

**Preliminary Comments and Questions regarding the Economic Assessment Report
for the Revised Draft SGEIS on the Oil, Gas and Solution Mining Regulatory
Program (September 2011)**

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[Detailed comments will be prepared prior to December 12, 2011]

The Economic Assessment conducted by Ecology and Environment, Inc. is inadequate.

1. A thorough research effort normally begins with a review of the relevant literature, yet it is clear from the list of references in Section 5 that a literature review was not conducted. There is extensive independent and academic literature that has been written and published on the subject of economic impact of extractive industries, and these research findings have been ignored. Did Ecology and Environment, Inc. fail to conduct a thorough literature review? Or did they simply omit the results of that review? Is it because the unbiased research concludes that areas with extractive industries are economically worse off in the long run?

2. A major concern, as evidenced by extensive public comments, is the likelihood that some of the existing industries that are important to the region may be severely and negatively impacted. Such industries include agriculture, organic farming, tourism, hunting, fishing, wine making, etc. Why was this concern not taken seriously? While it would require a greater research effort, there are ways to estimate and project the extent of negative impacts on such industries. The assessment report itself states that agriculture and tourism are important industries in all three of the regions studied, yet the potential costs associated with declines in these industries are not properly addressed.

3. The impacts on agriculture that are mentioned in the assessment report are the increased cost of land as a factor of production and the fact that some land will be taken out of production, but no estimate is made. Major food coops have stated that they will not buy produce from areas that have hydraulic fracturing; and there will be a high cost if our agricultural lands and nearby water become contaminated with toxic or radioactive substances. Why was the potential negative impact to agriculture of potential water and land contamination ignored? Why were the major purchasers of our agricultural products not interviewed and surveyed on whether they would continue to purchase our agricultural products?

4. Potential negative impacts on the tourism industry were dismissed by simply stating that two counties, Cattaraugus and Chautauqua, with a history of vertical gas drilling in New York State, have a strong tourism industry. This is not a thorough economic analysis of the impact that gas drilling will have on the tourism industry. The assessment report itself indicates that the Catskill Mountains and the Finger Lakes are two of New York State's most important tourist regions. These regions, and others, should be carefully evaluated for potential negative impacts. Increasing second homeownership is very important to these areas as well, and the impact on that trend should be studied.

5. While there have been many concerns voiced about the costs to communities, why was there no attempt to estimate such costs? Costs associated with the increased demand for community social services, police and fire departments, first responders, local hospitals, etc. should be estimated, not simply mentioned and then ignored. The final paragraph of the assessment report simply lists a few of the costs to communities, but there is no effort to estimate any of the costs.
6. It is possible to estimate potential truck traffic and the related wear and tear on roads, and these costs are not all paid for by the gas industry in other states. Indeed, a confidential New York State Department of Transportation Memorandum, which was leaked, provided data concerning truck traffic and costs. Why were road repair and maintenance costs not estimated, incorporated and analyzed?
7. Why was there no attempt to measure public health costs? There is much research on the negative health impacts of shale gas drilling, and the public has repeatedly voiced such concerns. The costs associated with these impacts should be reflected.
8. It is well known that extractive industries create a boom and bust cycle for communities. Why are the costs of a long-term bust not estimated in this assessment?
9. Page 4-7 of the report states that “each newly constructed well is assumed to have an average productive life of 30 years.” Why was this assumption used when there are findings that the average life of a shale gas well is far shorter than 30 years?
10. Why were the production numbers provided by IOGA-NY for the analysis not questioned and reviewed in light of the fact that there are indications that the industry may not be entirely truthful about production estimates?
11. Why was some research regarding the impact on property values summarized, yet there is no mention of the fact that there have been reports that banks may not issue mortgages on properties with or near a gas well? Why were timely data not collected on this issue?
12. Another important economic impact on the region that is completely ignored in this assessment is the loss of future economic development potential after a spider web of pipelines are built, preventing further building on or near these pipelines. Why is this cost ignored?
13. A thorough economic assessment would include detailed recommendations regarding action steps to help maximize benefits and minimize costs. Why are such recommendations not made? The pace and scale of drilling can significantly affect long-term economic impacts, and the various alternatives regarding pace and scale should be carefully analyzed. Tax policy recommendations should be made to be sure that funding is available to communities for their increased costs and also for environmental mitigation. A long-term, detailed economic development plan for the entire region must

be in place that will help to minimize the negative effects of a potential economic bust. These are just a few examples of the areas for which an economic assessment should provide recommendations.

14. Was the firm, Ecology and Environment Inc, directed by the DEC to conduct an incomplete economic assessment that focuses only on benefits? Why did the DEC not insist on a thorough economic assessment? If a proper economic assessment taking into account and doing the hard work of estimating costs was beyond the capability of a firm like Ecology and Environment, why were academic economists not enlisted in the study? Is it because the results would be harder for DEC to control?