



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