

ENERGY GUEST BLOG -- JIM SAMUEL

Regulatory issues, Ohio's Utica shale top talk at regional energy conference

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It is good to get out of your normal setting to take a look at your world from a different perspective. Last week, an energy conference in Pennsylvania took me out of Ohio's capital city and into a realm of some fresh perspectives. Not all of them were new, but they were refreshing in their confirmation of some of the prevailing thoughts on regional energy issues, specifically shale.



Jim Samuel is founder and principal of Capitol Integrity Group, a fellow of the Levin College at Cleveland State University and a founding partner of the Ohio Shale Consortium. He has worked extensively in the economic development and public policy arena and serves as a consultant to the energy industry.

Attendees from two dozen states gathered to predominantly talk shale at a two-day conference Sept. 5 and 6 south of Pittsburgh. From the public sector perspective, top regulators from Pennsylvania, Ohio and West Virginia joined in the discussion.

So what were the top takeaways for this Ohioan? First and foremost, we are regionally blessed with good regulators. Second, the glow around Ohio as the new frontier for shale-related capital investments appears to be accurate. And third, the time to discuss a national energy policy may truly be upon us.

A regulatory environment is neither as simple nor as opposed by the energy industry as the heated political campaigns make it out to be. In the real world, everyone recognizes the need for a balance between fostering industrial growth and protecting our natural resources. And while no business truly loves the regulatory hand that governs it, regionally we have regulators that understand the necessity of balance.

Listening to the secretaries of the departments of environmental protection from West Virginia and Pennsylvania and the director of the Ohio EPA, it was a refreshing reminder that state-by-state regulatory environments perform better than national, one-size-fits-all policies.

States like Ohio, Pennsylvania, West Virginia, North Dakota, Wyoming and others have a century of experience with coal, oil and gas regulations. They have experienced some harsh negative impacts (think acid mine drainage) and have adjusted to create a clear and consistent regulatory structure governing the geography and geology they know best. And in bi-partisan fashion, these state regulators warned that we should watch the U.S. EPA and noted that the "camel's nose under the tent" is the feds push to more closely regulate air emissions related to the shale industry.

On capital investments, the talk was all about Ohio, but Pennsylvania and the Marcellus continue to be a monster of a natural gas play for the nation. The first six months of 2012 saw an 82% increase in Marcellus production over the same period in 2011. And production is approaching 4.5 billion cubic feet per day — and even higher by some unofficial estimates.



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Keeping things in perspective, Pennsylvania has nearly 3,000 horizontal shale wells that have reported production compared with Ohio's 17.

Having said that, the movement of major capital investments to Ohio appears to be growing, driven by the rush to build out the midstream for the Utica shale, an investment number that is approaching \$2.5 billion in project announcements in less than a year.

Last but certainly not least among the conference's list of topics was the growing trend of discussing a national energy policy. It seems every presidential election prompts a discussion of energy needs and wants from a variety of platforms, but most candidates have embodied their policies in a few programs incentivizing the growth of one energy source or regulating the impacts of another. What's missing is a broad vision of an energy future that incorporates fact-based assessments to create a long-term guiding policy focused on American growth and security. Period.

If you don't think energy policy is important or contentious consider this, the conference's keynote speaker was the Democrat Governor of West Virginia Earl Ray Tomblin — talking about energy policy and shale in Pennsylvania, while the rest of his party gathered in North Carolina. He has not been timid in his comments about his differences with the current Administration, and his fights with the U.S. EPA.

I am in support of an all-of-the-above energy approach, but much of the policy direction of the past decade, Republican and Democrat alike, has been focused on renewable energy growth while policy makers worried about dwindling reserves of oil and natural gas. But consider this: in just one year, 2009 to 2010, the U.S. Energy Information Administration increased the proven crude oil and lease condensate reserves by 12.8%. In fact they reported that proved "reserves of U.S. oil and natural gas in 2010 rose by the highest amounts ever recorded since the U.S. Energy Information Administration (EIA) began publishing proved reserves estimates in 1977."

It was said by one academic speaker at the conference that the shift in the energy balance should be called a "technology play" not a "shale play", as geologists have known the hydrocarbons have been there for decades but only recently has technology allowed them to be extracted economically.

Perhaps that academic has hit on a theme that resonates with many in both parties, that of technology dominance. We hear much about the knowledge economy and support of technological advancement, so why not free our technology resources and creative minds to advance that national energy policy of the future.



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