



**Testimony of**

**David Callahan, President  
Marcellus Shale Coalition  
Before the  
Liquified Natural Gas Task Force**

**May 19, 2023**

Good morning, Chairwoman White and distinguished members of the Liquified Natural Gas Task Force (LNG Task Force). My name is David Callahan, and I serve as President of the Marcellus Shale Coalition (MSC). The MSC is a state-wide trade association representing more than 140 energy companies from the upstream, midstream, and downstream sectors, and those who supply goods and professional services to the industry. Our members are fully committed to working with local, county, state and federal government officials to facilitate the safe development of natural gas resources in the Marcellus, Utica and related geologic formations. I appreciate the opportunity to be with you today and to share some thoughts on informing the Task Force's important work of turning the opportunity to export LNG into a reality.

**Introduction**

I want to start off my comments by thanking Representative White for her steadfast commitment to pursuing this issue and exploring the feasibility of utilizing the ports and waterways here in southeastern Pennsylvania to export LNG. Sharing our bounty of natural gas with the world is good for the economy, it's good for the environment, and it's good for our national security.

It's good for our economy because it continues to drive capital investment and secure and expand job opportunities within the upstream, midstream and downstream sectors of this industry. These jobs are career-oriented, family-sustaining opportunities to transform lives and communities alike. Many are found within the skilled trades, many of whom learn their craft in this building and have been unyielding partners in support of Pennsylvania energy dominance.

It's good for the environment because natural gas here in Appalachia is produced as cleanly and responsibly as anywhere in the world. From the lowest methane intensity in the United States – and an intensity 65% *lower* than that of natural gas produced in Russia – to historic reductions in criteria pollutants such as NO<sub>x</sub>, SO<sub>x</sub> and VOCs, Pennsylvanians have benefitted from air that is perhaps as clean as it ever has been since the dawn of the industrial revolution.

And it's good for our national security, for all the reasons we have seen play out on the world stage over the past 18 months. Many of our allies throughout the world – from Europe to Asia – are not blessed with their own abundant domestic energy resources. Necessity over the decades has led many of these countries to depend on nations– most prominently Russia – that have wielded their near-monopolistic regional control of energy production and infrastructure as a

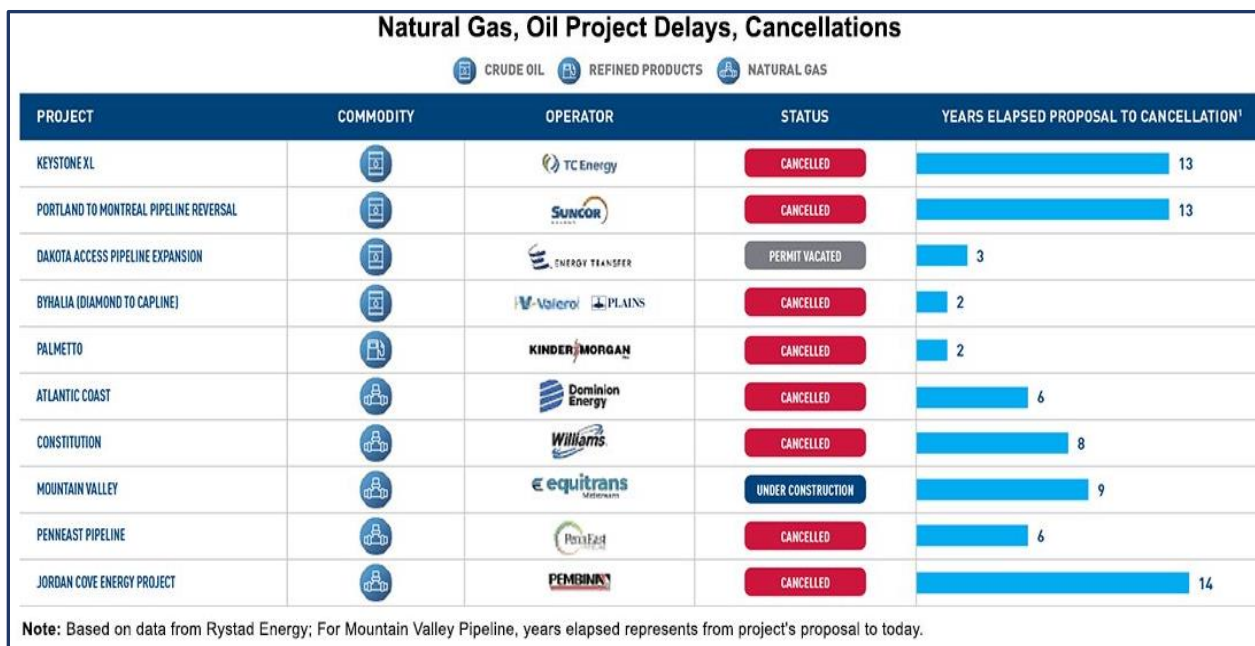
weapon, holding tens of millions of residents as energy hostages. The United States has largely ridden to the rescue in the short term, but we can and must do more to address these critical energy security and national security concerns.

