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Senate panel passes energy bill

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Measure would lift moratorium on fracking quickly

By John Murawski
jmurawski@newsobserver.com

RALEIGH A bill lifting the state's moratorium on fracking and requiring regulators to promote business opportunities for energy developers easily passed a state Senate committee Wednesday.

The legislation would provide a menu of sweeteners for energy companies to encourage developers to pick North Carolina for shale gas exploration over other states that have a history of energy exploration and known energy reserves.

"The purpose of this bill is to make very certain what the industry can expect when they come here," said bill co-sponsor Sen. E.S. "Buck" Newton, a Republican who represents Johnston, Nash and Wilson counties. "We want them to come here, explore and invest. We want the jobs."

The legislation passed the Senate Finance Committee without opposition and now heads to the Senate Commerce Committee, where it could be heard as early as next week. The Senate Finance Committee reviewed only the financial aspects of the legislation; the next hearing will address the substance of the bill.

Elizabeth Ouzts, director of Environment North Carolina, predicted the bill will be subject to a thorough debate as it moves through the state Senate and to the House, where Speaker Thom Tillis, R-Cornelius, has expressed reservations about the legislation.

Wednesday's public hearing lasted barely a half hour, as several senators asked technical questions and Ouzts questioned the wisdom of advancing the bill without sufficient knowledge about its consequences.

But Newton stressed the urgency of attracting energy exploration, noting it can take several years of lead time to develop a shale gas drilling operation. North Carolina has several disadvantages, which Newton's bill is intended to remedy with favorable conditions for the industry.

Among North Carolina's draw-

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backs are the uncertainty of the quantity of natural gas here and the state's lack of experience in energy exploration. Additionally, the depressed global price of natural gas has resulted in a dramatic falloff of drilling activity nationwide, from a high of 1,606 wells in September 2008 to 428 wells on Feb. 1, according to a legislative staff memo prepared for Wednesday's hearing.

Newton's bill seeks to compensate for those shortcomings by taxing shale gas developers at a lower rate than other states. The bill suggests a severance tax on a sliding scale that is indexed to the fluctuating market price of natural gas at the wellhead. The severance tax would pay for regulatory staff and enforcement activities.

Fracking refers to hydraulic fracturing, a controversial technique used to release natural gas trapped in shale rock formations by drilling into the rock and shattering it with water and chemicals. Critics say the practice will lead to chemical spills and other environmental accidents, while supporters say it will produce a clean domestic fuel to offset dirty coal and imported oil.

The bill makes a number of changes to last year's law, which passed by a single vote and created the N.C. Mining & Energy Commission. It would end the state's fracking moratorium, allowing developers to apply for permits as of March 1, 2015. The indefinite moratorium was put in place last summer to give the Mining & Energy Commission time to write regulations to safely govern shale gas exploration.

The bill would eliminate two positions on the 15-member commission, including that of the state geologist, and create an Energy Jobs Council to promote business opportunities for the oil and gas industry and other energy companies. The council would be part of the N.C. Department of Environment and Natural Resources, the agency that would regulate the same energy companies it is aiding.

The bill also would repeal a landman registry created last year. It is the only such registry of its type in the nation and is designed to let property owners check the legitimacy of industry representatives who offer drill leases to residents for access to their land and the natural gas below.

The measure would prohibit local governments from imposing local taxes, other than property taxes, on energy developers.

The bill would allow the deep injection of fracking wastewater for permanent disposal underground, which is considered a more feasible alternative to removing the wastewater to municipal treatment plants or to underground sites in other states.

However, underground sequestration of wastewater is discouraged by the N.C. Department of Environment and Natural Resources "due to North Carolina's unsuitable geology and seismic risks," according to the agency's comprehensive 2012 study of fracking.

Murawski: 919-829-8932