

Questions and Answers for Methane Waste Prevention Rule

What does this new rule do?

This updated rule will help curb waste of public and tribal natural gas supplies, reduce harmful methane emissions, which contribute to climate change, and provide a fair return on public resources for federal taxpayers, Tribes, and states. It requires operators to cut natural gas flaring in half over time, replace outdated high-venting equipment, and find and fix natural gas leaks.

Why did we need this rule?

The BLM's existing regulations are over 30 years old, and they simply haven't kept up with the times. The oil and gas industry has changed – technological advances have dramatically boosted America's oil and gas production, and operators are also flaring larger volumes of gas. The old rules don't take advantage of the advances or address the emerging issues. We also now know that venting and leaking methane drives dangerous climate change. Additionally, the old regulations constrained the BLM from modifying royalty rates to ensure fair returns to American taxpayers. The Government Accountability Office, Inspector General of the Interior Department and others have urged the BLM to update its regulations to address these shortcomings.

The updated rule requires operators to use modern technology and practices to cut venting and methane leaks, sets flexible and realistic goals to reduce flaring over time, and provides the BLM greater flexibility in setting royalty rates. The rule will encourage operators to produce oil and gas with a lot less waste, and to use new technologies, such as infra-red cameras, to spot leaks accurately and quickly.

Was there any public outreach ahead of this rule?

The BLM developed this rule with robust public participation. Even before developing a proposed rule, the BLM conducted public and tribal meetings to inform the proposal. Publication of the proposed rule started a public comment period – extended by the BLM to 74 days – which generated over 300,000 comments. During this period the BLM held additional public and tribal meetings in Farmington, New Mexico, Oklahoma City, Oklahoma, Denver, Colorado, and Dickinson, North Dakota. Also, the BLM coordinated with states and the Environmental Protection Agency (EPA) to avoid inconsistency or redundancy in regulations.

What are the costs and benefits of this rule?

Overall, the BLM estimates that the benefits of this rule outweigh its costs by a significant margin. The BLM's estimates of net benefits range from \$46 million – \$204 million depending upon the year. Over a ten year period, the BLM's estimates of the cumulative net benefits range from \$740 million – \$1.2 billion.

The BLM's cost estimates for this rule range from \$110 – \$279 million per year over the next 10 years, mainly from engineering compliance costs. On average, the estimated costs would reduce the profit margin for a small business oil and gas operator by less than two-tenths of one percent.

The BLM's benefits estimates for this rule range from \$209 – \$403 million per year, including both cost savings from the recovery and sale of natural gas, and the benefits of reducing harm from climate change due to methane emissions reductions.

In addition, this rule will produce substantial non-monetized benefits. These include reducing smog-forming VOC emissions by 250,000 – 267,000 tons per year, reducing emissions of toxic air pollutants, such as benzene, a known carcinogen, and reducing the noise pollution and light pollution from flaring, which impacts communities living in the midst of oil and gas development.

How much oil and gas production comes from public lands?

The BLM's onshore oil and gas management program is a major contributor to our nation's oil and gas production. The BLM manages more than 245 million acres of land and 700 million acres of subsurface estate, making up nearly a third of the nation's mineral estate. Domestic production from 96,000 Federal onshore oil and gas wells accounts for 11 percent of the Nation's natural gas supply and 5 percent of its oil. In Fiscal Year 2015, operators produced 183.4 million barrels of oil, 2.2 trillion cubic feet of natural gas, and 3.3 billion gallons of natural gas liquids from onshore federal and Indian oil and gas leases. The production value of this oil and gas exceeded \$20.9 billion and generated over \$2.3 billion in royalties, which were shared with tribes, Indian allottee owners, and states.

Where are the oil and gas operations located that will be affected by this rule?

The subsurface mineral estate may be located beneath federal public lands, State lands, Tribal lands, or private lands. The final rule will apply to all oil and gas produced from the federal or Indian (except the Osage Tribe) mineral estates, as the BLM administers leases of both federal and Indian minerals. There are existing leases located in 32 states, but the majority of the production activity is located in: California, Colorado, Montana, New Mexico, North Dakota, Oklahoma, Utah, and Wyoming.

How will this rule interact with EPA rules for oil and gas operations?

EPA recently finalized New Source Performance Standards for oil and gas operations, which limit methane emissions from new and modified oil and gas operations. Unlike this BLM rule, the EPA rules do not apply to existing sources. The BLM and the EPA worked closely to align these rules as much as possible and to minimize any duplication. For any sources that would potentially be subject to both sets of requirements, the BLM final rule provides that if the operator is in compliance with the EPA requirements it will be deemed in compliance with the BLM requirements as well.

The EPA rules are not a substitute for independent BLM waste reduction regulations, however. The EPA rules do not fulfill the BLM's statutory responsibility to reduce waste of public resources. They also do not address flaring, do not address venting from liquids unloading, and do not apply to existing sources.

How will this rule interact with state rules for oil and gas operations?

