



Associated Petroleum Industries of Pennsylvania

A Division of the American Petroleum Institute

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TESTIMONY OF

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A DIVISION OF THE AMERICAN PETROLEUM INSTITUTE

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BEFORE THE HOUSE ENVIRONMENTAL RESOURCES & ENERGY COMMITTEE

Chairman Metcalfe, Chairman Vitali and members of the House Environmental Resources and Energy Committee, on behalf of the Associated Petroleum Industries of Pennsylvania (API-PA), a division of the American Petroleum Institute (API), thank you for the opportunity to provide a “State of the State” of the natural gas and oil industry.

API is the only national trade association representing all facets of the natural gas and oil industry, which supports 10.3 million U.S. jobs and nearly 8 percent of the U.S. economy. API’s more than 600 members include large integrated companies, as well as exploration and production, refining, marketing, pipeline, and marine businesses, and service and supply firms. They provide most of the nation’s energy and are backed by a growing grassroots movement of more than 47 million Americans.

API is also a standard setting organization. For 95 years, API has led the development of petroleum and petrochemical equipment and operating standards. These standards represent the industry’s collective wisdom on everything from drill bits to environmental protection and embrace proven, sound, state of the art engineering and operating practices and safe, interchangeable equipment and materials for delivery of this important resource to our nation. API maintains more than 700 standards and recommended practices (RPs). Many of these are incorporated into state and federal regulations.

Today, the U.S. leads the world in the production and refining of natural gas and oil, and Pennsylvania is the number 2 producer of natural gas in the country. This has resulted in positive benefits for American consumers by driving energy costs down and has also benefited our environment. In fact, clean-burning natural gas has driven U.S. carbon emissions from power generation to their lowest levels in nearly 30 years.

By 2015, PA GHG emissions from electricity generation have fallen more than 28% from 2005 emission levels based on the Draft 2018 PA GHG Emission Inventory (presented to the CCAC December 4, 2018). According to the EIA, this trend continued through 2016, reporting a reduction in CO₂ emissions from the electric power sector of more than 34% since 2005. This reduction has been driven in large part by clean burning natural gas from Pennsylvania’s Marcellus shale and other shale plays, as well as advancements in energy efficiency. More precisely, natural gas accounts for nearly 84% of the reduction in emissions in the electric power sector since 2005.

When it comes to carbon, no nation has reduced emissions more than the United States has over the last decade. Smart policy explains only part of that progress. The single greatest factor is clean natural gas. Not only has it altered the economic landscape; it makes progress possible in renewable energy as well. When a power plant is sourced by wind or solar, you still need natural gas to back it up.

And, environmental responsibility is everybody's business. That is why API has spearheaded The Environmental Partnership. The Environmental Partnership's mission is to continuously improve the industry's environmental performance by taking action, learning about and implementing best practices and technologies, and fostering collaboration in order to responsibly develop our nations' essential natural gas and oil resources. More than 50 companies, representing roughly one third of U.S. natural gas production, have voluntarily joined this initiative to aggressively reduce air emissions, both methane and volatile organic compounds (VOCs), from our production segment because it represents a majority of emissions from the sector.

Pennsylvania natural gas production is at record highs. As of November 2018 (last available date), Pennsylvania marketed natural gas production exceeded 18 billion cubic feet per day (bcfd). The amount of natural gas that Pennsylvania produces in one year at current rates, 18 bcfd, could heat all Pennsylvania residential natural gas consuming households for about 30 years. This is 2.4 bcfd or a 15% increase over the same time last year. Pennsylvania natural gas production accounts for over 19% of total US production, 10 years ago it accounted for less than 1%.

Rig productivity in the Commonwealth is strong as well. 918 natural gas wells were drilled in Pennsylvania last year, a modest increase from 2017 of less than 0.5% but was significantly higher (+54%) than 2016 levels. Similarly, Rig counts in Pennsylvania are also increasing. End of the year operating rig counts of 48 is over 40% higher than a year ago and the highest level since April 2015. And technological innovations are allowing greater production from newer wells, as seen by the rise in total state production, reducing surface, roadway, and all associated impacts in tandem.

From an economic standpoint, Oil and gas drilling and production activity supports over 200,000 jobs in Pennsylvania. According to 2018 IMPLAN data (based on US Bureau of Economic Analysis Pennsylvania employment multipliers), nearly 110,000 direct Pennsylvania jobs and about 110,000 indirect and induced jobs are supported in Pennsylvania by this industry. In 2017, jobs in the oil and gas extraction industry nationally had an average salary of \$165,670, nearly 3 times the average salary of \$55,330.

With an approximate cost of \$9 million / well (based on Considine 2017 working paper "Revisiting the Economic Impacts of Fracking in Pennsylvania" page 36) drilling activity alone represented over \$8 billion investment into the Pennsylvania economy in 2018.

From heating homes, schools, and hospitals to generating clean and reliable electricity, natural gas and petroleum products touch nearly every aspect of life in Pennsylvania. This includes providing jobs and the building blocks for goods that we use daily. While the Keystone state is a top ten energy consumer in the country, it's abundant resources and infrastructure system enable it to be the second largest net supplier of total energy to other states. To achieve this feat, Pennsylvania relies on pipelines to safely transport these products. It is important to consider that there are over 3,000 miles of liquid pipelines in the Keystone state, along with over 10,000 miles of natural gas transmission pipelines that safely transport energy products, and this infrastructure is an essential component in connecting production to markets, and even to our homes.

Our industry's commitment to safe operations is evident by the strong safety record, with **99.99%** of the oil, petroleum products, and natural gas delivered safely to their destination via pipeline. Few industries can claim this kind of a safety record. Protecting the public and the environment is a top priority for pipeline operators and a central component to pipeline design, construction, and maintenance. Behind the scenes, pipeline operators are regularly inspecting their pipelines with state-of-the-art diagnostic tools and conducting preventative maintenance, monitoring their safe operations 24/7 looking for signs of trouble, and practicing how to rapidly respond to a pipeline emergency if one were to occur.

While the primary goal is preventing incidents before they occur, pipeline operators are ready to respond in partnership with State and local first responders and government authorities to protect local communities and the environment. Pipeline operators maintain detailed action plans to know in advance who to contact in case of an emergency and have support personnel and equipment ready to rapidly deploy to an incident site

Stable, affordable energy is reviving American manufacturing, restoring jobs we thought were gone forever. Manufacturers have saved tens of billions of dollars in energy costs that has freed capital for further investment.

For a bird's eye view of the beginning of a manufacturing revival, you don't need to look any further than Beaver County, where a new petrochemical plant is going to be a welcome sight after a generation of facilities closing one after another.

The task for this committee, our state government and our regulatory agencies is to provide a climate where Pennsylvania can build on this momentum and the environmental progress that we have achieved. New and increased taxes on this, or any industry can only slow growth and investment. Simply put, capital is invested where it generates returns. Similarly, the transformation that you see in energy today didn't arise from any rule or mandate. Natural gas hasn't helped America become the world leader in reducing carbon emissions through rules and regulation, that has happened because our industry was free to innovate, and the market was free to work. There are few industries more regulated than the natural gas and oil industry. The key to energy regulations is to keep them grounded in common sense and hard science, while letting this industry deliver on the next wave of innovation, and deliver on a cleaner, stronger Pennsylvania

The state of the state is strong. Let's continue to build on this prosperity.

Once again, thank you for allowing me to testify on behalf of API and our member companies here today.