



Statement of the Marcellus Shale Coalition

David E. Callahan

Vice President

Before the

House Consumer Affairs Committee

August 3, 2011

Good morning, Chairman Godshall, Chairman Preston and members of the House Consumer Affairs Committee. Thank you for the opportunity to submit comments on the status of competitive energy markets in Pennsylvania.

The Marcellus Shale Coalition (MSC) is a multi-state organization, founded in 2008 to advance the responsible development of natural gas from the Marcellus Shale geological formation that underlies a number of states, including Pennsylvania, New York, Ohio, West Virginia, and Maryland. Working with state and federal regulators, elected officials and the general public, the MSC seeks to educate, engage and promote natural gas as a clean, job-creating resource with tremendous economic and environmental benefits. The members of the coalition are dedicated to developing this resource safely and efficiently.

Natural gas from the Marcellus Shale formation and other shale resources in the United States is playing a significant role in our nation's energy portfolio. The Marcellus is one of several major shale plays in the United States including, but not limited to, the Antrim (Michigan, Indiana, and Ohio), Barnett (Texas), Fayetteville (Arkansas), Woodford (Oklahoma), Haynesville (Louisiana and Texas), and Eagle Ford (Texas). According to the Energy Information Administration (EIA), U.S. shale gas production has increased fourteen-fold over the past decade and it now comprises about 22 percent of total U.S. natural gas production.

The EIA projects shale gas production in the U.S. to increase strongly through 2035 – growing almost four-fold from 2009 -2035. While total domestic natural gas production grows from 21.0 trillion cubic feet in 2009 to 26.3 trillion cubic feet in 2035, shale gas production grows to 12.2 trillion cubic feet in 2035. At that time, shale gas is projected to comprise 47 percent of total U.S. production. Shale gas is also expected to decrease significantly natural gas imports - shrinking them from 11 percent in 2009 down to 1 percent in 2035.

The role of the Marcellus in the domestic shale gas revolution cannot be understated. According to a study of Marcellus economic impacts the MSC commissioned from economists at The Pennsylvania State University, *The Pennsylvania Marcellus Natural Gas Industry: Status, Economic Impacts, and Future Potential* (released July 20, 2011), 2,300 wells could be drilled in calendar year 2011 and nearly 2,500 wells in 2020. As of this date, approximately 3,300 wells have been drilled in the Marcellus in Pennsylvania. The study found that Marcellus wells were producing about 2 billion cubic feet per day at the end of 2010. In 2011, the study projects production at 3.5 billion cubic feet per day. By 2020, the Marcellus could be producing up to 17.5 billion cubic feet per day or 6.4 trillion cubic feet annually, representing nearly one quarter of America's total natural gas production.

For the Commonwealth itself, the development of the Marcellus is and will continue to have a positive impact in terms of energy and economics. Based on preliminary data, Pennsylvania consumed about 2.36 billion cubic feet of natural gas per day in 2010. Given the current production noted above, the development of the Marcellus has made Pennsylvania self sufficient in terms of its natural gas consumption. Pennsylvania is now a net exporter of natural gas. Furthermore the study finds that, provided that natural gas prices remain consistent, the Marcellus could be the largest producing natural gas field in the United States by 2020.

The continued responsible development of the Marcellus will have significant economic impacts for the Commonwealth as noted in the chart below.

Millions of 2010 Dollars					
Year	Value Added	State & Local Taxes	Employment	Wells Spudded	Output bcfe / day*
2009	4,703	573	60,168	710	0.3
2010	11,161	1,085	139,889	1,405	1.3
<i>Planned</i>					
2011	12,844	1,231	156,695	2,300	3.5
2012	14,531	1,402	181,335	2,415	6.7
<i>Forecast</i>					
2015	17,195	1,677	215,979	2,459	12.0
2020	20,246	2,003	256,420	2,497	17.5

* bcfe is billion cubic feet of natural gas equivalents per day.

A particularly noteworthy consumer benefit of the development of the Marcellus is the effect on energy prices paid in Pennsylvania. The recent economic impact study estimates that the increase in natural gas production during 2010 attributable to the Marcellus reduced natural gas prices by 12.6 percent from what they would have been without Marcellus production. The reduction in natural gas prices in turn reduces consumer outlays for natural gas and promotes lower electricity prices to the degree that natural gas is used to generate electricity.

The study estimates that without the Marcellus, consumers would have paid more than \$633 million more in additional energy costs in Pennsylvania in 2010. The economists estimate that residential energy bills were \$245.1 million lower due to Marcellus production. An estimated \$217.4 million of the savings came from lower natural gas bills and \$27.7 million came from lower electricity bills. Commercial and industrial customers paid \$190 million and \$198.3 million less, respectively, as a result of Marcellus production gains.

Millions of 2010 dollars			
	Electricity	Natural Gas	Total
Residential	27.7	217.4	245.1
Commercial	44.5	145.5	190.0
Industrial	51.1	147.3	198.3
Total	123.3	510.2	633.4

Econometric modeling can estimate the impacts of the energy savings noted above. While it is difficult to project the impact of savings on the commercial and industrial sector, the savings on residential utility bills add \$170 million to the Pennsylvania economy, \$18 million to state and local tax revenues, and 2,257 jobs for Commonwealth residents.

Shale gas is having a significant impact on the nation's energy portfolio, and the Marcellus can play a considerable role in meeting our future energy needs. While the development of the Marcellus is relatively new, it is already saving Pennsylvanians significant amounts on their energy bills.

The continued development of the Marcellus and the many benefits derived from it depend on the continued investment of capital. Capital is finite, and we are fortunate that thus far, many companies have invested capital here in Pennsylvania. However, many factors influence where the capital flows. The overall business climate and public policy environment in the Commonwealth all influence the investment of capital. Pennsylvania must strive to maintain a public policy environment that encourages competitive economics while promoting the safe and responsible development of this abundant resource for generations to come.

Thank you.