

6 NYCRR Parts 52, 190, 550-556, 560, and 750
HIGH-VOLUME HYDRAULIC FRACTURING

REVISED JOB IMPACT STATEMENT

The New York State Department of Environmental Conservation (Department) proposes to revise 6 NYCRR Parts 52, 190, 550-556, 560 and 750. The regulations will apply statewide. The Department does not expect the proposed regulations to have a negative impact on jobs and employment opportunities in the state.

The proposed revised rules will amend the Department's existing regulations and will add new regulations to address the use of high-volume hydraulic fracturing (HVHF) as a method to facilitate production of natural gas from wells permitted by the Department. The Department is currently involved in a multi-year environmental review of HVHF. As a result of this process, the Department has identified a number of application requirements and mitigation measures that are expected to be uniformly applied to all HVHF wells to ensure such wells are drilled and operated properly. The proposed revised rules will supplement the Department's ability to monitor and enforce certain measures identified in the Department's revised draft Supplemental Generic Environmental Impact Statement (2011 rdSGEIS), and will, at the same time, update some of the Department's regulations to reflect technological advances and current industry practice.

Nature of Impact. The approval of permits to drill natural gas wells and produce from low-permeability reservoirs, such as the Marcellus and Utica Shales, utilizing horizontal drilling and HVHF will promote economic activity. The proposed revised rules, implemented in combination with the Final SGEIS, once issued, will have a positive impact on jobs and employment opportunities for such businesses as waste haulers, construction firms and providers of lodging, food and other services. Positive impacts will be created through direct employment, induced employment and indirect effects. This impact is expected to be concentrated in the

counties where the Marcellus and Utica Shales are more likely to be commercially producible. Lesser though still positive impacts may also be experienced in adjacent localities and statewide.

Categories and Numbers Affected. The proposed revised rules themselves will not negatively affect employment opportunities, and the activities guided by the proposed revised rules will create jobs. Approval to utilize HVHF will provide significant economic benefits to the State. Section 6.8 of the 2011 rdSGEIS provides a detailed discussion of the potential economic, population and income impacts that may accrue if the use of HVHF is approved. Based on industry estimates of potential drilling activity, and after applying certain assumptions about the amount of activity that could proceed under the 2011 rdSGEIS, the Department estimates that approval of HVHF could bring as many as 6,198 jobs assuming a low rate of development. This figure is an estimate of the total number of direct jobs associated with construction and operation of well pads at the lower end of potential activity.

Assuming an average rate of development, the number of direct jobs could reach 24,795 full time equivalents. The 2011 rdSGEIS also discusses the potential employee earnings associated with HVHF and the number of indirect jobs that could be created as a result of approval to use HVHF in the State. The 2011 rdSGEIS also contains a detailed discussion of the tax revenue which may result from production associated with HVHF. Section 6.8 of the 2011 rdSGEIS should be consulted for a more detailed summary of the potential economic benefits associated with HVHF, which was the focus of the Department's review under the State Environmental Quality Review Act (SEQRA).

Regions of Adverse Impact. There are no regions of the State expected to be negatively impacted from the proposed revised rules. Revisions to the Department's existing regulations for natural gas drilling are intended to modernize the regulations, to make the rules consistent with current Department and industry

practices. The proposed rules to address HVHF are intended to promulgate mitigation measures identified by the Department during the SEQRA process, which will apply statewide.

Minimizing Adverse Impact. The proposed revised rules are not expected to have an adverse impact on jobs and employment. The Department already regulates the drilling of natural gas wells and the proposed rules, while adding new regulatory requirements applicable to HVHF, will lead to new employment opportunities in some areas of the state and will have positive impacts on both income and employment levels. Having the rules in place will allow for a more consistent level of development, which will be the basis for longer-term employment. Having the rules in place will also allow those jobs that rely on other natural resources and the environment such as tourism and forestry to remain viable.

Self-employment Opportunities. Drilling a natural gas well where HVHF is planned requires extensive capital. Therefore, companies directly impacted by the proposed rules are not expected to involve many self-employment opportunities. However, there will be opportunities for self-employment for supporting industries like waste hauling, water hauling, cement mixing, construction, lodging, and food services. There may also be opportunities for self-employed consultants to advise well operators on how to comply with the proposed revised rules.