Signing of Ohio Drilling Rules Don't End Debate

Julie Carr Smyth, Associated Press

COLUMBUS, Ohio (AP) — The policy debate over hydraulic fracturing in Ohio doesn't end with Gov. John Kasich's signing of new drilling rules Monday.

A fellow Republican in the Ohio House said Monday that he and some GOP colleagues plan to revisit the governor's proposed tax increase on the industry before the session ends in December, setting up a likely fight between lawmakers, the governor and the oil and gas industry.

Hydraulic fracturing, or fracking, involves blasting millions of gallons of chemically laced water into the earth to fracture shale formations and release oil, natural gas and natural gas liquids such as propane.

The energy measure signed by Kasich lays out rules for disclosing the chemicals that are used in the process, construction of wells and reporting of water sources and amounts used as the developing Utica and Marcellus shale formations running under parts of Ohio are explored.

The legislation also makes changes to Ohio's clean energy standard, affecting the types and percentages of renewable energy that are being phased in by utility companies.

But lawmakers chose to leave out the governor's plan to raise severance taxes on high-producing oil and gas wells tapped using high-pressure fracking.

Kasich wants to funnel proceeds from his proposed tax increase into modest statewide income-tax relief in two or three years, after a grace period in collections that would allow well operators time to recover their startup costs.

Studies have diverged on the tax's economic impact on the growing industry, but polls show voters support Kasich's proposal.

Ohio Oil and Gas Association executive vice president Tom Stewart said his organization of energy producers is largely supportive of the sweeping energy bill that Kasich signed Monday at Echogen Power Systems in Akron.

But Stewart said he believes Kasich's proposal to increase the tax to 4 percent singles out large oil and gas producers over smaller ones, raising a potential legal question.

"I think there could be some problems when you start singling out by (shale) formations, or certain sized businesses," he said. "You have problems regarding equal treatment under the law."

Stewart said the industry continues to fight the tax hike, and they have some support in the Republican-dominated state Legislature to make adjustments.

"I don't think the conversation's dead," Stewart said. "John Kasich is trying to do his best for the welfare of Ohio, I know that. He wants good things to happen for Ohio. But I don't think he has a good handle on oil and gas right now. What we're seeing is a lot of caution out there in the oil field."

Kasich spokesman Rob Nichols said there's been no evidence the governor's tax hike would deter drilling.

"The industry is growing, it's growing in terms of (permit) applications, in terms of permits, in terms of number of wells — and this occurring long after the governor's plan for the severance tax was known publicly," he said. "At the end of the day, Ohio remains a very high tax state and this is about driving down the income tax to make us more competitive to put Ohioans back to work."

GOP State Rep. Lynn Wachtmann, of Napoleon in northwest Ohio, is among those who believe the issue needs more study. He said he believes an agreeable compromise could be reached by December or January.

"My end goal is to have a severance tax that encourages further investment as well as development of these natural resources," he said.

Mike Dittoe, a spokesman for Ohio House Speaker Bill Batchelder, said a bill to address the Kasich tax proposal has not yet been introduced — and won't likely surface until after the November election.

"It's my understanding that our caucus will work closely with the governor and all interested parties on the issue throughout the summer recess with possible action at a later date that has yet to be determined," he said.

Source URL (retrieved on *09/01/2014 - 3:52am*):
http://www.chem.info/news/2012/06/signing-ohio-drilling-rules-dont-end-debate