

Commonwealth Forum: Should State Government Subsidize the Economic Development of Natural Gas Facilities?

YES

The Pennsylvania Department of Community and Economic Development's website has an "Investment Tracker" that allows visitors to view economic development activities by the Commonwealth since 2000. The drop-down menu lists 322 programs that have been administered during this period. Like it or not, state government is in the business of economic development. The first component of competing nationally and internationally for jobs is by providing a favorable tax and regulatory environment. The second component is attracting individual firms through targeted tax breaks, infrastructure development, relocation assistance, and job training programs.

Pennsylvania has been hit hard by deindustrialization. However, the continued technological development of hydraulic fracturing practices has presented the state with a way to create more jobs by accessing oil and natural gas in the Marcellus Shale. The Commonwealth has decided to invest heavily in encouraging the growth of this industry. Pennsylvania is now the second-largest natural gas producer in the United States. At the end of 2016, 20,524 workers were directly employed in oil and natural gas production, and 54,547 were employed providing supplies to the industry. Pennsylvania Marcellus Shale development has resulted in \$10 billion of investment to build or retrofit natural gas power plants. It has also attracted jobs through corollary businesses such as petrochemical plants and natural gas exporting facilities. Further, the impact fee levied on producers by the state raised \$1.2 billion through the end of 2017. This money is disbursed to state agencies and local governments for infrastructure development, conservation programs, and, for some localities, tax cuts. Beyond economic development and tax revenues, cheap natural gas has lowered utility prices for residents of Pennsylvania. Given these results, how is it possible to argue against the Commonwealth's investment in this industry?

NO

Why should state government subsidize an already heavily subsidized industry? Estimates vary, but fossil fuels already receive a subsidy of around

\$20 billion per year. The costs in terms of environmental degradation, poor health outcomes, and contribution to climate change are not included in the price of natural gas or any other fossil fuel. While natural gas burns cleaner than coal or oil, companies that produce it should not receive public dollars to pollute the air and water.

The Shell ethane cracker plant planned in Beaver County will receive the largest tax subsidy in state history, valued at \$1.65 billion. Meanwhile, the plant will create only six hundred permanent jobs (\$2.75 million per job!). Is such a massive tax expenditure really worth it? No wonder state government is experiencing such tough budget decisions and a \$2 billion structural budget deficit. They're giving away the store. Such subsidies result in a raw deal for Pennsylvanians. Tax cuts for large, wealthy, multinational corporations mean state revenue must come from somewhere else, namely, average citizens.

To add insult to injury, parts of the plant are being built in Mexico and shipped to the construction site. Not only that, but of the estimated \$100 million in steel needed to build the plant, manufacturers in Pennsylvania would be lucky to get a few crumbs. Most likely, the steel will come from China. So, Pennsylvania citizens are paying to advance the development of not only large profitable corporations, but other nations, too. One can only wish for such dedication from state government to the advancement of its own people as they have for the polluting fossil fuel industry.

For More Information

The **Pennsylvania Public Utility Commission** (http://www.puc.state.pa.us/filing_resources/issues_laws_regulations/act_13_impact_fee_.aspx) has an Act 13 (Impact Fee) website dedicated to providing information and resources related to the law and its collected revenues.

PowerSource (<http://powersource.post-gazette.com/>) of the *Pittsburgh Post-Gazette* is a special supplement on energy policy. It covers the Pittsburgh region's natural gas, coal, nuclear, and alternative energy sectors in context.

State Impact Pennsylvania (<https://stateimpact.npr.org/pennsylvania/>) is a product of member National Public Radio stations WITF and WHYY covering the topics of energy, the environment, and the economy. It was developed in response to the last decade's growing energy economy in the state.

The **Marcellus Shale Coalition** (<http://marcelluscoalition.org/>) provides information on natural gas from the perspective of the industries that are extracting it from the Marcellus Shale.