

# Impact Fee Update and Outlook



## CY 2025 Impact Fee | June 2026

Pennsylvania imposes an annual impact fee on unconventional (i.e., shale) natural gas wells that were drilled or operating in the previous calendar year. This update examines fee collections for calendar year (CY) 2025, which will be disbursed in July 2026 and provides an outlook for CY 2026. Proceeds are distributed to local governments and state agencies for infrastructure, emergency services, environmental initiatives and other programs. Local governments receive funds based on the number of wells located within their boundaries or their proximity to jurisdictions where natural gas extraction occurred. **Table 1** shows (1) total revenues and distributions, (2) the number of wells subject to the fee and (3) the average fee per well for the last four years.

**Table 1: Impact Fee Revenue and Distributions**

	2022	2023	2024	2025
<b>Total Revenues</b>	<b>\$278.9</b>	<b>\$179.6</b>	<b>\$164.6</b>	<b>\$243.9</b>
Counties, Municipalities and HARE Fund	\$155.5	\$95.7	\$86.5	\$134.0
Marcellus Legacy Fund	\$103.6	\$63.8	\$57.7	\$89.4
Commonwealth Agencies	\$10.5	\$10.5	\$10.5	\$10.5
Conservation Districts/Commission	\$9.3	\$9.7	\$9.9	\$10.0
Wells Subject to Fee	11,454	11,829	12,138	12,504
Average Fee per Well	\$24,348	\$15,186	\$13,560	\$19,504

Note: Total revenues in millions of dollars. Fees are remitted in the following April and distributed in July.

Source: Pennsylvania Public Utility Commission.

## 2025 Impact Fee Revenues

The annual impact fee for an unconventional well is determined according to a bracketed schedule, based on the number of years since a well became subject to the fee (i.e., operating year), the type of well (horizontal or vertical) and, to a limited extent, the price of natural gas.<sup>1</sup> For CY 2025, the Public Utility Commission (PUC) reported impact fee revenues of \$243.9 million, an increase of \$79.3 million (+48%) from the prior year. The gain in collections was due to two factors:

- **Higher Fee Schedule.** The average annual price of natural gas on the New York Mercantile Exchange (NYMEX) for CY 2025 was \$3.43, an increase of \$1.16 (+51%) from the prior year. Due to the price exceeding \$3.00, the fee schedule increased significantly for most wells. The fee schedule is also impacted by the statutorily required inflation adjustment (+3.9%) due to the year-over-year gain in wells drilled.<sup>2</sup> After both adjustments, the fee level for wells in operating year four or greater (90% of wells) increased by 39% (year 4-10) to 116% (year 11 or more) depending on the operating year.
- **New Wells.** There were 442 new wells subject to the fee for CY 2025, an increase of 138 new wells (+45%) from the prior year and the most in a year since CY 2022. New wells are subject to the highest fee and help offset the impact of aging wells subject to lower fees.

1 The price used is the annual average of settled prices for near-month contracts on the New York Mercantile Exchange (NYMEX) in million British thermal units (MMBtu). This is the national benchmark price for the sale of natural gas.

2 The inflation adjustment reflects the annual growth in the regional Consumer Price Index for December 2025.

## Effective Tax Rate

Impact fee collections do not respond proportionately to the price of natural gas or the volume of production, and do not provide a measure of tax burden relative to natural gas sales. Therefore, this update computes an annual effective tax rate (ETR) for all wells in operation during the year. The

**Table 2: Impact Fee Annual Effective Tax Rates**

Calendar Year	Fee Revenues	Production Volume (Bcf)	Price (Mcf)	Market Value	Annual ETR
2022	\$278.9	7,451	\$4.97	\$37,060	0.8%
2023	179.6	7,528	0.94	7,045	2.5
2024	164.6	7,397	0.82	6,055	2.7
2025	243.9	7,770	1.93	15,022	1.6

ETR is equal to annual impact fee revenues divided by the total market value of unconventional natural gas production. Market value is equal to the product of (1) the annual average regional hub spot price net of post-production costs and (2) total production from all unconventional wells. **Table 2** shows the ETR for the last four calendar years. The ETR for CY 2025 is 1.6%, a decrease of 1.1 percentage points from the prior year. The decline is due to growth in the market value of natural gas (+148%) offsetting the gain in fees. The growth in market value was largely due to an increase in the regional average spot price of natural gas (+71%).

Note: Fees and market value in millions of dollars. Bcf is billion cubic feet, Mcf is thousand cubic feet.

Source: Pennsylvania Public Utility Commission, Department of Environmental Protection, Natural Gas Intelligence and the U.S. Energy Information Administration.

The ETR computation for CY 2025 uses these data:

- Annual production of 7.8 trillion cubic feet from unconventional wells. This figure is based on statewide production data published by the Department of Environmental Protection (DEP).
- An annual average hub price of \$2.93 per Mcf, prior to the deduction of post-production costs. This price is a weighted average of spot prices at the Dominion South and Leidy trading hubs published by Natural Gas Intelligence, converted to dollars per thousand cubic feet using Pennsylvania-specific heat content from the U.S. Energy Information Administration.
- Post-production costs of \$1.00 per Mcf. This amount reflects costs for gathering, processing and transporting gas to markets. Such costs are deducted to approximate the value of gas at the wellhead, the point at which other states levy severance taxes. This estimate is based on recent investor presentations for several major producers.

## 2026 Outlook

For CY 2026, two factors will have implications for impact fee revenues: the fee schedule and the number of new wells. The increase in collections for CY 2025 was largely driven by an increase in the fee schedule as the NYMEX average price of natural gas exceeded \$3.00. The NYMEX average price for CY 2026 was \$3.97 through June. If that average remains between \$3.00 and \$4.99 for the year, then the fee schedule will not change. Contract prices as of June 8, 2026 suggest that the Henry Hub will average \$3.70 for the year. With no change in the fee schedule, the change in collections would largely be driven by the number of new wells. DEP data show that new wells spud through June 8, 2026 were flat from the prior year. Assuming an average NYMEX price of \$3.70 and flat growth in new wells, the IFO projects impact fee revenues for CY 2026 to total \$248 million, an increase of 2% from the prior year.

## Staff Contact

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