We recognize that some states have taken important steps to reduce smog-forming air pollution, which also reduces methane emissions, while others have regulations to control flaring. No state, however, currently has comprehensive regulations to reduce all forms of gas waste that are comparable to this final rule. Many elements of the final rule are modeled on successful state programs, so operators that are already meeting certain State requirements will need to take little or no additional action under the BLM requirements.

Tribes may also adopt regulations to minimize flaring, venting, and leaks. In states and tribal jurisdictions with their own regulations in this area, the final rule allows the State or Tribe to request a variance from any provision of the BLM regulations. If the state or tribal requirement performs at least as well as the BLM requirement in achieving the benefits of the rule, the BLM may approve the variance and the state or tribal rule will apply in lieu of the BLM rule.

Why is the BLM hitting producers with new costs?

The BLM believes that the rule will not significantly increase costs to industry. On average, the estimated costs will reduce the profit margin for a small business oil and gas operator by less than two-tenths of one percent. In fact, some of these measures can actually save producers money, such as replacing old equipment that vents large volumes of gas. Many rule provisions include substantial compliance flexibility, such as allowing operators to average their flaring volumes across all of their operations in a state.

The final rule also phases in gradually – for example, operators will not need to complete their first set of leak inspections until 2018, and the final gas capture targets do not apply until 2026, a decade from now. Moreover, commodities prices are not projected to remain at current low levels over the longer term.

Oil and gas producers don't want to flare gas, but if there's no gas pipeline, they don't have any choice. How are producers supposed to meet the proposed flaring limits?

We recognize that oil and gas producers prefer to capture and sell gas, and we support that goal. That's why, for new wells going forward, the rule requires operators to develop a plan to minimize waste. Prior to drilling, operators need to evaluate options for gas capture and communicate their development plans to the midstream companies that build pipeline infrastructure. The State of North Dakota recently began requiring operators to do this, and the State has found it makes a big difference in better aligning the timing of well development and pipeline installation.

There are also multiple ways operators can reduce flaring at existing wells. Where insufficient pipeline capacity is the problem, operators can often install additional compressors within about six months, boosting capacity at a reasonable cost. There are also new on-site gas capture and transport technologies, which operators are beginning to deploy.

If you really want to reduce flaring, why don't you speed up the right-of-way approval process?

The BLM recognizes that flaring is a complex problem with multiple causes and solutions, and we understand that backlogs in right-of-way applications can delay pipeline infrastructure. At the same time, the BLM has the legal responsibility to evaluate the impacts of a proposed pipeline before approving a right-of-way across public lands. The BLM has been working to speed approvals of pipeline rights-of-way by, for example, establishing multi-disciplinary strike teams that can move from BLM office to BLM office to help address pending applications.

Do you really have the authority to regulate methane emissions?

The laws authorizing BLM activities provide that the BLM's responsibility to manage oil and gas development on the public lands includes finding ways to minimize waste and environmental harm. Under the Mineral Leasing Act, the BLM must ensure that operators "use all reasonable precautions to prevent waste of oil or gas." The Federal Lands Policy and Management Act directs the BLM to manage public lands under principles of multiple use and sustained yield, which include management of the lands without permanent impairment of the quality of the environment.

Where did the idea to develop this rule come from?

This rule implements recommendations from several oversight reviews, including reviews by the Office of the Inspector General of the Department of the Interior (OIG) and the Government Accountability Office (GAO). These reviews raised concerns about waste of gas from Federal and Indian production, found that the BLM's existing requirements regarding venting and flaring are insufficient and outdated, and expressed concerns about the "lack of price flexibility in royalty rates" and about royalty-free use of gas.

It looks like the benefits come from a "social cost of methane" estimate. Where do those numbers come from?

Climate change is real, and the costs it is already imposing on the American people – from the economy to public health – are also real. The rule uses the best available science to estimate the climate-related benefits of reducing methane emissions. These estimates come from peer-reviewed figures that put values on the impact of methane emissions. These values give us a chance to make an apples-to-apples comparison of costs and benefits.

The estimates are not produced by the BLM. The Office of Management and Budget established an Interagency Working Group to conduct a peer-reviewed study of the costs of climate change, and specifically, to put a dollar value on the harm caused by each ton of carbon dioxide through its contribution to climate change, termed the "social cost of carbon." The Interagency Working Group recently updated these estimates to include a dollar value for the "social cost of methane" as well. While these numbers are estimates and will continue to be refined over time, they are clearly more accurate than assuming that methane emissions impose zero costs on society.

What measures are in place to ensure that this rule cannot be undone by the next Administration who may not favor it?

Regardless of election outcomes, the Department of the Interior is expected to carry out the laws guiding its mission of responsible stewardship of public lands, water, and wildlife, and that is what we will continue to do. That's what the American people expect, no matter who the President is, and we will uphold the responsibility granted to us by Congress to manage our public lands, waters, and wildlife with care.

With respect to this rule specifically, it has been under development for several years, has benefited from the input of stakeholders, tribes, and the public, and was initially requested by the GAO, the OIG, and members of Congress. We believe the next administration will recognize the benefits of reducing waste, boosting natural gas supplies, and obtaining fair returns for public resources, which are associated with this rule.

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