September 7, 2021

The Honorable Thomas R. Carper	The Honorable Shelley Moore Capito
Chairman	Ranking Member
Committee on Environment and Public Works	Committee on Environment and Public Works
U.S. Senate	U.S. Senate
Washington, D.C. 20515	Washington, D.C. 20515

Dear Chairman Carper and Ranking Member Capito,

As the Senate develops a reconciliation package, ensuring Americans have access to affordable and reliable energy while continuing to reduce emissions should be top of mind. Unfortunately, the *Methane Emissions Reduction Act of 2021*, first introduced by Senators Whitehouse, Booker, and Schatz in March 2021 and being considered for inclusion in the reconciliation bill as a pay-for, would levy an unreasonable, punitive fee on methane emissions only from oil and natural gas facilities that could jeopardize affordable and reliable energy with likely little reduction in greenhouse gas (GHG) emissions. The bill would tax methane emissions at a default rate of $1,800 per ton in 2023, increasing 5% above inflation annually, with fees for individual companies assessed via a complicated formula based on their share of production or handling (*not* actual emissions) and the average emissions intensity in the oil and gas basin in which they operate. Alternatively, companies could engage in a likely costly and burdensome process of tracking their own emissions. The bill also includes an import fee which will be levied on each company that imports crude oil, natural gas, or natural gas liquids into the United States. The import fee could likely raise consumer costs, distort markets, and could incentivize retaliatory actions from our trading partners. The bill has never been the subject of a Congressional hearing, and therefore never scrutinized or debated among lawmakers. Congress has never discussed the potential impacts of the methane fee on consumers or the U.S. energy market.

The undersigned organizations, on behalf of their diverse memberships and representing a substantial cross-section of the U.S. economy as producers, distributors, and users of oil, natural gas, and natural gas liquids, join together to oppose the *Methane Emissions Reduction Act* due to the adverse environmental and economic impacts it will likely cause and because methane emissions are already being mitigated via appropriate regulatory programs.

Reducing methane emissions is a priority for the oil and natural gas industry to address the risks of climate change. As a result of technology and efficiency measures, emissions relative to production in five of the seven largest producing basins were down nearly 70% between 2011 and 2019 and are expected to continue to trend downward. The oil and natural gas industry remains committed to the development and deployment of new technologies and practices through industry initiatives to better understand, detect, and mitigate methane emissions. Not only is this in the best interest of the environment, it’s in the best economic interests of the nation’s oil and natural gas companies as any methane lost to the atmosphere is product that can’t be used to power our nation’s electric utilities, heat our homes and businesses, fuel our manufacturing facilities, create chemicals used in goods that make us healthier, safer, and more productive, manufacturer our steel, or help produce the foods that feed our families.

A tax on methane is unnecessary. The U.S. Environmental Protection Agency (EPA) and several states already directly regulate methane emissions from the oil and natural gas sector, and the EPA is planning additional regulations on the oil and natural gas sector later this year. An approach that doubles down on the oil and natural gas industry, regardless of its compliance with federal regulations, in the form of a tax penalty is duplicative and unnecessary.

When the *Methane Emissions Reduction Act* was introduced, Senator Booker stated that "reducing methane emissions must be part of our broader strategy to quickly and comprehensively reduce greenhouse gas emissions and address the existential threat of climate change." We agree with Senator Booker, but are concerned that the bill will have unintended environmental, as well as economic, impacts and could put us on the wrong path when it comes to addressing climate change. For instance, because the bill would tax companies based on the amount of oil or natural gas they produce or handle, *not based on their actual emissions*, it could perversely disincentivize facilities with higher emissions intensities relative to the basin average from reducing their emissions. At the same time, this approach could unfairly punish high production operators with lower emission intensities.

If the objective is to reduce methane emissions, direct regulation of methane is the best method to implement such a government policy and do so in an equitable manner that is tied to actual emissions. EPA is best-suited to address the challenges in reducing methane emissions because regulation stipulates the installation of cost-effective control technologies – as well as leak detection and repair requirements – that prevent and reduce methane emissions at oil and natural gas facilities. Under the Clean Air Act, EPA is already statutorily required to set controls at the best system of emission reduction which the Administrator determines has been adequately demonstrated. What's more, a methane tax will be difficult to implement. CO_2 emissions result primarily from combustion, whose point sources make it cost-effective to estimate, measure, and verify for the purpose of carbon pricing; in contrast, methane emissions often result from fugitive and intermittent sources that are challenging to quantify.

The bill could unintentionally set the U.S. back with respect to the significant GHG reductions we have realized in the electric power sector. Historically, fees on commodities have led to increases in the cost of that commodity. Should this be the case here and there are increases in the cost of natural gas relative to other fuels, it could lead to a switch in electric power generation from clean natural gas to higher emitting sources. Since 2005, two-thirds of the power sector GHG reductions have come as a result of the switch to natural gas. To impose a misguided punitive tax on natural gas could significantly undermine any purported effort of this legislation to reduce GHG emissions.

In addition to potentially detrimental environmental outcomes, the *Methane Emissions Reduction Act* could have adverse and disproportionate economic impacts nationwide. The potential direct cost of the bill to the economy, not including import fees, could initially be as high as $14.4 billion, increasing 5% above inflation annually. As many as 155,000 jobs could be impacted by the tax, with the largest impacts concentrated in the health care and social assistance industries.

Additionally, the import fee, which is based in part on the average methane emissions rate for the oil and gas sector in the country in which the crude oil, natural gas, or natural gas liquids was produced, could be large and complicated to assess; according to the U.S. Energy Information Administration, in 2019, the U.S. imported about 9.14 million barrels per day (MMb/d) of petroleum from about 90 different countries. Given natural gas and petroleum together account for nearly 70% of energy consumption in the U.S., new taxes on the industry are likely to have a ripple effect across the U.S. economy – at a time when inflation is already skyrocketing.

