In Case You Missed It

Drilling for Answers: Cleveland Fed Hosts Shale Symposium

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SHALE SYMPOSIUM
WHAT COMMUNITIES NEED TO KNOW

The pros and cons of natural resource extraction in the United States are well documented. While mining activity brings jobs — and often great economic hopes — to an area, it also brings downsides to communities. Short-term negative impacts include strains on municipal resources such as schools, roads, and emergency services, as well as increases in rental-housing prices. Perhaps less well-documented are lessons gleaned from prior experiences that might be used to help guide communities dealing with the decidedly mixed blessing of resource extraction. With this in mind, the Cleveland Fed organized a forum in March in partnership with the Multi-State Shale Research Collaborative. The one-day event, Shale Symposium: What Communities Need to Know, convened experts from around the country to examine how communities can make the most of extraction's "boom" while mitigating the effects of the inevitable "bust."

This event was held in Wheeling, West Virginia, part of the Federal Reserve Bank of Cleveland's footprint and a locus of extraction activity occurring in the nation's Appalachian region. (The Cleveland Fed covers the Fourth Federal Reserve District, comprising Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia.) The symposium focused on three stages of extraction: the early stages of shale development, the growth-to-boom period, and the declining development-to-bust period.

"This is a complex and highly relevant set of issues in our District," noted Cleveland Fed vice president and community development officer Paul Kaboth. "Communities across the country, including those in more rural parts of Ohio, Pennsylvania, and West Virginia, are increasingly facing a broad set of economic and development challenges as the industry finds new ways to extract previously unrecoverable deposits of oil and natural gas from shale rock."

Event organizer Matt Klesta, a research analyst with the Community Development team at the Cleveland Fed, identified researchers, municipal leaders, energy policy-makers, and legal experts to speak on topics related to these three stages of shale extraction. Presentations covered issues ranging from the volatility of energy markets and the employment impacts of shale drilling to identifying which global factors even the smallest communities must consider when devising strategies to ensure positive longer-term effects of extraction in their areas. Collectively, their regional and national perspectives provided useful insights to some 80 attendees present at Wheeling Jesuit University and another several dozen virtual participants who tuned in via Ustream. A number of attendees tweeted at #whattheshale to chronicle highlights and some of the speakers' key points.

Speakers from all three panels used terms such as "volatile" and "wildly unpredictable" to describe shale drilling. The recent plunge in energy prices is one example of the industry's volatility; changing global demands for new forms of energy is another. Mineral rights, too, wherein a landowner can be paid by oil and gas companies for the right to drill from wells erected on the landowner's property and/or receive royalties from the volume extracted, can vary greatly from state to state and even within a community.

Keynote speaker Mark Partridge, professor of urban-rural policy at The Ohio State University, discussed the impact of volatile energy prices on the local energy industry and on local governments. The volatility of the mining industry is not conducive to a steady economy, he stated, and while "energy development can be a short-term buffer," establishing arrangements like Pennsylvania's highly successful Road Use Agreements can help a community weather the longer-term impacts once extraction activity slows and, eventually, rolls out of town. ■