By: Alex Mills **June 2, 2016**

EPA Continues Rigorous Regulation Of Oil Industry

The Environmental Protection Agency's new methane emissions regulations have drawn criticism from the oil and gas industry and a growing number of members of Congress. EPA finalized the regulations on May 12, and industry quickly responded that the massive regulations will be burdensome financially and that it will take many man-hours to come into compliance with the information demanded.

"These regulations cover all segments of the industry," Bob Osborne, chairman of the Texas Alliance of Energy Producers, said. "The Alliance fought to get EPA to exempt low producing marginal oil and gas wells, but they refused."

Sen. James Inhofe (R-Ok.), chairman of the Environment and Public Works Committee, stated in a letter to EPA Administrator Gina McCarthy on May 24 that "these mandates, as shown by the EPA's own data, will produce no meaningful climate benefits." Inhofe's letter points out that EPA's own greenhouse gas (GHG) inventory states that "U.S. oil and gas system represent only 3.5 percent of overall domestic GHG emissions."

Inhofe also states that even if EPA's methane regulations reach its stated goal of reducing emissions by 40 to 45 percent below 2012 levels by 2025, the reduction would yield only a 0.004 degree Celsius reduction in global temperature by 2100.

Although the new rule is directed at new, modified, and reconstructed sources, the action also includes an Information Collection Request (ICR) that the EPA will send to more than 22,500 companies to gather data on existing facility sources and responding to the information request is mandatory.

"The EPA's own estimate is that just the labor costs in responding to the new rule will require 3,800,000 man-hours annually in 2025," Osborne said. "Add the equipment costs and the math gets a lot worse."

Despite U.S. oil and natural gas production being, until recently, at its highest level in nearly 30 years, EPA data shows that methane emissions in the United States have decreased 15% since 1990. The proposed rule, therefore, only adds an additional regulatory layer, with the accompanying regulatory compliance costs, to achieve what may be limited practical effect on methane emissions. The rule is particularly unwelcome as producers are facing some of the lowest oil and natural gas prices in recent memory.

EPA seeks to collect facility-level information, such as facility name, location, contact information, and number of wells, tanks, and compressors. The regulation also requires a listing of all buildings, equipment, structures, and other stationary equipment that are located on one or more contiguous or adjacent properties and that are under common ownership or control.

There's little doubt that existing facilities are the next target. Using EPA's own numbers, that's 1,397,600 wells, 698,000 oil and gas production facilities, 5,000 gas gathering and boosting facilities, 668 gas processing plants, 1,400 compressor stations, 939 gas transmission pipelines, 418 underground storage facilities, 100 LNG storage facilities and 11 import/export facilities.

Though this final rule can be challenged in the courts, such a challenge has not yet been filed. Industry groups are exploring the legal options to stay or delay its implementation. However, unlike the final methane rule, the ICR is believed to be within the jurisdiction of the EPA, as it relates to existing facilities, and a legal challenge probably is not available. As stated on the EPA website, "The industry will be legally required to respond to the final ICR." The Phase 1 ICR will be finalized after a 60 day comment period.

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