

The small and declining influence of fossil fuels in Pennsylvania's economy

Pennsylvania's coal industry is declining, its petrochemical sector is stagnant, and its natural gas business has been a mixed bag, at best.

And now the state's budget is heading towards a crisis.

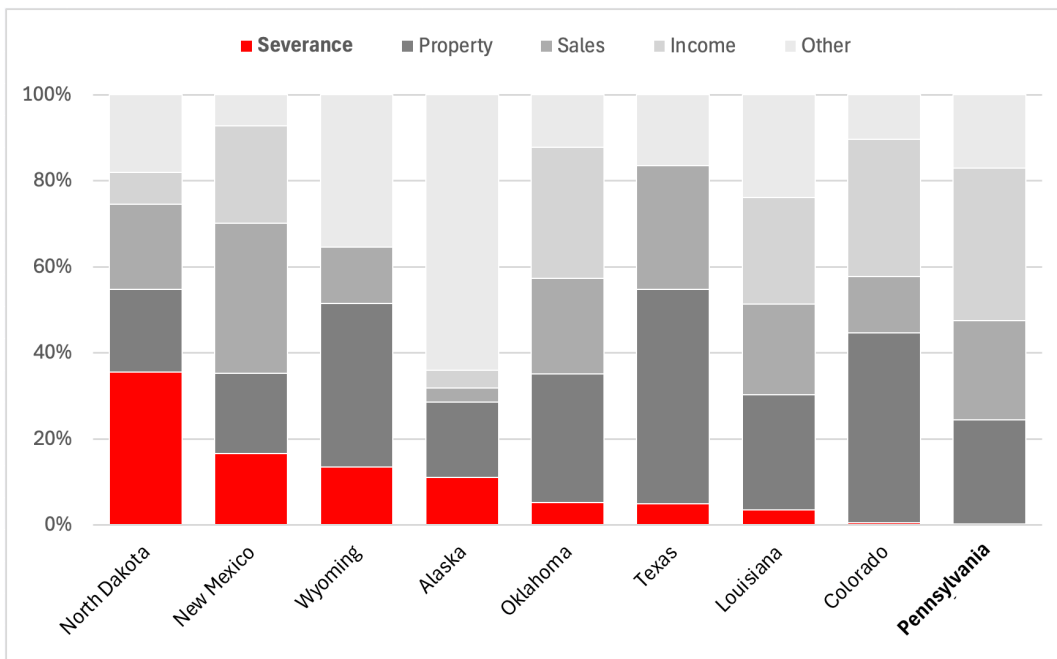
Spurring the fossil fuel industry with tax credits that are 26 times greater than effective tax rates paid by natural gas producers is not policy that will help the state recover.

The state's expanding deficit is unabated as projected spending grows at twice the pace of tax receipts. The fossil fuel industry's structural decline and the state's prior decisions to forego adequate tax revenue from the sector are important contributors to the state's fiscal problems.

A revision of the state's tax policy toward natural resource extraction should be considered to align industry contributions with policy goals.



The energy transition is in motion, the question now is whether Pennsylvania wants to play a role in deciding the destination.



Unlike most oil and gas-producing states, Pennsylvania has no severance tax on natural gas production. The figure below shows that Pennsylvania has ample room to increase taxes on natural gas producers if the state used a different valuation method for natural gas extraction. Pennsylvania's Impact Fees are a pittance of what other states collect from their oil and gas producers.