**Lack of Infrastructure Build-Out**

You will have experts come before this Task Force who are more versed than I with respect to the federal permitting and operational challenges necessary to physically construct and operate an export terminal here in the southeast. I want to focus my comments on some additional challenges in the upstream and midstream sectors which have impacted production levels to date and impeded the ability to site and build critical infrastructure necessary to ensure a sufficient supply of natural gas to meet both domestic needs and export opportunities.

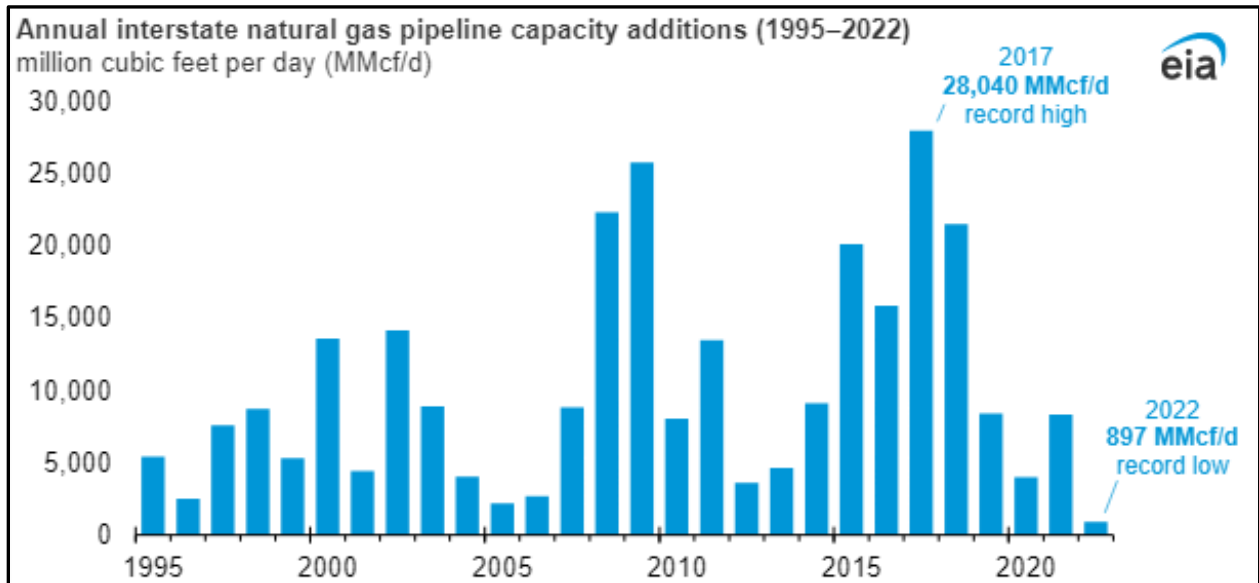
First and foremost: we need pipelines. Like any commodity, the ability to efficiently move a product from its point of production to point of utilization is essential to the sustained viability of the industry. The development of Marcellus Shale and other shale formations in the northeastern United States over the past fifteen years has turned energy markets on their heads. That’s been a good thing: consumers have benefitted from clean, abundant, lower-cost, clean energy, and we have reduced our own dependency on Gulf Coast and other distant production basins for energy.

