Regulation Review

Proposed Methane Emissions Standards

AUGUST 25, 2015

Fresh off the heels of finalizing its lodestar "Clean Power Plan," the Obama Administration is now moving towards other avenues of regulating greenhouse gases. The Environmental Protection Agency (EPA) recently released a series of proposed rules seeking to update methane emissions

standards. The first set focuses on containing methane emissions from landfills. The second focuses on emissions from oil and natural gas wells.

BREAKDOWN

- Total Combined Annualized Costs: $467 million
- Total Combined Paperwork Burden: 715,605 hours

ANALYSIS

The overall burdens, while substantial, are still far less than some of EPA's recent actions. Interestingly, the oil and gas rule imposes the majority of costs ($420 million vs. roughly $47 million) whereas the landfill rule brings the majority of paperwork (more than 600,000 hours vs. nearly 100,000). The cost differential is likely because the oil and gas rule will impose standards on previously unregulated sources, but the landfill rule merely updates past standards. The paperwork disparity arises from the annual per-respondent burden: 3.9 hours for oil and gas vs. more than 600 hours for landfills.

These rulemakings stand in the shadow of the Clean Power Plan – and its particular focus on coal power – but with a new focus on oil and natural gas. A recent article examined the

implications of a “War on Oil” becoming the successor to the “War on Coal.” Although they may not match the costs and benefits of some more coal-oriented regulations, there has already been plenty of action in recent years. According to AAF data, there have been a dozen final rules across four agencies primarily focusing on oil or natural gas:

Regulation	Agency	Total Cost ($ Million)	Burden Hours
Hazardous Materials: Enhanced Tank Car Standards	Transportation	2,482	29,029
Oil and Gas Operations on the Outer Continental Shelf-Increased Safety	Interior	131	5,347
Oil and Gas; Hydraulic Fracturing on Federal and Indian Lands	Interior	50	50,758
Approval and Promulgation of FIP for Oil and Natural Gas	EPA	6.50	29,655
Indian Oil Valuation Amendments	Interior	2.71	
Pipeline Safety: Pipeline Damage Prevention Programs	Transportation	2.08	
Pipeline Safety: Miscellaneous Changes to Pipeline Safety Regulations	Transportation	1.10	
Standards for Business Practices for Interstate Natural Gas Pipelines	FERC	0.30	5,152
Natural Gas Act Pipeline Maps	FERC	0.16	1,252
Communication of Operational Information between Natural Gas Pipelines	FERC	0.11	1,920
Storage Reporting Requirements of Natural Gas Companies	FERC	-0.39	-6,420
Leasing of Osage Reservation Lands for Oil and Gas Mining	Interior		21,954
TOTAL		**$2,675**	**138,647**

The overall totals so far are relatively modest compared to certain coal regulations, but they’re far from inconsequential. Including simply the burdens from the oil and gas methane rule would bring the overall cost total past $3 billion and paperwork beyond 200,000 hours.

The entire regulatory package weaves its way across various lengthy documents. On the oil and gas side, there are four regulatory documents (some of which are non-rulemaking guidance), ten additional supporting documents, and a separate sub-section on “Indian Country Minor New Source Review.” The sub-section has six documents totaling 240 pages. Combined, they take up at least 1,446 pages. On the landfill side, there are two regulatory documents, four supporting documents, and four databases.

Such an extensive array of regulation begs the question: why is all of this necessary? Looking to EPA’s own data, methane emissions have declined steadily:

In fact, according EPA’s most recent report on greenhouse gas emissions, methane emissions declined by 71.5 million metric tons of CO2e between 2005 and 2013. What is even more interesting is that over this same time, two subcategories, “Natural Gas Systems”

and “Landfills,” saw reductions of 18.9 and 50.9 million metric tons of CO2e, respectively. This is largely due to a combination of the industry’s inherent self-interest in containing methane for use as a fuel source (something EPA notes in its engineering cost analysis) and states already implementing certain rules. EPA estimates that, because of the two main rulemakings, the nation will see a reduction of roughly 9.4 million metric tons of CO2e and some level of unquantified “health benefits.”

EPA seeks to impose nearly half a billion dollars in annualized regulatory burdens on industries in order to achieve reductions that amount to mere fractions of those during the past decade. It claims that – due to the dynamic growth of the hydraulic fracturing field – without this set of rules, methane emissions will rise. It presupposes an increase in the face of strong evidence that, under past regulatory requirements and basic market forces, emissions have declined. Like some of its recent proposals, it seems to be a solution in search of a problem.