

Introduce self

I will focus my remarks on the economic impact on New York State and its citizens of shale gas development. Unfortunately, there are no credible, economic studies on the exploitation of the Marcellus shale to help you judge this impact.

You say there is such a study? If you are referring to the economic assessment conducted by Ecology & Environment, Inc. (E&E) for the revised NYS draft SGEIS, you are misled; this a seriously deficient study.

The E&E study:

Is missing the common oil and gas industry cash flow or present value analysis,

It fails to consider opportunity costs,

It imputes the positive values on employment that it finds for some as positive value to all of the citizens of NY,

It makes many heroic assumptions,

It lightly treats environmental costs or ignores them,

It uses inappropriate models,

It projects, to the whole state, from a limited number of counties,

It ignores the cumulative effects on infrastructure of the development of multiple well pads and wells over the production life,

It places its sole reliance on a simplistic variant of input-output analysis, and

It uses a mechanical approach to calculations giving rise to many tables, possibly to impress the unsuspecting reader.

If one were to base a decision on the E&E report, they would be doing so on meaningless numbers and a very partial analysis at that.

Most of the other economic studies in this matter have been produced to sustain some biased view. Those produced or funded by the gas industry also exaggerate the employment benefits and ignore many significant environmental and infrastructure costs;

And most importantly, independent research often reaches conclusions that are at odds with industry claims.

The State's economic focus should be the realistic identification and estimation of all costs and benefits to the State and its citizens and the study should:

First recognize the time value of the cash flows via present value analysis.

Second recognize that these costs and benefits are different for the different economic groups in this matter. The groups I speak of include the industry firms, all types of labor, farmers, local residents, property owners or not, local governmental units such as towns, counties, conurbations, water sheds, and school districts; and, of course, the state government.

Third, a competent analysis also should address the costs and benefits of all of the activities associated with exploitation of this asset from the activities of landsmen thorough well drilling, fracking, operation, and ultimately closure operations.

Daunting you say? Yes.

But you should have better analysis than the deficient E&E study upon which you make decisions, and such a comprehensive, unbiased, and respectable economic assessment should be completed prior to making decisions regarding shale gas exploitation in New York State.

Thank you for your attention.

Comments of Dr. Edward C. Kokkelenberg, December 1, 2011

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