American Gas Association

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Docket No. EPA-HQ-OAR-2022-0875

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U.S. Environmental Protection Agency.
EPA Docket Center
Mail Code 28221T
1200 Pennsylvania Ave., N.W.
Washington, D.C. 20460

RE: AGA's Comments on EPA's Request for Information – Methane Emissions Reductions Incentives and Waste Emissions Charge (Methane Fee) under the Inflation Reduction Act §60113

The American Gas Association ("AGA") appreciates the opportunity to comment on the U.S. Environmental Protection Agency's (EPA) Request for Information (RFI) in this Docket regarding how to implement the methane emissions reduction incentives and waste emissions charge under section 60113 of the Inflation Reduction Act. Under that provision, EPA received $1.55 billion to reduce methane emissions from the oil and natural gas sector by providing financial and technical assistance. Section 60113 also directed EPA to levy a waste emissions charge for methane emissions (or methane fee) from applicable facilities in excess of certain thresholds based on the methane emissions reported under 40 C.F.R. Part 98, Subpart W of EPA's GHG Reporting Rule.

AGA, founded in 1918, represents more than 200 local energy companies that deliver clean natural gas throughout the United States. There are more than 77 million residential, commercial, and industrial natural gas customers in the U.S., of which 95 percent — more than 73 million customers — receive their gas from AGA members. AGA is an advocate for natural gas utility companies and their customers and provides a broad range of programs and services for member natural gas pipelines, marketers, gatherers, international natural gas companies, and industry associates. Today, natural gas meets more than one third of the United States' energy needs.[1]

[1] For more information, please visit www.aga.org.

I. Methane Incentives Program

EPA's RFI Methane Reduction Incentives Question 1 - How to Structure Financial and Technical Assistance to Provide the Greatest Possible Public Health and Environmental Benefit?

AGA Response: Allow Financial Incentives for Gas Utilities to Expand Programs to Reduce Methane Emissions

The financial incentives under EPA's IRA section 60113 program should be structured to include providing opportunities for grants to gas utilities to further their efforts to reduce methane emissions from their gas distribution systems. This should include particularly funding for expanding deployment of advanced leak detection and repairs and reducing emissions from blowdowns prior to repairs.

AGA's GHG Net Zero Pathways for Gas Utilities Study prepared by ICF International and released in 2021 demonstrates that "through the use of a variety of technologies and approaches, gas utilities can achieve net-zero targets and contribute to economy-wide net-zero emissions goals."[2] We are submitting a copy of the study as Appendix A to these comments in Docket EPA-HQ-OAR-2022-0875. The study evaluates four general categories of GHG emission reduction strategies that gas utilities can deploy to achieve net-zero goals.[3] The approach taken by each gas utility will likely vary depending on factors such as differing geography, structure, facilities, and customer base. However, while different company plans will vary as to the degree to which they deploy specific strategies, all will likely include some combination of strategies from all four categories – including technologies and procedures for reducing the gas utility's scope 1 direct methane emissions.

AGA and our members have long worked to develop, refine, and deploy best practices for reducing methane emissions. For example, AGA worked with members to develop a Blowdown Emission Reduction White Paper in 2020 to help share learnings and best practices.[4] AGA and many of our gas distribution members were founding participants in EPA's Natural Gas STAR program in 1993. Members of both AGA and APGA have been committed to this voluntary technology and best practices program for reducing methane emissions for more than 20 years. AGA and our members also helped establish the EPA Methane Challenge program, which calls on participating companies to set challenging best management practice (BMP) goals for reducing methane emissions across their operations. Alternatively, participating companies have set goals for reducing emissions to achieve low methane emissions intensity levels under the ONE Future track of the Methane Challenge Program. All the founding natural gas distribution participants in

[2] Net-Zero Emissions Opportunities for Gas Utilities, https://www.aga.org/wp-content/uploads/2022/02/aga-net-zero-emissions, AGA Comments Appendix A, p, 5.
[3] Id., see p. 9, Exhibit E.s.3.
[4] AGA Blowdown Emission Reduction White Paper (2020).

