NEI

January 28, 2022

U.S. Environmental Protection Agency (EPA)
Docket No. EPA-HQ-OAR-2021-0317

RE: Comments on Proposed Rule: Standards of Performance for New, Reconstructed, and Modified Sources and Emissions Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review

Submitted via Regulations.gov

Dear Administrator Regan,

With approximately C$11 billion in assets under management, NEI Investments' approach to investing incorporates the thesis that companies can mitigate risk and take advantage of emerging business opportunities by integrating best environmental, social and governance (ESG) practices into their strategies and operations. We commend the EPA for the opportunity to comment on the proposed rule: Standards of Performance for New, Reconstructed, and Modified Sources and Emissions Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review. As an investor with direct exposure to U.S.-based oil and natural gas companies, the proposed rule is a material development for the evolution of the industry towards a low-carbon future.

Support for Current Proposal

We strongly support the EPA's proposal to strengthen methane emission standards and commend the agency for taking steps that will have significant, positive impact on methane emissions while ultimately increasing the resiliency of the industry. We believe it is in the best interests of companies and their investors to focus on reducing methane emissions in the near-term, as it is the most cost-effective means of reducing GHG emissions and aligns with the recommendations of the IPCC's Sixth Assessment report, which has specifically noted the imperative to reduce methane emissions if we are to meet our Paris Agreement objectives. The proposed standards will also provide a roadmap for companies to align themselves with the Global Methane Pledge, a key plank in the U.S. Government's climate strategy. Absent the improvements of the proposed rule, we believe the industry would face significant uncertainty regarding future regulations and an uneven, and ultimately unfair, burden on industry leaders to bear the brunt of emission reductions.

Extending the emission performance standards to existing sources closes an important gap and should absolutely be maintained. Likewise, expectations on the use of zero-emitting pneumatic controllers and the allowance of enhanced monitoring techniques in the proposed rule are aligned with existing best practice and reflect the direction that leading oil & gas companies have already indicated they plan to travel. The proposed standards should alleviate the uneven performance we see across the industry and ensure that leading companies are not disadvantaged by competing against peers who continue to outsource the impacts of their methane emissions onto the public. These recommendations are both reasonable and forward-looking from an investor perspective.

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Potential Enhancements

We appreciate that the EPA will be developing a supplemental proposal to address some of the outstanding issues not currently addressed by the proposed rule. As such, we have the following recommendations in advance of that proposal.

- **End the Practice of Routine Flaring**: eliminating the practice of routine flaring is a low-hanging fruit that has significant potential to reduce emissions. Leading companies have already committed to ending the practice of routine flaring (e.g. Apache, EOG and others) and several states and competing jurisdictions (e.g. Alberta) are working towards the same goal. The World Bank's Zero Routine Flaring by 2030 initiative, and the support it has from industry, shows the appetite this measure already has in the marketplace.
    - **Transparency on Flaring and Venting Performance**: transparency on flaring and venting performance is a critical benefit for investors, and helps companies stay accountable to their reduction goals. We would suggest the EPA consider replicating the reporting requirements that exist in Alberta, where detailed regional and overall company performance is readily available.
- **Require Monitoring at All Potentially Significant Sources of Methane:** The current proposal does not appear to extend to cover the many smaller, low-production wells that can be a large source of methane emissions. This is an oversight that exacerbates the uneven playing field for leading companies that are responsibly and proactively addressing their emissions and results in unnecessarily large emissions from marginally economic wells. If the cost of responsibly addressing methane emissions renders a well uneconomic, then it stands to reason that the social utility of that well no longer exists.
- **Create a Robust Methane Emissions Reporting Framework:** one of the most vexing challenges for investors who are seeking to invest in oil & gas companies that outperform on methane management is the question of actual methane emission performance. The emissions reported by companies, using the current EPA methodology, often differs significantly from the number provided by independent, direct measurement surveys. This discrepancy undermines investor confidence in corporate reporting and leaves investors unable to accurately identify leading and lagging practice. A transparent, robust, and measurement-based approach is required.
    - **Oil and Gas Methane Partnership (OGMP):** Investors are increasingly looking for companies to align themselves with the OGMP, and the initiative provides an excellent model for the EPA to align their reporting framework with. This approach to measuring and reporting on methane is already being followed in the marketplace, and it is likely to become common practice for leading companies.

In conclusion, we again commend the EPA for issuing strong guidance that is aligned with existing best practice and which recognizes the imperative of addressing methane emissions from the oil & gas sector. Considering the importance the IPCC places on addressing methane emissions in the near-term, we hope the EPA considers strengthening the proposed rule further, in line with our recommendations above. Thank you again for the opportunity to provide our comments.

Best regards,

Jamie Bonham
Director, Corporate Engagement
NEI Investments