But these now not-so-new areas of production here in Pennsylvania – principally in northcentral/northeastern Pennsylvania and southwestern Pennsylvania – need additional pipelines to access markets, both within our Commonwealth but also regionally. Efforts to build pipelines into New England and New Jersey have been stopped by activist organizations and their state government enablers. Consider this chart below from the American Petroleum Institute, which highlights the untenable length of siting and constructing a major pipeline (both oil and natural gas) and the significant number of projects lost through their cancellation:

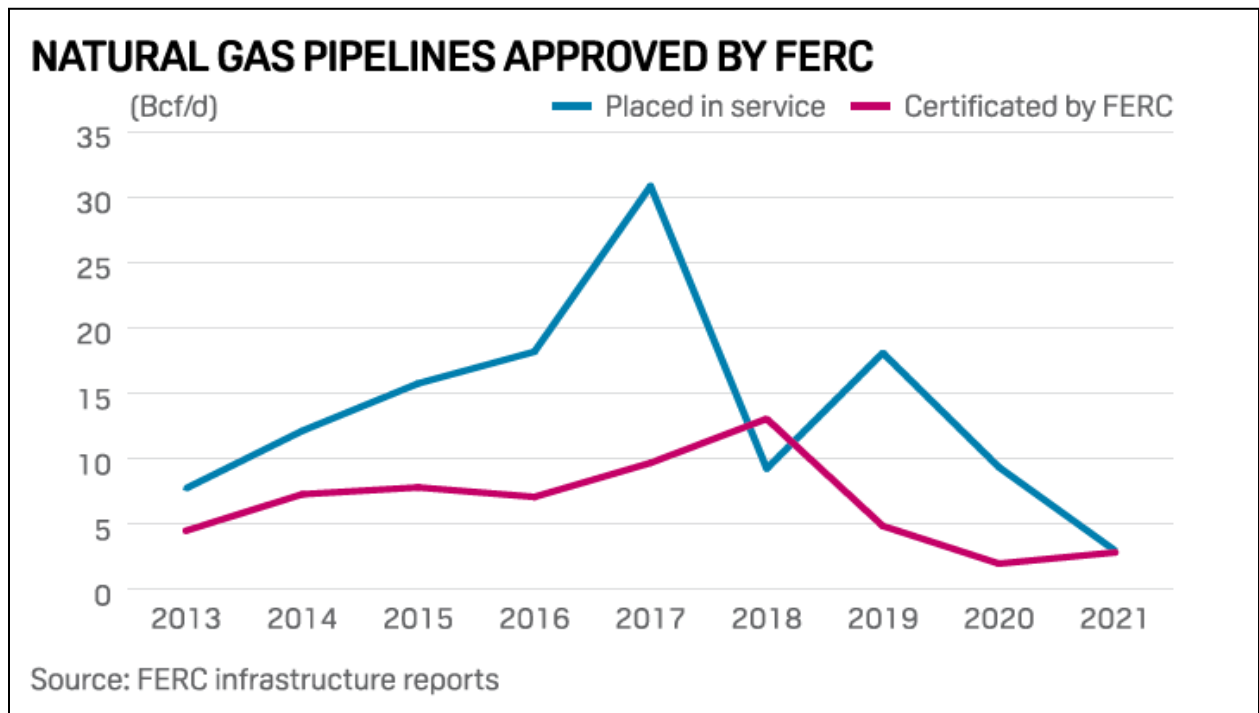


To be clear, this is just a sampling of large-scale pipeline projects that have been cancelled or significantly delayed. Countless other projects that are also critical pieces to our infrastructure puzzle have been cancelled, delayed or in many cases, have never gotten off the drawing board.

