NC House Panel OKs Cautious 'Fracking' Bill

CHRIS KARDISH, Associated Press

RALEIGH, N.C. (AP) — North Carolina would take a more cautious approach to allowing oil and gas drilling under legislation that won approval Wednesday in a state House committee.

The amended bill removes many provisions in a Senate measure that would set a date for regulators to begin issuing permits to energy companies drilling for gas through a method known as hydraulic fracturing, which many environmentalists oppose out of concerns for water supplies.

Hydraulic fracturing, commonly known as "fracking," involves injecting an underground well with chemicals, water and sand at high pressure in order to crack shale rock and release natural gas. Studies show the greatest potential for fracking in North Carolina lies in the shale deposits in the center of the state.

A 2012 law directed state mining and environmental officials to develop regulations for horizontal drilling and fracking, both of which involve boring into the earth or underwater to extract oil or gas. It authorized fracking but prohibited licensing until state regulators produced rules for it by October 2014.

The Senate bill set a date of March 2015 to begin giving out licenses without legislative approval.

Sen. Buck Newton, R-Wilson and the bill's lead sponsor, said setting a firm date is important, so companies can prepare investments that will create jobs.

"The first thing that we want to do if we're going to have jobs in North Carolina is we need to create an environment where there's certainties, so that the industry that's going to come here and invest their millions and billions of dollars understands what environment they're getting into," he said.

However, the House Commerce Committee's version allows state agencies to issue permits in 2015 but requires legislative action for licensing to take effect.

It also removes Senate provisions allowing companies to dispose of wastewater underground, prohibiting local governments from assessing their own taxes and abolishing a registry for oil company representatives. It also restores the appointment of the state geologist to the Mining and Energy Commission.

The House version authorizes a study on dealing with the cost to local governments as a result of drilling. It also requires studies to create a restitution fund for defrauded landowners and to set tax rates for energy companies at the state level.

In addition to inland gas drilling, the bill addresses some concerns about potential

offshore drilling for oil.

The House version sets aside $500 million in future oil and gas revenues for emergency responses to offshore oil disasters, with any revenues beyond that mark going to the general fund. The Senate bill sets aside $10 million for that purpose.

Two coastal representatives, both Republicans, raised concerns that the state's geology would force underground waste injections to the coast or that companies would transport their spent discharges to wastewater treatment plants elsewhere. But Rep. Rick Catlin, R-New Hanover and an environmental engineer from Wilmington, said he's satisfied with the House's exclusion of in-ground disposal and other safeguards.

"I think it's something we need to keep an eye on, but this bill does take that out right now," he said.

Rep. Paul Tine, D-Dare, said he's concerned that the $500 million set aside won't be enough in the event of a serious disaster. He's not convinced horizontal drilling off the coast will do much for communities with a billion dollar tourism industry.

"So we'd be taking a risk in this economy that drives all the jobs in our area without any return on investment or return on that risk for our community," he said.

Some Democrats and environmentalists note that the state's Outer Continental Shelf is estimated to contain very low amounts of recoverable energy sources, and there's little evidence that fracking will provide a boon either. Elizabeth Ouzts of Environment North Carolina said issuing permits before they're officially accepted by the legislature all but guarantees they'll go forward whether or not the regulations are satisfactory.

"You create tremendous pressure to allow fracking to go forward in North Carolina whether or not you've addressed those issues," she said.

The bill now heads to the Environment Committee.

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