

INSIGHTS

White House: Oil & Gas Industry Must Cut Methane Emissions By 40-45%

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On January 14, 2015, the White House announced that it would for the first time directly regulate methane emissions from the oil and gas industry. By choosing to regulate methane directly rather than regulating VOCs, EPA may be seeking to create a legal basis (and perhaps even a legal obligation) to regulate methane emissions from existing oil and gas operations in the future. According to the announcement, the oil and gas sector will need to reduce its methane emissions by 40-45% from 2012 emission levels by 2025. Although this announcement did not indicate how industry must achieve these steep reductions, it did clarify that EPA will propose regulations in the Summer of 2015 that will apply to new and modified oil and gas sources. Because these regulations would be proposed under the Agency's authority under section 111(b) of the Clean Air Act, they will not reach existing sources. A final EPA rule is expected in 2016 that would cover activities and equipment such as oil and gas well completions, compressor stations, pumps, gathering stations, and other transmission sources. The Administration's announcement did not expressly indicate whether or when EPA might develop regulations under 111(d) of the Clean Air Act to regulate existing oil and gas sources. In fact, White House Climate official Dan Utech and EPA Air Administrator Janet McCabe would not confirm whether EPA would be legally obligated to issue a methane rule for existing sources under section 111(d). However, by regulating methane directly under section 111(b), EPA does create a legal obligation to regulate existing sources under section 111(d) because methane emissions from the oil and gas sector are not regulated under either sections 108(a) or 112. After EPA takes action to regulate methane emissions under 111(b), the environmental community might file lawsuits to compel EPA to issue methane regulations for existing sources under section 111(d). If EPA does not take such action, its natural rejoinder is, of course, that the Agency is not required to do so within a certain time frame. As to existing sources, EPA did commit to issuing control technique guidelines (CTGs) for areas in non-attainment for ozone. These CTGs will advise such areas on strategies to reduce VOCs (and therefore methane) from existing sources. This portion of the announcement is not surprising in light of EPA's November proposal to lower the ozone national ambient air quality standards (NAAQS) from 75 ppb to 65-70 ppb. **Next Steps** Notably, today's announcement acknowledges that EPA needs input from key stakeholders to develop "commonsense" regulations. Industry should keep in mind that getting involved in this issue early may help prevent EPA from heading down the wrong path with its proposed rule. Therefore, this time in between the announcement and this summer's

proposal should be viewed as an opportunity for interested parties to meet with EPA to ensure that the proposal is workable and includes "commonsense" measures. Meanwhile, other methane-related rulemaking is already moving forward. In early December, EPA proposed expanding the greenhouse gas reporting program to include emissions from gathering and boosting systems, completions and workovers of oil wells using hydraulic fracturing, and transmission pipedown blowdowns between compressor stations. Separately, DOE recently closed the comment period on whether to issue new energy efficiency standards for natural gas and air compressors. And this spring, BLM will announce standards focused on reducing methane flaring from new and existing wells located on public and tribal lands.