg centered around whether to impose a new tax. Missing, however, from that debate was how best to modernize the state's oversight and legal framework to protect our natural resources.

To spur this discussion, Governor Corbett created the Marcellus Shale Advisory Commission, which was chaired by Lieutenant Governor Jim Cawley and included representation from business, industry, academia, local government, state regulators and conservation groups. For the first time, all of these voices sat down at the same table to explore in earnest all issues related to shale gas development. The Commission held multiple public meetings and ultimately made 96 specific recommendations on how best to further responsible shale gas development.

Just one year into his administration and after substantial deliberation by the state legislature, Governor Corbett signed into law Act 13, which was the first comprehensive update to the state's Oil and Gas Act in nearly three decades. The Act, which included all 24 of the Commission's legislative recommendations, increased setback distances for unconventional wells from buildings and waterways; included one of the most transparent fracturing fluid disclosure laws in the nation; provided increased protections of private water supplies; guaranteed access of fracturing fluid information to health care providers for the first time; required notices of permit applications to host and adjacent municipalities; and tripled the amount the state could fine operators for violations.

The Act also imposed an impact fee on unconventional wells, with the lion's share of these revenues going to local governments to manage impacts relating to shale gas development. The remainder of these revenues supports the state's oversight of the industry, as well as providing support to every county in the state for a variety of public interest uses. In just eight months, this impact fee has generated \$406 million, including nearly \$20.4 million that is benefitting Lycoming County and its municipalities.

The Pennsylvania Department of Environmental Protection (DEP) is the executive agency of the state that is largely responsible for oversight of the oil and gas industry. During Governor Corbett's first year in office, DEP conducted more than 10,000 inspections of Marcellus shale sites – more than double the previous year's total. The next year, 2012, the agency conducted more than 12,000 site inspections. DEP's Oil and Gas Program is solely funded by impact fees, fines and permit revenues – not taxpayer dollars. DEP is currently working on a proposal to increase permit fees in an effort to hire additional oil and gas oversight staff anticipated to be needed in the future.

During this time of increased oversight, compliance has improved. In 2011, DEP inspectors noted 1,159 violations at unconventional well sites. In 2012, the figure fell to 675. Current data for 2013 shows the downward trend in violations continues.

Shortly after taking office, Governor Corbett and former DEP Secretary Mike Krancer took steps to effectively cease the discharge of oil and gas wastewater from facilities that had been "grandfathered" from more protective standards. In the early weeks of this administration, DEP also finalized regulations governing the construction, casing and cementing of wells. These rules require regular pressure tests of wells to ensure their structural integrity and guard against gas migration.

DEP has also taken strides to protect the state's air quality. In 2010 and 2011, the agency conducted three short-term ambient air quality studies near drilling activities. The sampling did not identify concentrations of any compound that would likely trigger air-related health issues or that would violate federal ambient air quality standards. Last year, DEP announced it was launching a one-year, long-term air quality monitoring study to further study the issue.

Earlier this year, DEP revised a general permit for compressor stations, which significantly lowered allowable emissions at these facilities. Also earlier this year, DEP released an air quality emissions inventory that showed that from 2008 through 2011, due in part to increased use of shale gas in the electric generation and transportation sector, annual emissions of sulfur dioxide in the state fell dramatically, with an annual public health benefit of between \$14 billion and \$37 billion, based on the EPA's methodologies.

Energy Equals Jobs

Whether talking about the efforts to save and revive three major refineries in southeastern Pennsylvania, to expand our manufacturing base right here in north-central Pennsylvania, or to attract a multi-billion dollar, world class ethane cracker and petrochemical facility in western

Pennsylvania, Governor Corbett returns to one central theme: **Energy Equals Jobs**. We are seeing that due to our unconventional shale gas development. More than 240,000 Pennsylvanians earn their living by working in the oil and gas industries. These are high quality jobs, paying upwards of \$30,000 more than our statewide industrial average wage. This does not capture all the indirect and induced jobs we see: principally, the jobs that are retained or created due to lower cost, abundant natural gas. Already, we have seen electricity prices down more than 40% - - and natural gas prices down more than 50% -- since the onset of shale gas production in 2008. This translates into hundreds of millions of dollars in savings for our residents and businesses, and raises our competitiveness as a Commonwealth. It contributed to the more than 19,000 new jobs created in June, second most in the nation, and the over 136,000 new private sector jobs created since Governor Corbett took office.

Federal Overreach

Since the first United States oil well was drilled near Titusville, Pennsylvania, the state has been a leader in production and oversight of oil and gas development. States are best situated and have the most agility to ensure responsible shale gas development. Each state government must be empowered to govern within its borders.

The independent, multi-state Interstate Oil and Gas Compact Commission recently put forth a “States First” initiative championing increased collaboration among states. Governor Corbett has signed on to this initiative, which will help states develop data management tools, provide additional training for staff and encourage enhanced state regulatory capabilities.

Pennsylvania is well-equipped to handle this industry, as are its fellow states. I would like to thank the members of the caucus for their continued and invaluable assistance on behalf of the states with regard to interactions with the federal Environmental Protection Agency and the federal government.