

# Fact Sheet for Subpart W Petroleum and Natural Gas Systems

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## Proposed Mandatory Reporting of Greenhouse Gases Rule

### Action

- On March 22, 2010, U.S. Environmental Protection Agency (EPA) signed a proposed rulemaking that would require reporting of fugitive and vented methane (CH<sub>4</sub>) and carbon dioxide (CO<sub>2</sub>) emissions from the petroleum and natural gas industry, including CO<sub>2</sub>, CH<sub>4</sub>, and nitrous oxide (N<sub>2</sub>O) combustion emissions from flares.
- This proposed rule amends the GHG Mandatory Reporting Rule (MRR) that was issued on October 30, 2009, which requires greenhouse gases (GHGs) reporting from large emissions sources in the United States.
- In general, this proposal requires that petroleum and natural gas facilities emitting 25,000 metric tons of carbon dioxide equivalent (metric tons CO<sub>2</sub>e) or more report their GHG emissions to EPA. Covered facilities include: onshore petroleum and natural gas production, offshore petroleum and natural gas production, onshore natural gas processing, natural gas transmission, underground natural gas storage, liquefied natural gas (LNG) storage, LNG import and export facilities, and natural gas distribution facilities.
- EPA estimates that the proposal would cover 85 percent of the total GHG emissions from the U.S. petroleum and natural gas industry with approximately 3,000 facilities reporting. EPA expects that 1,200 of these facilities would already be required to report under another subpart of the final reporting rule.
- Very few small businesses in this sector would be affected since most would not meet the 25,000 metric ton threshold for reporting.
- Fugitive and vented GHG emissions from this industry are the second largest source of human-made methane emissions in the United States according to the *Inventory of U.S. Greenhouse Gas Emissions and Sinks*, and represent a critical addition to the emissions data that EPA is already collecting under other parts of the MRR.
- This proposed reporting rule would provide important data on the location and magnitude of GHGs from petroleum and natural gas systems and would allow petroleum and natural gas facilities to track their own emissions, compare them to similar facilities, and aid in identifying cost effective opportunities to reduce emissions in the future.

## Background

- On October 30, 2009, EPA promulgated a final rule for mandatory reporting of GHG from large GHG emissions sources in the United States.
- The final rule included reporting requirements for 31 of the 42 emission sources listed in the proposal. The initial petroleum and natural gas systems reporting proposal (subpart W) was not included in the final rule.
- The original proposal for Mandatory GHG Reporting, published in the Federal Register on April 10, 2009, included a subpart for petroleum and natural gas systems. The proposed rule contained methodologies for quantifying emissions from the following segments: offshore petroleum and natural gas production, onshore natural gas processing, natural gas transmission, underground natural gas storage, LNG storage and LNG import and export facilities.
- EPA received almost 1,200 pages of detailed comments on the initial petroleum and gas systems proposal from industry, state governments, and environmental and consulting groups.
- Fugitive and vented emissions from the petroleum and natural gas industry come from a large number of diffuse sources making GHG emission calculation methodologies particularly complex.
- Given the scope of the comments received and the complexity of measuring emissions sources in this sector, EPA did not finalize the subparts related to the petroleum and natural gas industry. Instead, EPA took additional time to thoroughly review all comments and with this action is re-proposing reporting requirements for this source category.
- Onshore production and natural gas distribution facilities are two sources that were not included in the initial proposal. However, EPA did seek comments in the April 10, 2009 proposed rule on whether EPA should include these two segments.

## Proposed Rule Overview

- Petroleum and natural gas facilities that emit 25,000 metric tons or more of CO<sub>2</sub> equivalent per year would be required to report their GHG emissions to EPA.
- Reporting is proposed to be at the facility level with data collection beginning on January 1, 2011. Reports would be submitted annually with the first report due to EPA by March 31, 2012, covering 2011 emissions.
- Due to the unique characteristics of these industry segments, the proposed definition of “facility” for onshore and offshore petroleum and natural gas production, and natural gas distribution differ from the definition of facility applied in the remainder of the MRR.
- As required in the other subparts of the MRR, EPA would verify the data submitted and would not require third party verification. Prior to EPA verification, reporters would be required to self-certify the data they submit to EPA, which is consistent with other Clean Air Act programs.

- EPA estimates the total cost of reporting to the private sector would be about \$60 million for the first year and \$25 million in subsequent years. This translates to an estimated average cost of \$18,000 per facility for the first year and \$8,000 in subsequent years.
- In addition to the facilities included in the initial proposal (offshore petroleum and natural gas production, onshore natural gas processing, gas transmission, underground natural gas storage, LNG storage and LNG import and export facilities), this proposed rule would also require reporting from onshore production and natural gas distribution facilities. EPA estimates that these segments respectively account for 58 percent and 6 percent of the total greenhouse gas emissions from the industry.
- The GHG calculation methodologies for this proposal generally include direct measurement of emissions when other methods are not feasible, and the use of less costly engineering estimates, emissions modeling software, and emission factors, as appropriate, for other sources.

## Public Involvement

- EPA conducted targeted outreach for the petroleum and natural gas systems initial proposal, and through this process met with all major petroleum and natural gas trade associations, many petroleum and natural gas companies, and states.
- EPA will hold a public hearing on this proposal on April 19, 2010 in Arlington, VA.

## Next Steps and Implementation

- The Petroleum and Natural Gas Systems Proposed rule and preamble will be published in the *Federal Register* shortly, and will be made available at [www.regulations.gov](http://www.regulations.gov).
- A prepublication version is available on our Web site at: [www.epa.gov/climatechange/emissions/subpart/w.html](http://www.epa.gov/climatechange/emissions/subpart/w.html).
- The comment period for this rule will be open for 60 days after publication in the Federal Register.
- EPA expects to publish the final rule in 2010 so that data collection for this source category can begin on January 1, 2011.

## More Information

This document is provided solely for informational purposes. It does not provide legal advice, have legally binding effect, or expressly or implicitly create, expand, or limit any legal rights, obligations, responsibilities, expectations, or benefits in regard to any person. This information is intended to assist reporting facilities/owners in understanding key provisions of the final rule.

For more information on this proposed rulemaking and other provisions of the GHG Mandatory Reporting Rule that was finalized in October 2009, including guidance and a schedule of training opportunities, visit: [www.epa.gov/climatechange/emissions/ghgulemaking.html](http://www.epa.gov/climatechange/emissions/ghgulemaking.html).