

EPA Issues Final Policy Amendments to the 2012 and 2016 New Source Performance Standards for the Oil and Natural Gas Industry: Fact Sheet

Overview of Action

- On August 13, 2020, the U.S. Environmental Protection Agency (EPA) issued final policy amendments to the 2012 and 2016 New Source Performance Standards (NSPS) for the Oil and Natural Gas Industry to remove duplicative and inappropriate regulation, while maintaining health and environmental protection from oil and gas sources that the Agency considers appropriate to regulate.
- EPA issued the final policy amendments in response to President Trump’s Executive Order on Promoting Energy Independence and Economic Growth. The order directs agencies to review existing regulations that potentially “burden the development or use of domestically produced energy resources,” including oil and natural gas, and to suspend, revise or rescind regulatory requirements if appropriate.
- The final rule removes the natural gas transmission and storage segment of the oil and gas industry from regulation and rescinds methane-specific limits that apply to the industry’s production and processing segments. The rule also concludes that the Clean Air Act requires, or authorizes, EPA to make a “significant contribution finding” as a predicate to regulating any air pollutant that was not considered when the Agency first listed or regulated an industry “source category.” In addition, as a result of today’s actions, EPA is no longer required or authorized to issue emission guidelines for methane from existing sources in the industry’s production and processing segments.
- In a separate action August 13, 2020, EPA finalized targeted technical amendments to the NSPS that make a number of improvements, including changes that streamline implementation of the rule and significantly reduce unnecessary burdens on domestic energy producers. These changes streamline recordkeeping and reporting for “fugitive emissions (also known as leaks), reduce duplication of some state requirements, and make it easier for the industry to use new technologies to monitor for fugitive emissions. EPA finalized the two rules concurrently to simplify compliance requirements.
- EPA held a public hearing on the proposed policy amendments and received nearly 300,000 written comments. The final amendments will take effect 60 days after they are published in the Federal Register.

Net Benefits of the Rules

- The Regulatory Impact Analysis (RIA) for the two rules estimates that, combined, the two actions will yield \$750 to \$850 million in net benefits over the period from 2021-2030, (7 percent and 3 percent discount rates, respectively), the annualized equivalent of nearly \$100 million in net benefits a year.

- For the policy amendments alone, the RIA estimates that net benefits for the period 2021-2030 will range from \$14 million (7 percent discount rate) to -\$25 million (3 percent discount rate), the annualized equivalent of \$1.9 to -\$2.9 million a year (7 percent and 3 percent discount rates, respectively).

Summary of the Final Policy Amendments

Removing the Transmission and Storage Segment from the Source Category

- Section 111 of the Clean Air Act requires EPA to set NSPS for EPA-listed categories of industrial facilities that cause, or significantly contribute to, air pollution that may be reasonably anticipated to endanger public health or welfare. These are called “source categories.”
- In the final policy amendments, EPA has removed sources in the transmission and storage segment of the oil and gas industry from the source category regulated in the NSPS. The Agency has determined that it was not appropriate to include this segment in the source category in the 2012 and 2016 amendments to the NSPS. Emissions sources in the transmission and storage segment include transmission compressor stations, pneumatic controllers and underground storage vessels. The final rule also rescinds the standards that applied to these sources.
 - The Agency’s original source category listing for the oil and natural gas industry, which was issued in 1979, included only the production and processing segments of the industry.
 - In the 2012 and 2016 NSPS, EPA interpreted the source category to also include the industry’s transmission and storage segment. In the 2016 NSPS, EPA also, as an alternative, expanded the source category to include transmission and storage. The 2012 and 2016 NSPS added VOC emissions limits for the transmission and storage segment. The 2016 NSPS also added methane emission limits for the same segment.
 - In the final policy amendments, EPA has determined that the original source category did not cover the transmission and storage segment. The amendments also determine that the transmission and storage segment should not be considered part of the same source category as the production and processing segments; and, therefore, the Agency could have listed the transmission and storage segment for regulation only after making a finding that emissions from that segment cause, or significantly contribute to, air pollution that may be reasonably anticipated to endanger public health or welfare. EPA did not make such a finding for that segment. Based on this determination, EPA also is rescinding the methane and VOC standards that applied to transmission and storage sources.

Rescinding Emissions Limits for Methane for the Production and Processing Segments

- The 2016 NSPS regulated greenhouse gas emissions from the oil and gas industry through limitations on methane.
- For the production and processing segments of the industry, the amendments rescind emissions limits for methane but keep limits for smog-forming VOCs. Sources in the production and processing segments include well completions, pneumatic pumps, pneumatic controllers, gathering and boosting compressors, natural gas processing plants, fugitive emissions and storage tanks.
- The final amendments note that, because the controls to reduce VOC emissions also reduce methane, separate methane limitations for these segments of the industry are redundant. Rescinding the methane limits will not actually change the amount of methane emission reductions for the production and processing segments.

Significant Contribution Finding Requirement for Adding a Pollutant for Regulation

- As part of the policy amendments, EPA also is finalizing the position that section 111 of the Clean Air Act requires EPA to make a “significant contribution finding” for any particular air pollutant before setting performance standards for that pollutant, unless the Agency addressed the pollutant when it initially listed or regulated the source category. EPA initially listed the oil and gas source category in 1979 and began to regulate it shortly afterward; the Agency did not consider methane emissions at that time.

Existing Sources No Longer Subject to Emissions Guidelines

- The final amendments note that, because EPA has rescinded methane limits for the production and processing segments of the oil and natural gas industry, the Agency is no longer required to issue emission guidelines to address *existing sources* in those segments. In addition, EPA has concluded that VOCs are excluded from requirements to address emissions from existing sources under Clean Air Act section 111(d).
- EPA has not analyzed the potential impact of not regulating existing sources but expects any impact will be limited, because existing sources will eventually “modify,” which makes them subject to requirements for new sources, or they will retire and be replaced by new sources. In addition, EPA expects that market incentives to capture natural gas, industry participation in voluntary methane emissions reduction programs, and state requirements all will contribute to a downward trend in methane emissions from existing sources.

Background

- The oil and natural gas industry operations generally consist of four segments:
 1. *Extraction and production of crude oil and natural gas.* At well sites, oil and natural gas are produced, and crude oil is separated from the natural gas. After this point,

any crude oil produced is transferred to a petroleum refinery. EPA regulates petroleum refineries as a separate industry.

2. *Natural gas processing.* To process natural gas, natural gas liquids and other impurities are removed to produce “pipeline quality” natural gas, which is composed mostly of pure methane.
3. *Natural gas transmission and storage.* Once the resulting product is “pipeline quality,” it is transmitted to storage or for distribution to the end user. (The final amendments remove natural gas transmission and storage from regulation.)
4. *Natural gas distribution.* Natural gas distribution systems consist of pipelines that deliver the final product to business and household customers. EPA has not regulated the distribution portion of the industry.

For More Information

- A copy of the final rule, materials for the technical amendments, and the combined Regulatory Impact Analysis for both actions are available on EPA’s website at <https://www.epa.gov/controlling-air-pollution-oil-and-natural-gas-industry/actions-and-notice-about-oil-and-natural-gas#regactions>.