Presentation to Marcellus Shale Commission

April 12, 2011
Approach to Marcellus Shale Policy

• The Marcellus Shale natural gas reserve arguably represents the largest environmental and economic opportunity – and challenge – for Pennsylvania

• “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.”

Article I, Section 27
The Situation

• Unconventional shale is the Commonwealth’s latest extractive boom
• More prepared for this boom, but not well prepared. Many differences from conventional drilling
• Need to address those differences to ensure highest level of protection while still encouraging gas development
PEC’s Strategy

• Separate operational and fiscal issues: Both are critical, but need to be kept apart
• Review regulatory standards for unconventional shale development in PA and other shale states
• Invite participation from a broad array of stakeholders
• Develop tools to ensure highest level of standards practicable
Efforts to Date

• Review of PA and other States
• May 2010: Conference with wide array of attendees
• July 2010: Publication of “Developing the Marcellus Shale”
• August 2010 to date: Discussions and Negotiations with various parties on operational and fiscal issues
• Current: Development of proposed changes to Oil and Gas Act and Development of “Green Lease” provisions
Developing the Marcellus Shale Report

• Based on May 2010 conference at Duquesne University
• Over 300 attendees from state and local government, nonprofits, industry, and other professionals
• Goal to identify key issues, challenges, and opportunities in developing a sustainable Marcellus shale gas industry in PA
Guiding Principles

• Adaptive Management
• Informed Decision Making
• Comprehensive Planning and Stakeholder Input
• Predictable Process and Incentives for Co-Benefits
• Best Management Practices
• Quick Adoption
Recommendation Goals

• Address how PA should account for regional and comprehensive impacts
• Seek to establish sufficient baseline information requirements
• Call for management full life cycle of operations
• Limited to statutory and regulatory policy issues
Specific Pre-Drilling Recommendations

- Comprehensive Planning
- Pre-Permitting and Site Assessment
- Pooling and Midstream Operations
Specific Operational Recommendations

• Casing and Cementing
• Drilling Waste
• Water Withdrawals
• Water Use
• Wastewater Disposal
Specific Monitoring & Enforcement Recommendations

- DEP Operations
- Post-Well Development Monitoring and Data Collection for Air Quality
- Financial Assurance (Bonding)
Marcellus Development on State Lands

• Balance revenue needs with conservation values
• Moratorium on further leasing
• Special focus on State Parks
PEC’s Next Steps

• Finalize Recommended changes to Oil and Gas Act
• Finalize “Green Lease” provisions
• Continue to work with other interested parties.
• Ensure that “key stakeholders [ ] take whatever steps are necessary to ensure the safe and reliable development of this resource in a way that does not repeat the mistakes of the past.”

Developing the Marcellus Shale, p. 8