The basin focused approach of the bill could also alter where oil and natural gas is produced and thereby impact the state governments' balance sheets. Taxes and fees collected by states based on volume produced could fall significantly where the calculated basin average fee rate is high. A regulatory approach would likely be much less disruptive to state budgets than the tax this bill would impose.

The *Methane Emissions Reduction Act* has never been debated on in a congressional committee. The unintended and adverse environmental and economic consequences have never been assessed or considered. Meanwhile, the Biden Administration is on track to regulate methane emissions and continue methane reduction progress. For these reasons and those detailed above, the undersigned organizations collectively oppose this bill and any effort by the majority to drive this bad policy into reconciliation.

Sincerely,

American Petroleum Institute
Independent Petroleum Association of America
American Exploration & Production Council
American Fuel & Petrochemical Manufacturers
Association of Oil Pipe Lines
GPA Midstream Association
US Oil & Gas Association
Natural Gas Supply Association
Energy Workforce & Technology Council
American Association of Professional Landmen
Manufacturer & Business Association

New Mexico Oil & Gas Association
Gas and Oil Association of West Virginia
Colorado Oil & Gas Association
Texas Independent Producers & Royalty Owners Association
Texas Oil & Gas Association
North Dakota Petroleum Council
Arizona Petroleum Marketers Association
Montana Petroleum Association
Pennsylvania Grade Crude Oil Association
Pennsylvania Independent Oil and Gas Association

Pennsylvania Independent Petroleum Producers
Pennsylvania Petroleum Association
Utah Petroleum Association
Marcellus Shale Coalition
Permian Basin Producers Association
Westerns State Petroleum Association
Arkansas Independent Producers & Royalty Owners
California Independent Petroleum Association
Ohio Oil and Gas Association
Florida Natural Gas Association
Florida Petroleum Marketers & Convenience Store Association
Florida Propane Gas Association
Indiana Gas and Convenience Store Association
Indiana Oil and Gas Association
Kentucky Oil and Gas Association
Louisiana MidContinent Oil & Gas Association
Louisiana Oil & Gas Association
Louisiana Propane Gas Association
Michigan Oil and Gas Association
Michigan Petroleum Association
Mid-Atlantic Petroleum Distributors Association
Ohio Petroleum Marketers & Convenience Store Association
Ohio Gas Association
New York Propane Gas Association
Texas Alliance of Energy Producers
API Colorado
API Gulf Coast Region
API Illinois
API Midwest Region
API Northeast Region
API Ohio
API Pennsylvania
API Southeast Region
Arkansas State Chamber of Commerce
Associated Industries of Florida
Associated Industries of Missouri
Associated Pennsylvania Constructors
California Manufacturers and Technology Association
Coal Methane Association of Alabama
Colorado Chamber of Commerce
Colorado Concern
Florida Retail Federation
Florida Tax Watch
Floridians for Better Transportation
Illinois Chamber of Commerce
Illinois Environmental Regulatory Group

Illinois Fuel & Retail Association
Chemical Industry Council of Illinois
Illinois Industrial Energy Consumers
Illinois Manufacturers Association
Indiana Chamber of Commerce
Indiana Manufacturers Association
Kansas Chamber of Commerce
Kansas Manufacturing Council
Louisiana Association of Business & Industry
Manufacture Alabama
Michigan Chemistry Council
Michigan Manufacturers Association
Midwest Truckers Association
Missouri Chamber of Commerce
New Yorkers for Affordable Energy
Ohio Chamber of Commerce
Ohio Chemistry Technology Council
Ohio Manufacturers' Association
PennAg Industries Association
Pennsylvania Aggregates and Concrete Association
Pennsylvania and Delaware Cleaners Association
Pennsylvania Builders Association
Pennsylvania Chamber of Business and Industry
Pennsylvania Food Merchants Association
Pennsylvania Forest Products Association
Pennsylvania Manufacturers Association
Pennsylvania Septic Management Association
Virginia Chamber of Commerce
West Virginia Manufacturers Association
The Energy Council
Consumer Energy Alliance, Alaska
Consumer Energy Alliance, Florida
Consumer Energy Alliance, Gulf Coast
Consumer Energy Alliance, Mid-Atlantic
Consumer Energy Alliance, Mid-Continent
Consumer Energy Alliance, Mid-West
Consumer Energy Alliance, New England
Consumer Energy Alliance, Northeast
Consumer Energy Alliance, Rockies
Consumer Energy Alliance, Southeast

Club 20
West Slope Colorado Oil & Gas Association
Panhandle Producers & Royalty Owners Association
Western Dakota Energy Association

Chamber of Commerce for Greater Philadelphia
Greater North Dakota Chamber
Acadia Parish Chamber of Commerce
Chamber 630
Fargo Moorhead West Fargo Chamber of Commerce
Grand Junction Chamber of Commerce
Grant Parish Chamber of Commerce
Jefferson Chamber of Commerce
Maritime Exchange for the Delaware River and Bay
New Jersey Engineers Labor-Employer Cooperative 825
Southern Illinois Employers Association
Toledo Regional Chamber of Commerce
CountryMark Cooperative, Indiana
Valley Industrial Association
West Alabama Chamber of Commerce
Williamsport/Lycoming Chamber of Commerce
Wyoming County Chamber of Commerce
Youngstown/Warren Regional Chamber
Zanesville-Muskingum County Chamber of Commerce

Cc: The Honorable Joe Manchin
Chairman
Committee on Energy and Natural Resources
U.S. Senate
Washington, DC 20515