Methane Challenge are AGA member companies. The methane emissions strategies our members shared in Natural Gas STAR and the commitments they made in the Methane Challenge program have helped to reduce methane emissions from U.S. natural gas distribution systems by 69 percent from 1990 to 2019, down to just 0.1 percent of annual produced natural gas, as shown in the April 2022 GHG Inventory for 1990-2022.[5]

Our members are dedicated to making further progress in reducing methane emissions. As regulated utilities, their expenditures are governed by state utility commissions, and EPA funding could help bolster and supplement those regulatory programs by creating a new avenue for technology advancement. It should be remembered that by state statute, utility commissions are charged with balancing three goals for (1) improving reliability and safety, (2) maintaining affordable rates for customers, and (3) providing a reasonable rate of return for investors. State commissions have authorized utilities to make expenditures typically for the purpose of improving system reliability and safety. Some of those expenditures also have the benefit of reducing methane emissions, for example by replacing cast iron, vintage plastic, and unprotected steel pipe with modern polyethylene (PE) plastic pipe or protected steel pipe. Monitoring and leak repair programs can also help improve reliability and safety while reducing emissions.

AGA members also include small investor-owned gas utility companies and small gas utilities owned by their communities and towns. These smaller utilities and their communities would particularly benefit from access to funds to help them deploy methane reduction technologies and approaches.

EPA could help expand these methane reduction efforts further by ensuring that gas utilities have the opportunity to receive grants and other incentives from the Methane Emissions and Waste Reduction Incentive Program. We urge EPA to do so.

EPA's RFI Methane Reduction Incentives Question 2 – How can EPA ensure the incentives under the Methane Emissions Reduction Incentive Program complement rather than duplicate other federal and state programs?

AGA Answer: This could be handled through the grant application process.

In order to ensure that the incentives are complementary and not overlapping, EPA can ask gas utility grant applicants to explain how the grant funding would allow the utility to expand their methane emission reduction efforts beyond what they would be able to do based on funding already available to them through utility commission-authorized programs or other state or federal programs (including other IRA programs).

[5] *See* AGA's Analysis of the April 2022 Inventory of U.S. Greenhouse Gas Emissions and Sinks (1990-2020): **https://www.aga.org/research/reports/epa-updates-to-inventory-ghg/.**

II. Methane Waste Emissions Charge & Subpart W GHG Reporting Rule Revisions

EPA'S RFI Methane Waste Charge & Subpart W Revisions Questions 1 & 2:

1. What issues should EPA consider related to methane waste emissions charge implementation?
2. What revisions should EPA consider related to GHGRP Subpart W?

AGA Response: AGA believes these two questions are intertwined, as explained below.

Implementation will run more smoothly if the Subpart W revisions and definitions for the methane charge program are clear and if provisions related to the use of empirical data to account for company-specific methane emissions – including for gas distribution -- allow for ongoing innovation and improvement in technology and approaches in this rapidly evolving field.

Section 60113 of the IRA mandates that the EPA impose and collect a charge on methane emissions from the petroleum and natural gas sector, *upstream of gas distribution*, where methane emissions from an applicable facility exceed a pre-determined waste emissions threshold (methane fee).[6] The waste methane emissions charge (or methane fee) starts at $900 per metric ton of methane in calendar year 2024, increasing to $1,000 in 2025, and then topping out at $1,500 in 2026 and later years.

While our members' natural gas distribution operations are excluded from the methane charge under the statute, other gas utility facilities such as intrastate natural gas transmission pipelines, could be subject to the new fee if emissions exceed relevant thresholds after netting a company's facilities as called for in section 60113.

