BLM Waste Prevention Rule

The Bureau of Land Management updated its regulations to reduce the waste of natural gas from oil and gas operations on federal and Tribal lands. The *Waste Prevention, Production Subject to Royalties, and Resource Conservation Rule*, known as the Waste Prevention Rule, will help curb waste of natural gas from flaring, venting, and leaks, and provide a fair return for federal taxpayers, Tribes, and states.

- Flaring is the process of burning excess natural gas at a well.
- Venting is the direct release of natural gas into the atmosphere.

BLM's final rule includes new, phased requirements for oil and gas producers to take commonsense and cost-effective measures to reduce natural gas waste. The rule modernizes BLM's existing regulations, which are more than 40 years old, to bring them in line with technological advancements in the industry. In addition, the rule modifies BLM royalty provisions without raising royalty rates, to ensure the public is appropriately compensated for flared natural gas.

Modernizing existing oil and gas production rules

The Waste Prevention Rule requires oil and gas operators to take several basic steps to reduce natural gas waste from existing and new oil and gas operations. It requires operators to either self-certify their commitment to capture (for sale or other productive use) 100% of gas produced, or to develop waste minimization plans before drilling. In either case, operators will pay royalties for gas that is wasted, ensuring they are managing to avoid waste from the start of operations. The rule also requires operators to cut down on natural gas venting and flaring except in emergencies and other narrow circumstances, and to develop and submit plans for finding and fixing leaks from across their operations. To help ensure compliance with these new regulations, the rule reiterates BLM's discretion to delay action on, or ultimately deny, an operator's application for a permit to drill, in this case to avoid excessive venting and flaring or natural gas.

Ensuring a fair return to American taxpayers and Tribal mineral owners

BLM estimates this rule will generate more than $50 million a year in additional royalties for the American public and Tribal mineral owners, while preventing billions of cubic feet of gas from being wasted through venting, flaring, and leaks, as well as improving the efficiency of oil and gas operations.

States, Tribes, and federal taxpayers lose royalty revenues when natural gas is wasted from oil and gas operations. The rule modifies BLM's existing royalty rate provisions to ensure taxpayers are fairly compensated for natural gas wasted through excessive flaring; however, the rule does not change existing royalty rates. This final Waste Prevention Rule is consistent with Congressional direction in the *Inflation Reduction Act*, which specifically requires royalty payments on gas vented or flared, except in narrow circumstances such as emergency events or otherwise unavoidable losses.

Leveraging technology and best practices

The Waste Prevention Rule leverages technological advances made during the last 40 years, as well as industry best practices, to help achieve natural gas waste reductions. In fact, many oil and gas operators are already voluntarily taking steps to reduce natural gas waste and improve operational efficiency in ways that often comply with requirements in the rule. The rule's requirements regarding safety, storage tanks, and leak detection and repair only apply to operations on Federal or Tribal surface lands, addressing previous concerns about broader application on Tribal lands where resources may be held by non-Tribal entities.

Overall, the BLM estimates that the annual cost of implementing requirements under the Waste Prevention Rule industry-wide will be $19 million per year, and individual, small business operators may only see profit margins reduced, on average, by less than two tenths of one percent. BLM estimates that Waste Prevention Rule implementation will result in additional royalty revenues of $51 million per year to the American public and Tribal mineral owners.

Complementing other Biden-Harris administration rules and regulations

While the Waste Prevention Rule focuses on the regulation of natural gas waste from oil and gas operations on federal and Tribal lands, BLM has also proposed an Oil and Gas Leasing Rule that would make several significant updates to BLM's oil and gas leasing regulations to ensure a balanced approach to development, deconflict drilling with important wildlife habitat and cultural sites, and update outdated fiscal terms to benefit the American taxpayer. Both BLM's Oil and Gas Leasing Rule and Waste Prevention Rule will support a fair return for American taxpayers for the use of natural resources on public lands.

Last December, the Environmental Protection Agency released a separate rule under the Clean Air Act to reduce methane and other harmful air pollutants from new and existing oil and gas operations nationwide. That rule is distinct from the BLM's Waste Prevention Rule. BLM's rule updates the BLM's outdated natural gas waste regulations to better address the Secretary of the Interior's obligation, under the Mineral Leasing Act, to prevent avoidable waste of natural gas from oil and gas operations. However, the BLM and EPA worked closely to ensure the two rules avoid duplicative or contradictory requirements for industry, even though the rules serve different purposes. The BLM also removed requirements for certain equipment from its rule between the proposed and final stage because they did not provide sufficient additional waste reduction. The EPA rules include provisions that cover emissions from these sources.

Next steps for operators and lessees

The final Waste Prevention Rule will go into effect 60 days after publication in the Federal Register. New requirements under the rule will be phased in to allow time for operators to appropriately adjust. For example, some flaring limits will go into effect roughly 60 days after the effective date of the rule, while some flare measurements will be required either 6, 12, or 18 months after the effective date of the rule. Operators will have 18 months to submit leak detection and repair plans to BLM state offices.