In fact, according to the U.S. Energy Information Administration, the amount of interstate capacity added to our pipeline system in 2022 was the lowest on record, back to at least 1995:

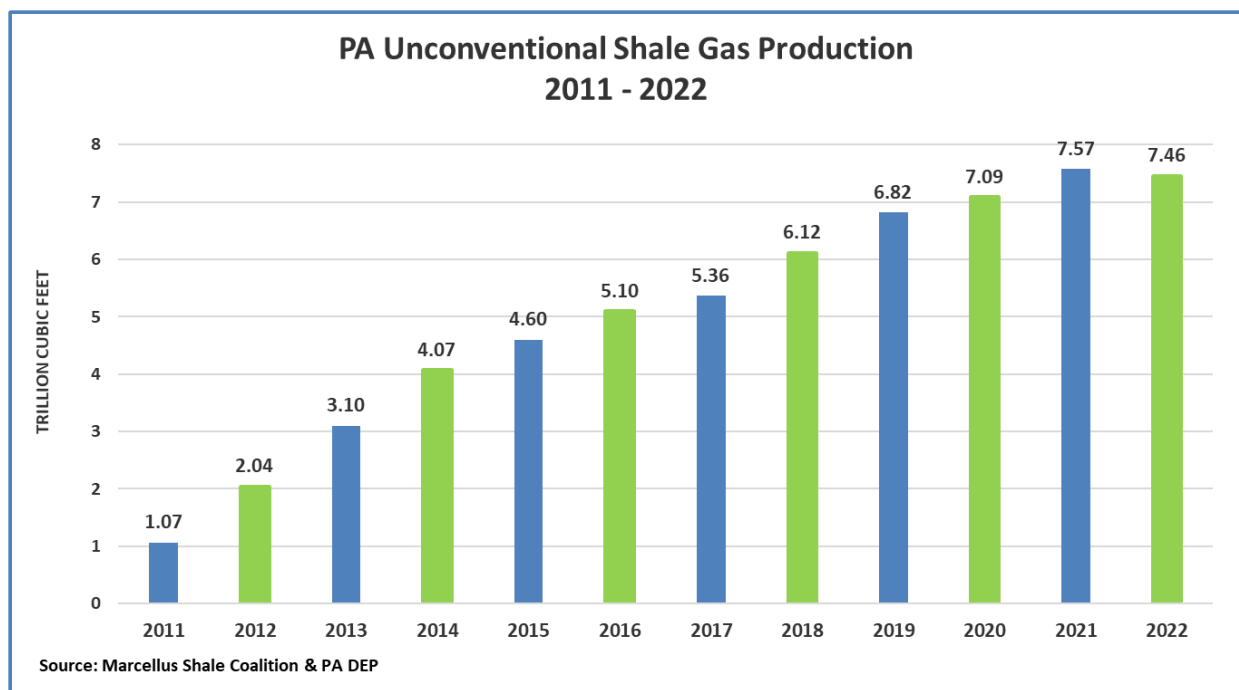


Given the lead time we know it takes to permit, certificate and ultimately build pipelines, the short-term outlook does not look favorable either. Consider this chart from Platts Inside FERC:



While we have seen a slight uptick recently in FERC activity – and I know former Chairman Chatterjee, a strong proponent of pipeline infrastructure during his tenure at FERC, can speak to this with greater authority – this significant decrease in capacity additions sends a signal to operators that we are not equipped to sustain the growth in production that we have seen since the onset of the Marcellus era around 15 years ago.

To put this in perspective: while approximately 3 billion cubic feet/day of additional capacity was added to our interstate pipeline systems in 2021, Pennsylvania itself currently produces more than 20 billion cubic feet/day of natural gas. This lack of growth in takeaway capacity was a major factor in Pennsylvania – for the first time in the Marcellus era – experiencing a slight decrease in total annual production in 2022 compared to the prior year:



### **Permitting Reform**

Without question, some of the solutions to these challenges are to be found at the federal level. These include FERC streamlining its approval process for projects, and the federal government reigning in states that abuse the so-called Section 401 permit approval process, under which states administer federal Clean Water Act permits for projects which cross state lines.

