Hydraulic Fracturing: States Take Action

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OVERVIEW

- **Why now?**
  - Economic impacts
  - Environmental concerns
  - Domestic natural gas outlook

- **State legislative overview**
**Why now?**

- **Technology advances** – the combined use of hydraulic fracturing and horizontal drilling significantly enhances natural gas recovery
- Increased *public concern* as industry expands into (often densely populated) regions where the process is unfamiliar
- Natural gas industry offers tremendous economic benefits to state and local economies
ECONOMIC & ENERGY SECURITY BENEFITS

ACTIVITIES BEFORE, DURING, AND AFTER DRILLING GENERATE SIGNIFICANT ECONOMIC IMPACTS

**Economic Contribution:** the sum of direct contribution, indirect from the industry’s suppliers, and induced economic contributions resulting from further spending

- Job creation
- Capital expenditures
- GDP and tax revenues
- Lower natural gas and electric power prices
- Increased domestic energy security
PUBLIC HEALTH AND ENVIRONMENTAL CONCERNS BEING ADDRESSED BY STATE LEGISLATURES

- **Water**
  - Water contamination from spills and leaks
  - Managing wastewater
  - Water withdrawals

- **Air quality**
  - Methane and benzene emissions

- **Vegetation and wildlife**

- **Seismic Activity**
At least 158 bills in 26 states have been introduced this legislative session that specifically address hydraulic fracturing.
Hydraulic Fracturing Legislation in 2011-2012

As of May 9, 2011

Source: U.S. Energy Information Administration based on data from various published studies.
Legislative activity...

- At least **9 states** have proposed chemical disclosure requirements
- At least **8 states** have proposed casing integrity, well spacing, setback, water withdrawal, flowback, or waste regulation requirements, or other measures aimed to protect water resources
- At least **11 states** have proposed legislation to impose new or amend existing severance taxes
- At least **8 states** have proposed hydraulic fracturing suspensions, moratoria or studies to investigate potential impacts of hydraulic fracturing
At least 9 states already have disclosure requirements of some form and at least 14 states considered related bills.

Hydraulic Fracturing Fluid Disclosure Requirements

- **Existing disclosure requirements**
- **Introducing new disclosure requirements**
- **Introducing legislation to change existing requirements**

Source: NCSL research as of March 26, 2012.
- **31 states** have oil and/or gas severance taxes
- At least **11 states** considered legislation to impose new or amend existing oil and gas severance taxes
- In 2010, more than **$11 billion** was generated in the U.S. from severance taxes
- Severance taxes accounted for 10.5 percent to 74.3 percent of total state tax revenue in **6 states**

Source: NCSL research as of Feb. 15, 2012
Mechanical Integrity Tests or Casing Requirements

- Above-ground spills, leaking drill casings, and wastewater mishandling may cause groundwater pollution, according to University of Texas research.
- Legislative proposals: more stringent regulation of drill casings or other mechanical integrity measures
  - **Illinois H.B 3897** would require integrity tests of casings or other mechanical testing prior to operations
  - **New York’s A.B. 6540** would require certificates of competence to use a derrick or other drilling equipment
  - A few bills were introduced in **Pennsylvania** that address casing requirements
Wastewater Transportation

- **Addressing transportation of waste:**
  - Pennsylvania’s H.B. 1741 would require vehicles to display a placard on the outside of the vehicle indicating it is carrying hydraulic fracturing wastewater
States are addressing waste treatment and disposal in a variety ways, partially due to unique geological factors

- **Illinois’ H.B. 3897** addresses disposal and reuse of well stimulation fluid that is recovered during flowback; S.B. 3280 addresses storage of such fluids
- **New Jersey’s A.B. 575 and S.B. 253** would prohibit treatment, discharge, disposal or storage of wastewater in the state
- **New York’s A.B. 6488** would require treatment works to refuse industrial waste from operations that contain high levels of radium
Well Location Restrictions

- A number of states are considering well setbacks or location restrictions
  - New York’s A.B. 4237 & S.B. 1230 would prohibit drilling within 10 miles of the NYC water supply infrastructure
  - Pennsylvania’s H.B. 230 would prohibit drilling within the surface or subsurface area of, or using hydraulic fracturing or horizontal drilling within, 2,500 feet of any primary source of community water
Water Quality Monitoring

- Water quality monitoring may help improve knowledge of how hydraulic fracturing affects water supplies and quality
  - New York’s S.B. 3483 and A.B. 7986 would require groundwater testing prior to and after drilling wells for oil and gas
Some state legislators are aiming to delay operations until more is known about effects

- **Michigan’s H.B. 5150** would prohibit hydraulic fracturing under certain circumstances until a specified advisory committee makes recommendations

- **New York** imposed a moratorium and is conducting studies on impacts

- **Vermont** enacted H.B. 464 to prohibit hydraulic fracturing activities in the state
Recently Enacted Legislation

- **Idaho**—H.B. 464—imposed restrictions on ability of localities to regulate oil and gas
- **Indiana**—H.B. 1107—required adoption of rules addressing reporting and disclosure
- **Kansas**—H.B. 2526—allowed a commission to promulgate rules addressing disclosure
- **Louisiana**—H.B. 957—required disclosure of the composition of hydraulic fracturing fluids
- **Maryland**—H.B. 1123—established a presumptive impact area
- **Ohio**—S.B. 315—addressed horizontal well production training and employment
Enacted Legislation (cont.)

- **Pennsylvania**—H.B. 1950—addressed disclosure, impact fees, and more.
- **South Dakota**—HCR 1005—urged Congress to clearly delegate responsibility to regulate to the states.
- **Tennessee**—HR 98—encouraged meeting to propose regulations and protect water.
- **Utah**—SCR 12—urged Congress to clearly delegate responsibility to regulate to the states.
- **Vermont**—HB 464—prohibited hydraulic fracturing.
CONCLUSION

Natural gas development **offers tremendous economic benefits**, and **states are working to ensure that it is developed safely**

- Natural gas development is particularly a focus in state legislatures where activities are rapidly expanding near densely-populated regions.
- Natural gas extraction offers tremendous economic benefits for state and local economies. States are exploring severance tax rates and structural changes.
- States are also addressing transparency by proposing fluid additive disclosure requirements, while also aiming to protect industry trade secrets.
- Many states are addressing water resource protection.
CONTACT DETAILS AND RESOURCES

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Key NCSL Resources:

- Publications
  - *Oil and Gas Severance Taxes* (February 2012)
- Database of state energy legislation:
- NCSL Energy Program homepage:

NCSL is always seeking public and private funding partners for collaborative research and outreach initiatives.

We also offer no-cost technical assistance to legislative entities upon invitation.

Please contact us if you're interested.