THE GREEN PAGES

Pa. must protect its assets, both above and below ground

By **RUTH HEIL**
Business Journal Columnist

THE GREEN SCENE
Commentary

For 20 years Jeffrey collected aluminum in every shape, size and thickness he could find. One day, a scrap-yard worker stumbled upon Jeffrey's property and found the stash. The worker changed into a nice shirt and came back to offer free hauling services to clean up the eyesore. Jeffrey's wife had already threatened divorce over the junk, so he agreed. Nobody told him the metal was worth almost $1 per pound.

The scrap-hauling trucks rumbled in, drove through the vegetable garden, ran over the dog, backed into the house and tore up the yard. They drove away with a $5,000 bounty, and Jeffrey was left uncompensated for the aluminum, heartbroken about the dog, and bamboozled.

One messy issue concerns projects that have nothing to do with preventing or cleaning up pollution in connection with the Marcellus Shale.

That fable depicts a real story playing out in Pennsylvania. Gas drillers claim they are helping by removing a commodity from the second-largest reserve in the world while tearing apart communities and environmental health in the process. Why is Pennsylvania allowing this? The state is desperate for jobs.

There are three travesties in the story: Inadequate compensation for an asset, losses incurred when the asset is moved, and the short-term nature of the jobs created.

Inadequate compensation

Besides royalties to landowners, the gas industry pays most states for this nonrenewable resource through property taxes — Pennsylvania courts prohibit this since gas is not fixed in place — and through severance taxes, of which Pennsylvania has none.

The commonwealth benefits through job creation and personal income and corporate taxation, but deduct the front-end tax breaks given and the expenses incurred (permitting, enforcement, environmental remediation, infrastructure repair), and it feels as if the industry is getting paid to haul away the bounty.

To correct this, a natural gas severance tax bill awaiting the state Senate's vote (SB1155) calls for 0.39 cents on every 1,000 cubic feet pumped. This tax would be applied at the source, based on product value, not profit.

Losses incurred

Drilling is already straining enforcement agencies, water supplies, forests, roadways, and wildlife habitats in Northern and Western Pennsylvania, but the bill's passage has been delayed, in part, by disagreement on the how to distribute the tax income. One messy issue concerns projects that have nothing to do with preventing or cleaning up pollution in connection with the shale.

It started when the Ridge administration decided to set aside money strictly for environmental conservation (the Environmental Stewardship Fund), continued with the Schweiker administration's funding of environmental projects with landfill tipping fees (Growing Greener I). It is still playing out with the Rendell administration's funding, financed by bonds (Growing Greener II).

Pennsylvania citizens voted in a 2005 referendum to borrow the money for Growing Greener II. Hundreds of projects, including trail installation along Lehigh County's popular D & L Heritage Corridor have received Growing Greener II funding, but the resulting bond debt is now crippling the program's ability to continue conservation and community revitalization projects. A group called Renew Growing Greener needs a portion of the tax for unresolved corrective measures for suburban sprawl, abandoned coalmines and the like.

Pennsylvania's budget problems didn't help. Budgets were cut for the state Department of Environmental Protection — the agency to call when you see pollution and the one to enforce environmental law – and the state Department of Conservation and Natural Resources (DCNR) — the one that protects state parkland from abuse. Meanwhile, in 2009, the administration mandated that DCNR invite drillers onto parkland and sell off $60 million worth of natural gas to help balance the government's budget.

Short-term jobs

When the wells are completed, there will be no more hungry drill operators, unseeded construction sites, or huge water hauling needs, so the boom-time luncheonette, trucking company, seed supply, and mechanic jobs will vanish. This is likely just a few years away, and by then, the environmental

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and infrastructure damage will already have been done.

The gas industry — hiding under the name Marcellus Shale Coalition — threatens a 30 percent decline in production should a severance tax be implemented, and contends that some companies would go elsewhere. That was right after they told Pennsylvanians they were standing on a sweet spot. The lobbyists want a much smaller, loophole-filled tax despite the obvious conflict of interest of an industry writing its own taxation law. Meanwhile, studies show that tax incentives don't influence energy development; the presence of the commodity and its accessibility to the marketplace does.

As Jan Jarrett, president and CEO of the public policy advocacy organization, PennFuture, said, "To be politically viable, a severance tax must raise significant revenue and provide funding for environmental programs, local governments dealing with drilling, conservation districts, the Fish and Boat Commission, the Hazardous Sites Cleanup Fund."

Jeffrey, the aluminum collector, was ignorant and had no one to protect him. Pennsylvanians are not and, as their state constitution states: "The people have a right to clean air, pure water and to the preservation of the natural, scenic, historic and esthetic values of the environment."

Ruth Heil is a freelance writer based in Green Lane. She can be reached at ruth@thewritebeat.com