To implement the methane fee program, Congress required EPA to revise Subpart W within two years (by August 16, 2024) to ensure that reporting and calculation of the methane charge *are based on empirical data* to accurately reflect the total methane emissions and waste emissions from the applicable facilities, and to allow owners/operators to submit empirical emissions data to demonstrate the extent to which a charge is owed.

AGA has two requests. AGA asks first that EPA provide clear regulatory definitions in Subpart W to delineate the dividing line between gas "distribution" that is exempt from the methane charge as opposed to gas "transmission" that is potentially subject to the methane charge. The current definition of "distribution" in Subpart W relies on the definition in 49 C.F.R. Part 172, the pipeline safety regulations promulgated by the Department of Transportation (DOT) Pipeline and Hazardous Substance Safety Administration (PHMSA), which in turn defines distribution as a pipeline that is not a "transmission" or "gathering" line as defined by PHMSA's regulations. At

[6] *See* Sec. 60113. Methane Emissions Reduction Program.

the time AGA filed comments on the GHGRP proposed rule, PHMSA had proposed but not yet finalized a revision that would have caused significant confusion. Since then, PHMSA issued a revised final rule with a more workable definition of transmission pipeline. However, further clarification may be needed in the Subpart W definition of distribution to provide a more stable platform for companies to discern which of their facilities are exempt and which may potentially be subject to the methane waste emissions charge.

Our second request with respect to the methane charge is that when EPA crafts the new Subpart W provisions to allow GHG reporters to use empirical data to account for their company-specific methane emissions, EPA should allow flexibility for using an array of technologies so that reporters can select the empirical methodology that is appropriate for the task. To improve data accuracy, we also ask EPA to allow gas distribution reporters to use empirical data such as company-specific measurements and emission factors. EPA should also avoid locking in particular technologies so that the agency can facilitate rather than thwart ongoing innovation and improvement in this rapidly evolving field.

As AGA explained in our October 6, 2022 comments[7] on EPA's June 21, 2022 GHGRP Proposed Revisions, there are now many tools in the methane detection and quantification toolbox, and it is important to pick the appropriate tool or mix of tools for the job at hand. "Advanced mobile detection platform" (AMLD) methodology shows promise for quantifying the overall methane emissions from all leaks from a gas utility's entire system – when deployed with multiple passes of the mobile platform (whether by car, drone, airplane, or satellite) in conjunction with a robust, statistically valid sample of direct measurement data. This opens a new possibility of quantifying the collective methane emissions of a utility's *system-wide* operations across all assets with a high level of certainty. This requires a robust program encompassing multiple data captures and with the AMLD backed up with a robust, statistically valid sample of direct measurement data. AMLD is still relatively costly and sophisticated compared with the traditional leak detection and emission factor method. It also may be difficult to use this system-wide methodology to differentiate emissions from "distribution" (which is exempt from the methane fee) vs. nearby intrastate "transmission" emissions.

AMLD may not be the best tool for quantifying emissions from individual leaks or from specific types of sources, but it can be quite useful for identifying medium and larger-volume nonhazardous leaks so they can be prioritized for repairs. Satellites and drones have also been used for this purpose. Other tools, such as a high-flow sampler or a tracer gas methodology, are usually more accurate for measuring leaks from specific leaks and facilities and can be used to develop company-specific emission factors that are more accurate than national average emission factors. Activity factors based on miles of transmission pipes or equipment numbers do not

[7] AGA-APGA Comments on EPA Proposed Revisions and Confidentiality Determinations for Data Elements under the Greenhouse Gas Reporting Rule, 87 Fed. Reg. 36920 (June 21, 2022), Docket No. EPA-HQ-OAR-2019-0494.

accurately reflect real-life emission reductions. Where possible, reporters should be allowed to develop company-specific activity factors. In sum, EPA should allow companies flexibility to select a methodology that will yield useful, more accurate empirical data.

AGA appreciates the opportunity to comment. If you have any questions, please contact me or Tim Parr, Deputy General Counsel, tparr@aga.org.

Respectfully Submitted,

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