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Natural Gas Industry Must Learn 'All Politics is Local' to Succeed in New York

By Joseph Sluzar

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The George W. Bush Institute and Southern Methodist University recently co-sponsored a conference in Dallas, Texas entitled "Natural Gas Nation." At the conference industry representatives, economists, educators and government officials discussed domestic natural gas supply and demand. Attendees also addressed the future of the domestic natural gas industry, including the problems encountered when companies probe new geography for exploration and production. Many natural gas companies seeking to develop new fields in the Marcellus Shale have in fact met virulent local opposition.

At the conference, some officials from the northeast criticized the industry for being tone deaf. Pennsylvania Governor Ed Rendell stated that the industry has lost some goodwill, because it has failed to work with PA officials on adopting a reasonable severance tax. As corporate counsel for Broome County, New York, a core Marcellus area, I argued that the industry has failed to heed the maxim that "all politics is local."

The consequences of failing to acknowledge local politics are clearly illustrated by the shifting public debate about natural gas development in NY. While the initial debate focused on the merits of specific regulations, now citizens are arguing whether NY should even allow horizontal drilling. The latest salvo is that all natural gas drilling should be stopped until the federal Environmental Protection Agency completes its new study on hydro frac'ing. The natural gas industry has lost time and momentum in NY. But it has not lost opportunity.

The natural gas industry speaks through individual companies and trade associations. It argues that NY's water, air and land would not be compromised by natural gas development. Of course, many believe that the industry is motivated by and speaks from self interest. Profit is the motive, not protection of the environment. Parts of the northeast are already scarred by industrial waste. When you live in an area pockmarked by brown fields, profit motive and environmental protection are perceived by many to be mutually exclusive.

To gain a stronger more credible voice, I suggested at "Natural Gas Nation" that the industry must do a better job communicating its message to the public. Certainly industry lobbyists are prowling the halls of Albany, NY's capitol. That's fine. Some new ads are finally appearing on television. That's also a positive. But the industry also has to walk the streets, visit coffee shops and understand local politics. The failure to appreciate local politics has cost the natural gas industry a lot of political capital, and that loss has helped shift the public debate in NY.

Probably the most blatant example of the industry's failure to acknowledge local issues is the lack of understanding the labor market. NY is a "union" state. That does not mean there is labor unrest, but it does mean that many building trade workers are organized into unions. The federal Department of Labor estimates that 25 % of all workers in NY are represented by organized labor compared to about 5% in TX. These demographics suggest that the industry should view development issues in NY Marcellus fields differently than in TX Barnett fields.

Several years ago Millennium Pipeline LLC built an interstate natural gas pipeline across the southern tier of NY. It is no coincidence that the pipeline sits on top of prime Marcellus Shale geology. When the pipeline was built, the owner worked with local labor. Millennium's website credited organized labor with helping accomplish a timely completion of the pipeline. Organized labor in turn proudly proclaimed that it was helping bring clean energy to the northeast. There was a partnership.

Organized labor has vast political clout in NY. But today it is too silent on the debate of the future of natural gas development. The natural gas industry has not implemented a viable outreach program. If the industry would like to exercise some influence in Albany, NY and on Main Street, it should work with organized labor-building trades and beyond. Promise jobs in shale fields; explain the benefits of an expanding economy, and ask for help. Local workers clamoring for natural gas development will influence public opinion more than industry spokesmen.

The industry has adopted many pro-environmental policies in drilling and production. Quite often industry "best practices" precede government regulations, but this has not quelled local discomfort and fear. The industry should offer to provide "environmental monitors" to ensure compliance with NY regulations. Monitors would be hired and directed by NY Department of Environmental Conservation, but financed by the industry. There is historical precedent in NY for this practice in the pipeline, public utility and solid waste industries.

A transparent offer to provide state directed environmental monitors will accomplish several goals. Most importantly, the environment will be served. Additionally, visible monitors will evoke more credibility than industry employees explaining that natural gas drilling is safe.

Yes these suggestions cost money. But there is a price point advantage to developing natural gas in upstate NY. IHS CERA, an energy market research and consulting firm, has concluded that because of location, expected volumes and estimated capital expenditures, the Marcellus will displace other sources of natural gas in the large northeast markets.

There are always economic tradeoffs. Last year a drilling company employee told me that his employer was still adjusting to the fact that there were many municipalities in the Ft. Worth area. The company was used to drilling in wide open non populated areas. It had to adjust to the Ft. Worth demographic. The industry has to adjust again to the NY demographic. Once it does, the industry will reap benefits by paying heed to the maxim that "all politics is local"

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