



October 6, 2021

The Honorable John Yudichak, Chairman  
Senate Community, Economic &  
Recreational Development Committee  
352 Main Capitol Building  
Harrisburg, PA 17120

The Honorable Gene Yaw, Chairman  
Senate Environmental Resources &  
Energy Committee  
362 Main Capitol Building  
Harrisburg, PA 17120

Dear Chairman Yudichak & Chairman Yaw:

Thank you for the opportunity to appear before your respective committees on Monday and offer our insights on the critical need for continued development of Pennsylvania's energy infrastructure. We are appreciative of the support you and many of your colleagues have demonstrated for the build out of infrastructure, and most critically, the livelihoods of the men and women who work each day to enhance our economy and national energy security.

Unfortunately, we have become accustomed to well-funded radical activists engaging in a broad misinformation campaign targeting the energy industry. One facet of this campaign concerns supposed subsidies for the natural gas industry that they know, or should know, are false, and we therefore have an obligation to correct the record. During Monday's hearing, a report authored by the group PennFuture was cited as evidence that Pennsylvanians are providing billions of dollars in subsidies to the natural gas industry. A closer look is warranted to understand what, exactly, PennFuture and its supporters and enablers regard as a subsidy. For example, the following are cited as subsidies:

- \$1.06 Billion because Pennsylvania does not impose property taxes on private landowners who own oil and gas rights underlying their property.
- \$1 Billion because Pennsylvania does not impose the 6% sales tax on the sale of diesel and gasoline. This assertion ignores that Pennsylvania replaced the sales tax with the highest-in-the-nation liquid fuels tax; but more importantly, it also ignores that any such tax would be paid by individual consumers.
- \$305 Million for not imposing a gross receipts tax on homeowners and businesses who use natural gas to heat their homes.
- \$260 Million for not imposing the 6% sales tax on electricity used by homeowners, businesses, schools and other entities. This also conveniently ignores that consumers currently pay a separate gross receipts tax on electricity use.
- \$169 Million for not imposing the 6% sales tax on the tens of thousands of Pennsylvanians who heat their home with fuel oil.

The theme here is quite clear: PennFuture continually argues that *not imposing* a tax on *your constituents*, or not imposing it at the rate that they deem high enough for your constituents, is somehow a subsidy for the natural gas industry. Again, they completely obfuscate the fact that in each case, the tax identified and sought by PennFuture would be paid by individual Pennsylvanians. To further paint their distorted picture, by this twisted logic, Pennsylvania is subsidizing every citizen that pays a personal income tax rate because it is a lower rate than one imposed in another state. The very premise boggles the mind, and those that perpetuate this nonsense without comprehending the very simple concepts being proffered only enable this anti-consumer propaganda.

Along these lines, there was also discussion about both the ethane manufacturing tax credit, enacted in 2012, and the local resource manufacturing tax credit, enacted in 2020. Each of these statutes provides incentives for manufacturers to locate in the Commonwealth and utilize natural gas and natural gas liquids in the manufacturing process. Employers are eligible for the tax credit if they meet certain thresholds regarding job creation and private capital investment. It is important to underscore that, contrary to what was implied at the hearing, natural gas producers are not eligible to qualify for these tax credits from the Commonwealth.

With respect to the ethane tax credit, while billions of dollars have been invested to date, and over 7,000 skilled trades men and women have been working to construct this facility, as of today not a single tax credit has been realized by the manufacturer.

Finally, we note the irony that while some radical activists are fixated on alleging preferential tax treatment for the natural gas industry, Pennsylvania actually imposes a unique tax on this industry, called the impact fee. This tax is *in addition to* every other business tax levied by the Commonwealth. To date, the impact fee has generated more than \$2 Billion in new revenue. In addition to being allocated to local communities in all 67 counties, natural gas operators paying this tax have funded the following amounts to statewide environmental programs:

- \$182 Million for water and sewer infrastructure
- \$182 Million to repair at-risk bridges
- \$146 Million for Marcellus Legacy Fund environmental grants
- \$109 Million to counties for conservation and recreation grants
- \$73 Million for Growing Greener environmental grants
- \$25 Million to clean up legacy brownfield sites

Based on misinformation reiterated at the hearing and echoed afterwards, we felt it necessary to clarify these important points. We look forward to working with you and your colleagues to advance the development of Pennsylvania's energy resources to the benefit of all citizens.

Sincerely,



David Callahan, President  
Marcellus Shale Coalition



David N. Taylor, President & CEO  
PA Manufacturers' Association



Kevin Sunday, Director,  
Government Affairs  
PA Chamber of Business &  
Industry