

Methane Emissions: A Powerful Driver of Climate Change



Natural gas, touted as a ‘clean fuel’, is composed mostly of methane, and when burned, is less carbon polluting than other fossil fuels. Released into the atmosphere, though, methane is a dangerous greenhouse gas and a powerful contributor to climate change, with an impact on global temperature roughly 84 times that of carbon dioxide over a 20-year period. And methane, when leaked during natural gas production or fracking operations, is often co-emitted with volatile organic compounds and hazardous air pollutants, which contribute to smog and endanger public health. The recent massive leak in southern California shows how damaging methane leaks can be. Thousands of people outside of Los Angeles have had to be relocated due to air pollution associated with the leak, and Gov. Jerry Brown has declared a State of Emergency.

The EPA recently proposed draft rules to reduce methane emissions on new and modified infrastructure, and the Bureau of Land Management (BLM) is expected to soon issue rules guiding methane releases on public lands. While energy companies typically resist regulation, ICCR members have called for strong industry support of the proposed rules as a demonstration of corporate commitment to help counter climate change. Investors hope that leaks from existing sources will also be tackled in a similar rule-making process, as this is where the bulk of the problem lies.

Investors view the EPA rulemaking as an important step toward tackling climate change and advancing more sustainable practices by energy companies, one that is aligned with company financial interests.

Cutting methane and associated air emissions is important not only to protect people and the environment, but also presents economic benefits by preventing waste, and reducing the significant financial risks of climate change to individual businesses and the broader economy. The health, environmental, and economic impacts of methane and associated air emissions are substantial, and there are many cost-effective technologies and services available to business to re-

The health, environmental, and economic impacts of methane and associated air emissions are substantial, and there are many cost-effective technologies and services available to business to reduce them.

duce them. The Natural Resources Defense Council estimates control processes could generate an additional \$2 billion annually for the industry, its workers and shareholders. Businesses that implement GHG emissions reduction plans proactively will be ahead of the game as these and future needed regulations are approved.

The proposed rulemaking is part of a broader climate change regulatory agenda pursued by President Obama. Implementation of the Clean Power Plan, core to that agenda, was recently stayed by the Supreme Court. The President also pledged to reduce methane emitted from oil and gas fracking operations by 40-45% by 2025, something that can only be achieved by regulating existing operations. ICCR submitted formal comment to the EPA on the methane rule on December 3, 2015. Suggested improvements to the draft rule included expanding the scope of the proposed standards, strengthening leak detection and repair requirements, and doing more to reduce

flaring in order to minimize product waste. Flaring (burning) methane is the most widely used form of methane control in the U.S., and while it is better than allowing it to leak into the atmosphere, it is still a waste of product. Investors hope that the EPA’s rule targeting new infrastructure will provide a robust foundation for a subsequent rule addressing existing infrastructure.

An ICCR-led coalition of 37 investors, including asset management companies,

hospital systems, mutual funds, and faith-based organizations, sent letters to 31 leading oil & gas and energy companies, voicing their concerns about the impact of methane emissions on climate change and urging them

to engage constructively in the rulemaking process by filing public comments that:

- (1) Share corporate data and experience with methane monitoring and management, and;
- (2) Provide a specific and solutions-oriented perspective on how methane rules can be designed to drive substantial emission reductions in a cost-effective manner.

Companies that have responded in writing to date include ConocoPhillips, Kinder Morgan, Questar and Williams. In addition, members have had constructive dialogues about the proposed rule with Anadarko, Apache, Chesapeake, Chevron, ConocoPhillips, EOG and ExxonMobil. Additional meetings are planned with Valero and SM Energy.

Investors will continue to talk with companies about problems related to methane leaks from existing equipment. Meanwhile, the EPA is expected to complete the rule in 2016, after a 60-day public comment period.