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Corbett vows 'cop' approach to shale gas industry

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Gov.-elect Tom Corbett vows to get tough with the Marcellus shale gas industry, despite appointing industry lobbyists to his transition team overseeing environmental regulation.

"I am a cop," Corbett, the state attorney general, told the Tribune-Review last week in his first interview since the election. "I always believe in fair enforcement of the regulations. Everyone knows I am pretty much a straight arrow. We will enforce the regulations. It's in the best interest of the companies and the environment."

Corbett said he wants "fair and consistent" regulation of Marcellus shale gas extraction and that he would try to avoid doing anything that would stunt the growth of the industry at a time when Pennsylvania needs jobs. Corbett opposes additional taxes or fees on the industry, but said he would consider anything the GOP-controlled Legislature proposes.

"Right now, I say we're not going to do it," Corbett said about a natural gas tax. "I will look at what the Legislature proposes. I do believe we need to take care of impacts at the local and county level."

Lawmakers agreed during last year's budget negotiations to consider a severance tax on natural gas by Oct. 1, but did not adopt one. Republican legislators and Democratic Gov. Ed Rendell failed to agree on the amount of the proposed increase.

Industry insiders and environmentalists said they are eager to work with the incoming administration to set policy for natural gas drilling. Corbett's inauguration is Jan. 18.

'CLEAR DIRECTION' SOUGHT

The administration needs to look closely at regulating the industry and to be consistent in enforcing rules, said Kathryn Klaber, president of the Marcellus Shale Coalition trade group. Drillers are eager to see who Corbett appoints to key posts, such as in the Department of Environmental Protection and the Department of Conservation and Natural Resources, she said.

"We're not looking for any special favors," Klaber said. "We're looking for that clear direction."

Corbett said he wants state government to help create demand for natural gas. He

said he would explore converting the state's fleet of vehicles to using natural gas and whether state prisons, many of which are located near shale wells, could be powered by natural gas.

Corbett did not indicate who he will appoint to environmental posts, but he recruited industry lobbyists for his transition team. Tom Paese, co-director of the transition team, lobbies on behalf of The Williams Companies, an Oklahoma-based driller, and five members of Corbett's Energy & Environment Committee represent Marcellus shale gas companies.

The transition committees are reporting what existing agencies are doing but are not advising on policy, Corbett said.

\$835K FROM GAS COMPANIES

During the campaign, Corbett received \$835,000 from gas companies, according to MarcellusMoney.org, a website run by Common Cause Pennsylvania and Conservation Voters of Pennsylvania.

"There's nothing nefarious about it," said Jack Treadway, former chairman of the political science department at Kutztown State University. "If you're in the shale industry, who are you going to give the money to -- Corbett, or (his Democratic opponent Dan) Onorato? It's a natural tendency to support those who support your issues."

In his campaign documents, Corbett said he wants to require drillers to provide detailed information about chemicals they use when fracturing shale to release gas. He wants to require more testing and protection of water supplies, to impose more frequent inspections and to increase fines for violators. He plans to create a bipartisan commission to help set policy for the Marcellus shale industry.

Commitments to protect water and air sound good, but the key will be how Corbett upholds them, said Nadia Steinzor, regional organizer for Earthworks, a New York-based nonprofit.

"The impression we all have is that Corbett is going to pave the way even clearer for the industry," Steinzor said.

The opposite might be true, said Matt Pitzarella, spokesman for Range Resources, a Fort Worth company with offices in Canonsburg. He expects the next governor to be as tough -- if not tougher -- than his predecessor.

"It's not going to get any easier," Pitzarella said. "That's a misconception among the public and also within the industry. I think he's going to regulate us the same way he's approached everything."

Pennsylvania does not have a state-mandated extraction tax on coal or other mineral resources, but it does receive money from a federal fee on coal extraction per ton, said Jamie Legenos, spokeswoman for the state Department of Environmental Protection.

GAS TAX PRESSURE

Corbett's pledge not to seek a gas tax "poses a clear dilemma for him as his administration gets under way" with a historic budget crisis looming, said Christopher Borick, a political science professor at Muhlenberg College in Allentown. The state faces a \$4 billion deficit in 2011.

Public pressure will increase throughout the year for a severance tax on natural gas as the "pain" of potential budget cuts hits home with citizens, Borick said.

"I think eventually, in some shape, some form, (Corbett) gets resources from Marcellus shale," Borick said. "It'll take some creative packaging, and it may even have industry support."

Asked whether he sees any way that Marcellus shale companies could contribute to reducing the deficit without enacting a tax or fee, Corbett said: "You are asking me that question way too early."

Tom Baldino, a political science professor at Wilkes University in Wilkes-Barre, believes a gas tax is inevitable.

"They may not call it a tax, per se, and it will be very modest by nationwide standards," he said.

States vary greatly in the rates they levy and how they tax -- depending on whether they tax gas only or byproducts that come with it, and whether they measure the price at the well or destination, a Carnegie Mellon University study found. Rates range from just more than 1 cent per thousand cubic feet (mcf) in California to \$2.85 per mcf in Florida.

Industry officials will use the fact that they've agreed to pay the tax as the basis to argue for "very little in terms of new regulation," Baldino said. He contends lawmakers will insist on a tax as budget talks unfold. Corbett can "strike a pose against it," but relent under certain circumstances, he predicted.

Treadway doesn't dismiss Corbett's promise not to raise taxes.

"When gubernatorial candidates make promises in campaigns, they tend to keep them," he said.

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