However, permitting improvements at the state level are critically necessary as well. Natural gas projects are among the most regulated of any in the state. Consider the following sampling of a few state permits needed for shale gas development:

- Erosion & Sediment Control Permit – for earthmoving activities
- Well drilling Permit – physically constructing the well



- Air Quality Permit (GP-5 7 GP-5A) – to regulate emissions at the well pad or compressor station
- Waterway Crossing Permits (PA DEP Ch. 105 or U.S. Army Corps of Engineers) – for constructing pipelines underneath waterways and wetlands
- Title 5 or Air Quality Plan Approval – for large scale processing facilities

Far too often, permit decisions are not made within the timeframes in which they are promised, or in some cases, statutorily mandated. By law, air quality general permit decisions are to be made within 30 calendar days, but it is not unusual for the PA Department of Environmental Protection (PA DEP) to take months – and in some outlier cases, over a year – to issue a permit. Currently, there is no penalty for PA DEP failing to meet its statutory mandate, nor is there any recourse for the permit applicant to seek. You can appeal a permit denial to the courts; but there is nowhere – beyond common sense and basic customer service – to appeal the *lack* of a permit decision.

Likewise, erosion and sediment control permits – the most basic of permits that authorizes earthmoving to construct a well pad, access road or midstream infrastructure – face significant delays and constantly changing criteria inserted outside of the regulatory process. These permits, under PA DEP policy, should have a decision rendered between 14 business days (expedited) or 43 business days (standard). Again, it is not uncommon for decisions on these permits to extend well beyond this timeframe, including in some specific cases we've tracked, 250 days or more.

Below is an analysis of the permit times for E&S general permits related to natural gas development for the first quarter of 2023 for each of the three PA DEP regional offices that process natural gas related permits:

<b>January 1 – March 31, 2023</b>		
<b>ESCGP-3 Permit</b>	<b># Issued</b>	<b>Avg. Time</b>
Southwest Regional Office	21	123
Northcentral Regional Office	29	82
Northwest Regional Office	6	79

Even these numbers are a bit deceiving. While permits in northcentral PA are generally processed in a more efficient manner than southwestern PA, PA DEP made a change last year that has exacerbated permitting within the southwestern portion of the state. Without any official notice, let alone a regulatory modification to justify the change, PA DEP made an arbitrary decision last year to no longer allow applicants to utilize a general permit in regions where they



may encounter acid producing rock – a known geologic feature that is readily handled by the engineers preparing these permits. While this change may seem to be a bit of “inside baseball”, it symbolizes a larger issue that has frustrated infrastructure build-out in Pennsylvania: ever-shifting criteria imposed upon job-creators with no real input or adherence to regulatory authority, let alone environmental benefit.

There are a multitude of tools that can potentially help address these issues. Ideas such as third-party review; deemed approved; and ability to appeal agency inaction all deserve consideration. Fundamentally, however, no matter what the words on a statute or regulation say, we need a culture shift that prioritizes permit predictability, consistency across regional offices, internal accountability, and a recognition that job creators are partners – not adversaries – in the effort to protect our environment while growing our economy.

### **Conclusion**

We are encouraged by several early actions of Governor Shapiro’s administration, including the Governor’s executive order on permitting reform, the creation of a new Office of Transformation and Opportunity to serve as a one-stop-shop for job creators that need multiple agency approvals, and a focus on agency and staff accountability.

While we remain optimistic about what may come, the work of this Task Force is extremely important. The benefits of LNG are vast. The needs of both domestic and foreign markets for natural gas are substantial. Those needs, ultimately, will be met. The question is: by whom? Other nations are in the queue to supplant the United States as the provider of choice if we fail to meet this need.

Will the jobs be at the Port of Philadelphia, or elsewhere? Will the supply of gas be met by the Commonwealth’s world-class resources, or elsewhere? Will the private capital to drive all of this development see Pennsylvania – and Philadelphia – as a prudent investment, or not?

If we get this equation correct, the answer to all of these questions will be “yes.” Please be assured of the commitment of our membership and Pennsylvania’s natural gas industry to be partners in this critically important endeavor.

Thank you and I look forward to your questions.

