

Marcellus decision an unnatural disaster

By Thomas S. West

Published: 12:59 a.m., Wednesday, December 22, 2010

Gov. David Paterson's executive order relative to Marcellus Shale natural gas drilling is likely to be reviewed in history as one of New York's greatest economic blunders.

In the 21/2 years since Marcellus Shale exploration has been shut down in New York by the de facto moratorium associated with the Supplemental Generic Environmental Impact Statement process, we have seen an exodus of industry to Pennsylvania. At a recent conference in Pittsburgh sponsored by the Rocky Mountain and Eastern Mineral Law foundations, New York was the butt of many jokes by speakers involved with Pennsylvania development. One thanked New York for sending all of the investment capital to Pennsylvania.

Of course, this is no laughing matter and the economic impact is very real. Pennsylvania State University reports that the economic impact of Marcellus Shale development in Pennsylvania in 2010 will yield \$8 billion in economic development, 88,000 new jobs and \$785 million in state and local tax revenue. By 2020, there will be \$18 billion of economic development, more than 200,000 new jobs and \$1.8 billion in state and local tax revenue.

New York already has lost tens of thousands of jobs and billions of dollars of economic development. And, since New York already has a robust ad valorem tax on natural gas production, it has lost and will continue to lose significant and much needed tax revenue.

While New York is shut down to Marcellus Shale development, a number of operators and service companies have constructed and will continue to construct facilities in Pennsylvania's Northern Tier that will service activities in the region for many years to come. Naturally, many jobs go with these facilities, and the industry and local colleges are working hard to train Pennsylvanians to work in the natural gas industry. Much of this could have occurred in New York's Southern Tier, but we may have lost that opportunity for good.

On the environmental side of the equation, the impact statement will set the highest environmental bar anywhere in the world. The state Department of Environmental Conservation has an outstanding track record of regulating the natural gas industry in a manner that avoids adverse environmental consequences. There can be no doubt that the DEC will continue rigorous environmental protection under the standards set by the environmental impact statement and there will be ample revenue from permitting fees to pay for the staff needed to administer the program. There was simply no need for an executive order at this time.

The order will send a message to the industry that New York is off-limits to the development of



indigenous natural gas resources. This not only adversely impacts the natural gas industry, but has been devastating to local municipalities, landowners and businesses across the Southern Tier that hoped to benefit from this economic opportunity.

And, let us not be presumptuous and assume that once the environmental impact statement process is concluded, industry will rush back to New York. With low natural gas prices, it will take years, if not decades, to undo the damage that has already been done.

Thomas S. West is an Albany attorney who represents the natural gas industry.

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