Lenders' Bagels?

NYT worries that banks won't lend to folks with oil and gas leases; EID explains why those fears are unfounded (outside of Ithaca, NY, at least)

Here's a number that might surprise you: According to estimates from the National Association of Royalty Owners, nearly one out of every 35 people across the entire United States (8.5 million) has land under lease for oil and/or natural gas development. It's a remarkable figure, isn't it? And even more so when you consider that 99 percent of development occurs in only 27 states; that a third of Americans don't even own a home, let alone acreage; and that nearly 30 percent of the nation's land is owned by the federal government.

Indeed, Americans have been leasing their land for energy development for more than a hundred years, with 600,000 new mineral owners signing up in just the past five years with just a single company – and that one, single company paying out nearly $15 billion in lease and royalty payments to landowners in that span. But to read Ian Urbina's latest attack piece in The New York Times yesterday, you'd think the process of drawing up a mineral lease was invented last week. Worse than that, you might even think that leasing your land could somehow threaten your ability to obtain (or hang on to) a home loan.

But that's precisely the falsehood the Times sought to advance this week on its front-page, the latest installment in an attack series that even the paper's own public editor has reprimanded – twice. In this piece, the reporter tells the story of banks that won't lend, buyers who won't buy, and brokers who won't, well, broker in cases where home- or landowners have land under lease for mineral development. The reason? Too much uncertainty and environmental risk, the Times' sources says: "What happens if they lend money for a piece of land that ends up storing the equivalent of an Olympic-size swimming pool filled with toxic wastewater from drilling?"

*Of course, the one place you wouldn't expect a question like this to be asked is in New York, where draft regulations governing future Marcellus development released just last month **include an entire section** (5.2.5.2) laying out the state's policy with respect to closed-loop waste and water management systems. According to the document (page 77):*

*The revised draft SGEIS proposes to require, pursuant to permit conditions and/or regulation, that a **closed-loop tank system be used instead of a reserve pit** to manage drilling fluids and cuttings …*

Unfortunately for the Times, without the specter of pits, impoundments and "Olympic-size" pools of "toxic wastewater" to hang its hat on, the paper's story pretty much disintegrates upon contact. Which is probably why you won't find the words "closed loop" anywhere in the piece.

But you know what you will find? Lots and lots of comments from lots and lots of people in Ithaca, New York. By our count, the Times quotes, cites or references no fewer than eight separate individuals or institutions based in Ithaca – and only five from anyplace else. At first glance, one might consider Ithaca a strange place to find bankers and mortgage lenders allied against Marcellus development; there aren't any Marcellus wells there, for starters, and very few conventional wells either.

But then you take a second look, and you start to see some of the influences at work in the sleepy little college town on the southern shore of Cayuga Lake. The first thing you notice is that it's home to Cornell, which earlier this year lent its imprimatur to a study that attempted to argue that natural gas from shale was worse for the climate than coal – a report that was debunked and discredited by EID, Carnegie Mellon, the U.S. Department of Energy, and even some prominent environmentalists. (In Cornell's defense, not everyone up there buys the Howarth/Ingraffea thesis – in fact, several Cornell professors are reportedly in the final stages of issuing their own rebuttal.)

The next thing you see is that Ithaca is home to the Park Foundation, funder of the Cornell paper and paymaster to more than two dozen big-time regional and national groups intent on stopping shale development all across the (mostly eastern) United States.

Here's the Park Foundation's 990 form from 2009: $100,000 for the Environmental Working Group, which claimed credit for collaborating with the Times' in an email sent earlier this year by president Ken Cook; $100,000 for American Rivers, which came out of nowhere in 2010 to lead one of the most bizarre campaigns against fracturing in recent memory; $100,000 for NRDC (de rigueur); and $70,000 for Colorado-based Earthworks, to pay for a full-time anti-shale organizer in the mid-Atlantic. And that's just for starters. We can't wait to see who's on the 2010 form, assuming it's ever released.

As for the story itself, Urbina, as usual, relies heavily on sources whose ideological opposition to responsible natural gas development is both a matter of record and largely incidental to their day jobs. And as we've seen in previous stories, he also attempts to "multiply" his sources – the same maneuver for which he had previously been scolded by the Times' ombudsman back in July.

