



# TRANSFORMING OHIO FOR GROWTH

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ENERGY. MANAGEMENT EFFICIENCY.

## Energy

### **OHIO'S 21<sup>ST</sup> CENTURY ENERGY POLICY: Leading the Nation with a Comprehensive Energy Strategy**

Job creation remains Ohio's top priority. Though Ohio's unemployment rate has dropped from 9.0 to 7.7 percent since January 2011, too many Ohioans are still unemployed. We're making progress but Ohio still has a lot of work to do. To further efforts to recreate a jobs-friendly climate in Ohio—efforts that started last year with his Jobs Budget and other policies—Gov. John Kasich initiated a comprehensive review of state government management, operations and policies in key areas.

Referring to this process as the Mid-Biennium Review (MBR), because it came half-way through Ohio's two-year budget cycle, Gov. Kasich worked with his cabinet and staff to develop new strategies that improve the management of Ohio's government agencies and health systems, improve Ohio's education and workforce development efforts, and improve Ohioans' access to low-cost, reliable energy.

Ohio's economy—especially our large manufacturing and agriculture sectors—depends on access to reliable, diverse and low-cost energy. With no federal energy policy to rely on and continued uncertainty in the Middle East, Gov. Kasich and his staff began working with energy stakeholders—from energy producers to environmentalists to energy consumers—to develop a comprehensive energy policy for Ohio that would encourage economic growth. The Governor's 21<sup>st</sup> Century Energy and Economic Summit was held in September 2011, and out of that summit came ideas and strategies the governor's policy team used to build a comprehensive energy policy that rests on 10 pillars. The pillars below comprise the governor's energy policy for Ohio—ideas to support a diverse mix of reliable, low-cost energy sources that meet Ohio's continuing job-creation needs.

#### **PILLAR 1—SHALE: Ensuring Resources Benefit All Ohioans, Modernizing Antiquated Regulations**

Recent advancements in technology have allowed previously unattainable natural resources found in shale to now be extracted. The governor believes all Ohioans should benefit from the natural resources housed beneath our state, and it is equally as important to put necessary precautions in place to ensure public safety.

Modernizing Ohio's Oil and Gas Tax System to Provide Income Tax Cuts for All Ohio Taxpayers: The first comprehensive update of Ohio's severance tax structure in more than 40 years is necessary to keep pace with new technologies and will ensure that new revenue from Ohio's shale oil and gas production goes to Ohio taxpayers through state income tax reductions. [See separate fact sheet]

Modernizing Regulations While Promoting Job Growth: Health and environmental regulations must be updated to account for changes in Ohio's new shale industry, and must strike a critical balance between needed protections and creating a jobs-friendly environment. Several state agencies impact this industry, and regulatory updates include:

- Ohio Dept. of Natural Resources (ODNR): Well construction standards and other regulations are being updated to meet the new demands and technologies of shale development. Chemicals used in the well development process must be disclosed to regulators.
- Public Utilities Commission of Ohio (PUCO): The Pipeline Safety Division will update regulations for construction, inspection, and safety of new high and low pressure natural gas gathering lines,

- Ohio EPA (OEPA):
  - Encourage wastewater treatment and recycling technologies to conserve water resources and to assist with managing water from oil and gas fracturing activities and reduce our reliance on our network of underground injection wells,
  - Issuance of general permits to streamline the lengthy EPA permitting process needed for oil and gas operations, and ensure permits are protective of health and the environment. These permits are just as protective but can be issued in a matter of days versus several months,
- Commerce: Consolidate and streamline review of structures at well sites for gas processing facilities and fractionation facilities that need local review and inspections for construction and occupancy. Local counties do not generally have needed expertise and a statewide review by Commerce will ensure consistency,
- Taxation: To cover impacts from drilling, oil and gas companies will pay an upfront fee of \$25,000 per well to local government. These dollars will be provided before the majority of impacts occur so local governments have the resources needed to offset impacts. Oil and gas companies will get this money back over time. This change is revenue neutral—it is not a tax—it is simply delivering funds to locals more quickly than the current system allows,
- Ohio Dept. of Transportation (ODOT): Developed a model road use agreement for counties and townships to use with oil and gas companies to determine what roads will be used, what and how these roads will be maintained, and who will pay for road maintenance. ODNR will verify if this agreement is in place as part of the permit process to receive a permit to drill any new oil and gas well.

