



June 19, 2014

The Honorable Joe Scarnati
292 Main Capitol
Harrisburg, PA 17120

The Honorable Sam Smith
139 Main Capitol
Harrisburg, PA 17120

The Honorable Dominic Pileggi
350 Main Capitol
Harrisburg, PA 17120

The Honorable Mike Turzai
110 Main Capitol
Harrisburg, PA 17120

The Honorable Jake Corman
281 Main Capitol
Harrisburg, PA 17120

The Honorable Bill Adolph
245 Main Capitol
Harrisburg, PA 17120

The Honorable Jay Costa
535 Main Capitol
Harrisburg, PA 17120

The Honorable Dave Reed
128 Main Capitol
Harrisburg, PA 17120

The Honorable Vincent Hughes
545 Main Capitol
Harrisburg, PA 17120

The Honorable Frank Dermody
423 Main Capitol
Harrisburg, PA 17120

The Honorable Joe Markosek
512E Main Capitol
Harrisburg, PA 17120

Dear Senators & Representatives:

On behalf of our respective associations, we are writing to respectfully request restraint regarding the imposition of a severance tax on the oil and natural gas industry and to express our opposition to the tax.

There is much debate surrounding this issue. The media, some policy makers, candidates for various elective offices and some interest groups believe that a severance tax will solve many of the commonwealth's problems. A severance tax is not the panacea that many think it would be. The economic reality is that there is a direct correlation between a severance tax, fees and regulatory environment and the investment decisions of our members.

Many of those calling for a severance tax do not understand the complexity of the industry, market forces and the opportunities for investment in the U.S. and around the globe against which Pennsylvania must compete. Simply saying, "The gas is here, where else are they going to go?," points to this fundamental lack of appreciation for the investment decisions our members make.

Attempts have been made to compare severance taxes across states and simply conclude that the industry can afford it in Pennsylvania. Those comparisons, however, do not paint an accurate picture. For example, the liquid rich formations in Ohio and West Virginia are more valuable which means that the return on investment – even if they have a severance tax – is greater than the largely dry gas found in Pennsylvania. In short, the enactment of a severance tax could make the commonwealth less competitive and drive further investment to our neighbors to the south and west.

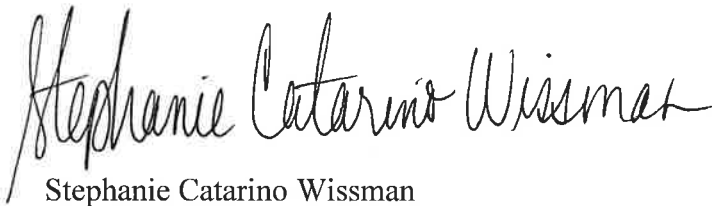
According to the PA Department of Environmental Protection, natural gas production in Pennsylvania surpassed 3 trillion cubic feet in 2013. The development of the industry is still far from complete. Further expansive capital investment is needed and a severance tax could stunt the growth of this very promising industry.

We are playing our part to help make Pennsylvania better. A recent IHS Global Insight study estimated that Pennsylvania public elementary and secondary school districts saved approximately 8.3% on electricity and 22.1% on natural gas, for a total of \$45.5 million, enough to employ over 480 teachers. State and local governments saved an estimated \$19 million, or the cost to employ about 280 government workers. The oil and natural gas revolution isn't just supporting manufacturers and helping small businesses prosper, it's also keeping energy costs down for Pennsylvania schools and government offices.

Surely, by any reasonable account, the \$2.1 billion in shale related taxes and the \$630 million the industry has paid in local impact fees equates to paying one's fair share.

Again, we urge restraint and oppose efforts to enact a severance tax.

Sincerely,



Stephanie Catarino Wissman
Executive Director
Associated Petroleum Industries of Pennsylvania



David Spigelmyer
President
Marcellus Shale Coalition



Lou D'Amico
President and Executive Director
Pennsylvania Independent Oil & Gas Association

Cc: Governor Tom Corbett