For example, in the fifth paragraph of his story, Urbina reports on a "credit union in upstate New York" that has "started requiring gas companies to promise to pay for any damage caused by drilling." In the next sentence, he cites "[a]nother" mortgage lender – presumably, a different one — that "will make home loans only to people who expressly agree not to sign a gas lease." But take a look through the document-reader, and it sure looks like he's talking about the same bank: Alternatives Federal Credit Union, based in — wait for it — Ithaca, N.Y. On its website, Alternatives says it's "dedicated to economic justice" consistent with its "social change philosophy." Sounds fine to us, so long as they have free checking.

Further down in the piece, the Times pulls an excerpt from a newsletter by Linda Hirvonen, a realtor based in, ahem, Ithaca. "When you decide to sell your house," Ms. Hirvonen writes in Warren Real Estate's September newsletter, "you may find it difficult to do so because many banks, here and elsewhere, will not mortgage properties with gas leases." But in that the same document, Ms. Hirvonen also writes that hydraulic fracturing has had "a disastrous effect on drinking water," an assertion directly contradicted by EPA itself. "But more important than all of these, to me," added Ms. Hirvonen, "is how it inhibits your rights as homeowners."

Interestingly, in areas where development is actually taking place, realtors' views on these issues are quite a bit different than they are in Ithaca. And as you might expect, banks in those areas see the issue a bit differently too. That's because millions of American mortgages have been paid off or down over the years as a result of lease or royalty payments made possible through responsible resource development. Literally millions.

Unfortunately, no one told the Times that. In the fourth paragraph, the reporter asserts that "[a]t least eight local or national banks do not typically issue mortgages on such properties, lenders say." Which lenders say that? And which banks are they referring to? The reporter doesn't say. Instead, he appears to pluck that little nugget from someone named Jennifer Canfield, a realtor and anti-shale activist from Damascus, Pa – a five minute drive from Josh Fox's summer home in Milanville. In April 2010, Ms. Canfield posted her list of banks on a prominent opposition blog, adding that communities which "bend to facilitate the gas companies' needs … stand to lose the most even if they don't realize it right now."

Obviously, if lenders actually had legitimate concerns with respect to oil and gas leases, the Times would have been able to find lots of banks, brokers and real estate agents to talk to – and maybe even a few outside of Tompkins County, N.Y. But in this case, the reporter knew there was only one place he could go to manufacture a story like this. Indeed, earlier this week, Ithaca's economic development committee voted unanimously to ban economic development made possible via the fracturing process. As of this writing, it's not clear whether they also plan to discontinue the use of geothermal energy in town. What, you didn't know we fracture those wells too?

Ithaca's posture with respect to natural gas development in the area is not without economic consequences. Last month, Tom Shepstone, EID's campaign manager in the Marcellus, sifted through the data and pulled together an analysis examining how the town of Ithaca is doing right now compared to Williamsport, Pa., another great college town about 120 miles away. Marcellus resources are being developed in Williamsport; in Ithaca, they are not. So what did Tom find?

[Williamsport] grew by 7.8% in 2010, ranking 7th in the nation for GDP growth, while Ithaca gained only 1.0%, giving it a rank of 252nd out of 366 metro areas. ***Williamsport grew by more than three times the national average of 2.5%, while Ithaca fell behind at barely two-fifths the U.S. rate.*** *Williamsport grew its economy by $247 million … while Ithaca added only $35 million. Four years ago, Williamsport was feeling the pains of economic contraction as jobs were leaving and it faced a seemingly rust belt future. Ithaca's economy was $32 million larger and the gap widened over the next two years to $169 million, but, in 2010, natural gas companies and those who service them came to Williamsport in earnest as exploration ramped up. The results have been astounding;* ***now Williamsport has a $43 million advantage over Ithaca.***

Ithaca may indeed be gorges, as the coffee mug reminds us – but its position on the responsible development of natural gas resources in New York is, in our view, the pits. The good news is that sometime soon, hopefully next year, we'll have the opportunity to prove the gainsayers wrong – by developing clean-burning natural gas in a safe manner, and doing so in way that generates thousands of jobs for New Yorkers and billions in revenue for folks up there who can really use the lift.

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