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U.S.-E.U. methane pledge wins oil industry backing

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President Biden speaks Friday during a conference call on climate change with the Major Economies Forum on Energy and Climate in the South Court Auditorium in the Eisenhower Executive Office Building in Washington. Al Drago/Getty Images

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The country's biggest oil and gas trade association says it welcomes a pledge from President Biden and the European Union to slash methane emissions by nearly a third, with green groups hoping soon-to-be-released EPA rules will impose strict new rules on the sector.

The American Petroleum Institute's acceptance of the pledge, which Biden announced Friday at the White House ahead of the United Nations' COP26 climate conference in

Scotland, comes as oil and gas producers have faced mounting pressure globally to curb methane leaks.

The pledge calls for countries to commit to a collective goal of lowering the climate warming emissions across the globe by at least 30 percent from 2020 levels in 10 years.

It would "not only rapidly reduce the rate of global warming, but it will also produce a very valuable side benefit, like improving public health and agricultural output," Biden said. A joint statement from the White House and E.U. predicts the pledge would reduce warming by at least 0.2 degree Celsius by 2050.

Methane, the main component of natural gas, is roughly 80 times more powerful as a greenhouse gas than carbon dioxide over a 20-year time frame. Any crackdown on methane emissions would likely force oil producers and state regulators to make long-term changes in their operations, analysts said.

The pledge comes as EPA is poised to release new methane regulations that will cover both new and existing oil and gas infrastructure.

Last week, the EPA rules were sent to the White House for review (*Greenwire*, Sept. 14).

The upcoming rules are expected to be stricter than an Obama-era standard set in 2016, which was reinstated in June after Congress took the unusual step of invalidating a Trump EPA rollback and replacement rule.

API had welcomed the Trump-era move to water down the methane provisions. But API CEO Mike Sommers in a blog post before Biden's inauguration described federal methane regulation as "key to public confidence in our industry's performance as we engage with the new administration" (*Greenwire*, Jan. 21).

Frank Macchiarola, the senior vice president of policy, economics and regulatory affairs at API, said Friday that reducing methane emissions and addressing climate change are "top priorities" for the industry.

"We welcome global efforts that build on U.S. oil and natural gas producers' progress in cutting methane emissions intensity while operating under environmental standards that are among the highest in the world," he said in a statement responding to the U.S.-E.U. pledge.

Testifying in June at an EPA listening session on the upcoming methane rule, Macchiarola said the trade group was "focused on working with the Biden administration in support of the direct regulation of methane for new and existing sources."

State-level action

Some state regulators have already made significant efforts to curb emissions. Colorado, California and other states have imposed strict limits on the amount of methane that can be released from oil and gas production, and New Mexico is working on the second phase of its regulations.

But in North Dakota's Bakken field, for instance, the oil industry burns about 10 percent of the gas it produces in flares, about 300 million cubic feet a day, because the region doesn't have adequate pipelines to ship the gas to market.

Flaring — the process of burning natural gas — produces CO_2 and other pollutants, but can also release methane when flares are unlit, partially lit or malfunctioning.

About 1 percent of the methane that's sent to the flares, about 3 million cubic feet a day, is released into the atmosphere because the flares are inefficient, Lynn Helms, director of North Dakota's Mineral Resources Department, said Friday.

The industry has made strides in reducing the emissions from storage tanks and other equipment, but there's still room to improve, Helms said.

"The easiest thing is to reduce flaring," he said. "The second easiest thing is to, where you have to flare or do something, to make that 100 percent efficient."

In Texas' Permian Basin, researchers have said flaring surged this year after dropping during the early part of the pandemic. State regulators have taken only modest steps to cut back on flaring (*Energywire*, March 25).

An analysis released Friday by the Climate TRACE coalition found that oil, gas and refining industry emissions may be double previous estimates from top countries that track and report such data. That adds up to an extra 1 billion tons of CO_2 equivalent per year since 2015, said the coalition, which used satellite measurements, artificial intelligence and other techniques to compile an independent database of emissions.

Climate groups have said cutting methane is the single fastest way to curb climate change and said they're looking to the EPA regulations to do so. The global pledge underlines the significance of the regulations, said Jon Goldstein, senior director of regulatory and legislative affairs at the Environmental Defense Fund.

"In order to meet this aggressive methane reduction call, they're going to need to have comprehensive, strong rules that really cut oil and gas emissions significantly," Goldstein said.

He said it was important that the rules not include too many exemptions and said he expects them to build on what states like Colorado have done.

Earlier this month, EDF and the Clean Air Task Force were among more than 70 environmental and conservation groups to call on EPA Administrator Michael Regan to include a number of key provisions — like eliminating the practice of routine flaring — into the agency's rules (*Greenwire*, Sept. 9).

"EPA has a clear opportunity now to issue world-leading methane standards for the oil and gas sector and help the United States meet, and hopefully exceed, this pledge," said Sarah Smith, program director of super pollutants at CATF.

Goldstein noted that the oil and gas sector has been increasingly receptive to tighter methane standards.

"The more forward-thinking producers are seeing that getting these sort of requirements in place that are across the board, that set a level playing field, are critical for their continued operations," he said.

He cited the case in which the French government canceled a liquefied natural gas deal with Houston-based NextDecade Corp. because of concerns over methane (*Energywire*, Nov. 4, 2020).

"Obviously getting these rules right is important for the climate and important for public health and all the reasons that environmental groups like EDF would think of, they're also incredibly important for business," Goldstein said.

Shareholders and investors, Goldstein noted, "are going to be putting a real magnifying glass on this methane issue and demanding that these producers are stepping up and following the rules."

Allan Marks, a project finance lawyer and a partner in the Los Angeles office of Milbank LLP, said EPA's upcoming rules are a "critical component to the mandate to reduce overall greenhouse gas emissions using existing statutory authority."

"Absent new climate legislation or Congressional steps — like a carbon tax, cap-and-trade or similar measures — that would force emitters to internalize the costs of emissions and their impacts on climate and public health, the [Biden] administration must rely on emissions rules to attack the problem of methane emissions quickly," Marks said in an email.