Dean Easterling
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June 25, 2010

Dear Dean Easterling:

Thank you for your response to the Responsible Drilling Alliance's open letter to President Spanier calling on Penn State to publicly disavow the papers sponsored by Marcellus Shale Coalition. Your letter offers a first step in resolving this important issue. You recognized in your letter that the authors had crossed the line from scholarship into advocacy of the gas industry's positions. They did so not only on taxes, as you noted, but also on environmental issues, as illustrated below:

> "An even more ominous proposal to the development of the Marcellus Shale… is the proposal that hydraulic fracturing be regulated under the federal Safe Drinking Water Act….
> … There is little question that this type of legislation would accomplish little in terms of protecting potable freshwater. ("An Emerging Giant" p.33)

These failings have enormous consequences. The gas exploration industry quickly used its international public relations network to take the original study worldwide and to rebrand it into "The Penn State Report." I doubt if another paper issued by faculty has ever received the amount of distribution that this paper received or been used as insidiously to silence public debate.

What gas industry public relations refers to as the "Penn State Report" is actually three versions of the same work. The original, published last July 24th, has no acknowledgement of industry sponsorship nor does it have a disclaimer. The second version published on August 5th has a disclaimer, discloses sponsorship, and carries a prominent Penn State Shield on its cover. The recent version *An Update,* released on June 24th, , is also emblazoned with the Penn State Shield. It lowers economic claims for the present but raises them for the future.

While the "Update" softens its advocacy tone, it still contains clear misstatements that benefit the industry's interests. The most blatant of these is the assertion that gas exploration in the Marcellus shale is particularly difficult and expensive when, in fact, the industry's statements to its investors ranks Marcellus exploration as the least expensive of all the shale plays. Below, the authors use this misstatement to strongly imply that imposing a severance tax would make exploration and production costs prohibitive:

> “Higher gas development costs in Pennsylvania due to regulations, climate conditions, topography, labor costs, and other structural factors are partially offset by city gate prices higher than the national average and the absence of a severance tax in Pennsylvania.” (“Update” Executive Summary)

In your letter you asserted that the original version had been retracted. I can find no evidence of a retraction. The August 5th version was quietly released and went largely unnoticed. Most web sites, including those of the Pennsylvania Institute of Certified Public Accountants and the National Energy and Technology Laboratory, continue to refer to the original version.

“The Penn State Report,” in any version, promises great economic benefits, taxes, and jobs from gas drilling. These claims appear indefensible when put alongside parallel studies by the Pennsylvania Department of Labor and Industry or the US Bureau of Labor Statistics or even when compared to other economic works on the subject from within the university. In this case, the University has been used to give credence to the incredible and in doing so is serving a clear gas industry strategy to overstate its economic impact.

From the moment it was first published last July “The Penn State Report” has caused enormous harm. First it was used, without attribution of industry sponsorship, to influence the severance tax debate in Harrisburg. It continues to be an industry weapon in a number of environmental and tax debates.

As a Pennsylvania citizen and retired professor I have noted with some pride the growing number of world-class scholars Penn State has on campus. I would think protecting the University’s hard won reputation would be of foremost concern. Penn State violated the trust of Pennsylvania’s citizens by allowing its reputation as a public tax funded research institution to be hijacked by narrow industry interest. The University must now move forcefully to remediate this damage by publicly disavowing these papers

As in the letter to President Spanier, we reiterate, this is dirty business and the university needs to cleanse itself.

Sincerely,

Jon Bogle
Director
Responsible Drilling Alliance
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CC: G. Spanier, H. Foley, A. Scaroni, Y. Yeboah
Open Letter