### **PILLAR 2—GENERATION: Ensuring Ohio’s Generation Capacity and Investing in New Technologies**

Ensuring Ohio businesses and citizens have the energy they need is key to a strong economy, and this starts with generation of that energy. The OEPA will work with the PUCO to:

- Review and pilot new generation and efficiency technologies (ex: Smart Grid)
- Expand customer choice for renewables
- Assess federal EPA impacts on future generation and transmission
- Advocate for reforms to expand the reliability pricing model

### **PILLAR 3—ELECTRICITY TRANSMISSION & DISTRIBUTION: Meeting Needs of Industry and Consumers**

A major factor in job creation is getting energy where it needs to be so companies can operate efficiently and at a low cost. To ensure Ohio’s transmission infrastructure meets these needs, particularly for the development and expansion of the shale industry in eastern Ohio, the PUCO will be authorized to:

- Review transmission infrastructure in the Ohio shale region to ensure transmission and distribution are adequate,
- Assess and recommend changes in the transmission and distribution system that would make the development of renewable energy in Ohio more accessible and cost effective.

### **PILLAR 4—COGENERATION / WASTE HEAT RECOVERY: Capturing Waste Heat to Make Green Energy**

Turning otherwise wasted byproducts into usable energy makes sense if it’s cost effective. To encourage efforts to recover waste heat and identify cogeneration as an appropriate technology, the following policy changes are proposed:

- Allow cogeneration to qualify as a renewable energy source in Ohio,
- Allow all Ohio electric utilities to use cogeneration to meet alternative efficiency standards,
- Revamp the Energy Loan Fund to place more focus on energy efficiency and alternative fuels,
- Require the Ohio Dept. of Administrative Services (DAS) to review cogeneration as part of new construction and major renovations in state facilities.

### **PILLAR 5—WORKFORCE TRAINING: Aligning Industry Needs with Worker Training**

Matching the skills of workers with the demands of the energy industry is a crucial part of Ohio's energy policy. By providing a skilled workforce to the industry, Ohio will be in a better position to attract business and jobs over neighboring states with comparable natural resources and logistical advantages. Workforce strategies include:

- Investing in shale and energy industry training
  - Zane State: \$6M proposed in Capital Budget to construct new training space
  - Stark State: \$10M proposed in Capital Budget to construct indoor drill training rig
  - Nabors Drilling: State assisting with site selection to build oil and gas training rig
- Creating a website linking Ohio companies with a trained workforce
- Working with companies to develop training credentials to ensure skills match demand
- Linking veterans and minorities with jobs specific to oil and gas industry

#### **PILLAR 6—CNG/ALTERNATIVE FUELS: Promoting the Use of Natural Gas**

Alternative fuels have the potential to reduce our reliance on foreign energy sources. In order to encourage examination and adoption of alternatives fuels, the Governor's Office, PUCO and ODOT will:

- Sign an agreement with other states to develop regional Compressed Natural Gas (CNG) refueling infrastructure and promote the usage of CNG vehicles in Ohio (signed on 2/29/2012),
- Assess converting all or part of the state fleet to CNG,
- Develop flexible revolving loan fund for alternative fuels (CNG, biodiesel and ethanol).

#### **PILLAR 7—ENERGY EFFICIENCY: Promoting Efficiency to Save Resources**

Promoting efficiency and maximizing our energy resources will help offset rising energy prices. DAS and the PUCO will work to:

- Improve state building efficiency and finance through Air Quality Development Authority,
- Identify new efficiency technologies and programs available to Ohio,
- Determine standards for state fleet vehicle replacement to increase efficiency,
- Review utility green pricing programs and expand customer choice.

#### **PILLAR 8—COAL: New Opportunities for a Critical Resource**

Ohio is rich with coal, and it's a critical resource for our state's energy needs. However, it's important that we pursue new technologies that reduce coal's impact on the environment. The energy policy proposes:

- \$30M for coal research projects on carbon capture, sequestration, enhanced oil recovery, and new technologies,
- Streamlining and simplifying permit process for coal companies,
- Exempt coal combustion waste from additional fees and encourage solid waste landfill management.

#### **PILLAR 9—REGULATORY REFORM: Streamline and Expedite Environmental Permits**

Smart regulation is necessary but the process by which businesses must comply with these regulations should be simple to understand and navigate. The OEPA will:

- Develop and issue "general permits" for business to minimize lengthy permit review,
- Request federal wetland permitting program authority to eliminate duplication with state program.

#### **PILLAR 10—RENEWABLES: Promoting Renewables for a Balanced Energy Portfolio**

Pursuing reliable and cost effective renewable energy sources is the final piece of Ohio's comprehensive energy strategy. The PUCO will:

- Develop flexible revolving loan fund for alternative fuels,
- Revamp the Energy Loan Fund to help finance energy efficiency and renewable energy projects,
- Identify and address interconnection challenges to renewable energy projects,

- Review utility green pricing programs and expand customer choice.

**BOTTOM LINE:** In order to ensure economic stability and move toward energy independence, Ohio must develop a comprehensive energy policy that includes a diverse mix of sources available at a low cost. By utilizing partnerships between the government, industry leaders, the education system, and environmental advocates, as well as by using new technologies and applying appropriate regulatory oversight to ensure public safety, Ohio can lead the nation with a complete energy policy while maintaining Ohioans' historical common sense stewardship of the environment.

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