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# **CRAIN'S** CLEVELAND BUSINESS

**ENERGY GUEST COLUMN -- JIM SAMUEL**

## **Lame duck session is ... well ... lame**

By [JIM SAMUEL](#)

**4:30 am, December 5, 2014**

When the Ohio General Assembly adjourned for the summer after passing Senate Bill 310, the freeze on renewable energy development, it was expected by some that the post-election session might be full of activity on the energy front.

At the forefront of discussions was the possibility of a compromise on the 4-year-old severance tax debate, increased regulatory activity on the oil and gas industry and the possibility of a rush to judgment on the energy mandates study committee crafted and passed in the waning hours before the Legislature adjourned for the summer.

However, as the temperatures drop and holidays approach, it has become evident that there will be little action on many notable issues in this lame duck session.

House Bill 375, the House-passed, industry-supported severance tax legislation, was sent to the Senate, and there it will die. It would increase the severance tax rate to 2.5% with an exemption on the first \$10 million of production, allowing companies to recoup initial capital investments. Tax revenues would have provided funding for regulators and created a more robust state-level program to plug orphan wells. Local governments would have received 10% of the funds with any amount remaining dedicated to potential tax cuts.

It was not far off from Gov. John Kasich's last written proposal contained in his mid-biennium review, which was within a quarter-percent of competing tax proposals, albeit with significantly different policy approaches that created the chasm that needed to be crossed.

Over the summer and into the fall, many thought there would be another push to get this, or yet another compromise measure, through the lame duck session. But the issue will have to be taken up anew in 2015 with the incoming 131<sup>st</sup>

General Assembly.

The governor remains stalwart in his pursuit of a higher severance tax that not only funds the state's regulatory functions to safely oversee the oil and gas industry and provides funds to the local governments in impacted drilling areas, but also provides an income tax cut for all Ohioans.

Following a landslide reelection that saw Kasich capture 86 of Ohio's 88 counties, including large Democrat strongholds like Cuyahoga and Mahoning counties, he is once again pressing hard.

But even before the election, talk of compromise had been serious, though mostly conducted in the shadows.

A number of industry insiders from oil and gas companies to key Capitol Square regulars have said it is time to come together around a workable compromise. And some producers have said they are ready to support a reasonable increase to put this issue behind us and move forward on other important policy issues.

On the renewable energy front, the two-year freeze of the renewable energy portfolio and energy efficiency mandates went into effect and the study committee of legislators who will produce recommendations for permanent changes met for the first time.

In the fall, as the study committee makeup begin to be known and certain legislators began to speak up, it was thought by some that the study committee, absent any restrictions in the legislation, might rush to make recommendations and pass a bill in lame duck.

But again, nothing of such fever-pitched drama occurred as the first meeting of the committee came and passed with nothing more than a routine, albeit disjointed, session with the lone testimony of the PUCO chairman.

The lone item still expected to pass before the close of the 130th General Assembly is House Bill 490, a sweeping piece of legislation encompassing numerous environmental, agricultural and natural resources issues. But even that has seen major revisions removing, or never including, some of the more controversial measures expected or proposed.

So as we look to 2015, expect some sparks to fly on energy legislation. Anticipate a coming together of sides on an increase in the Ohio severance tax. And expect to hear more on the future of renewable energy development especially with increased action by the federal government on carbon reduction.

The energy landscape has changed dramatically with the remarkable surge in shale development creating, among other benefits, a world leading position for the United States in natural gas production. But as we move forward, every domestic kilowatt will be needed, especially from gas and renewables, as we face a carbon constrained regulatory environment.

With Ohio's economy on the move again, let's urge our policy makers to get this next batch of energy policy right so we can continue to move forward.

## **JIM SAMUEL**





**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 as a consultant to the energy industry.**

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