



Real Natural Gas Impacts: Pennsylvania's Competitiveness Among Producing States

The dialogue about a potential impact fee on natural gas extraction from the Marcellus and other shale formations must be based on facts, and acknowledge that the industry is bringing new jobs and economic growth across the Commonwealth, as well as clean, domestic energy for the benefit of the entire country.

The Pennsylvania Independent Oil & Gas Association supports this type of rational and balanced dialogue and looks forward to providing the facts that ensure the contributions now being made by the natural gas industry are recognized by Pennsylvania's legislative and executive branches of government.

When competing against leading oil and gas producing states for energy industry investment capital, Pennsylvania is hampered from both a tax and regulatory perspective. Consider:

- At 9.9 percent, Pennsylvania's corporate income tax is the second highest in the nation, a statewide drag on economic development. The calculation of the Commonwealth's state/local tax burden (by Money Magazine) ties Pennsylvania with Maine for the ninth-highest combined tax burden in the country, at 10.1 percent.
- The state/local tax burden rankings of other important natural gas producing states are consistently in the lowest 30 percentile, with Oklahoma ranked 37th, Colorado ranked 39th, Louisiana ranked 42nd, Texas ranked 45th and Alaska ranked 50th.
- Natural gas developers face regulatory and terrain challenges in Pennsylvania not found in most other states with large reserves; a horizontal natural gas well drilled here is estimated to cost \$1 million more than a similar well in Texas.
- An August 2011 University of Pittsburgh study found the direct cost to drill one horizontal Marcellus Shale well to be \$7.6 million. With 1,015 wells drilled in the first six months of 2011, the industry has spent approximately \$7.7 billion in direct costs, generating significant economic impacts in the Commonwealth.

Taxes, regulation and misinformation have the potential to impede Pennsylvania's emergence as a leader in domestic oil and natural gas production. It is imperative that any prospective impact fee discussion be based on facts that include the real – and positive – impacts of natural gas development.



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