



EPA Proposes Policy Amendments to the 2012 and 2016 New Source Performance Standards for the Oil and Natural Gas Industry

Overview of Action

- On August 28, 2019, the U.S. Environmental Protection Agency (EPA) proposed amendments to the 2012 and 2016 New Source Performance Standards (NSPS) for the Oil and Natural Gas Industry that would remove regulatory duplication and save the industry millions of dollars in compliance costs each year, while maintaining health and environmental protection from oil and gas sources that the Agency considers appropriate to regulate.
- EPA is issuing today's proposal in response to President Trump's Executive Order on Promoting Energy Independence and Economic Growth. That 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 rescind or suspend regulatory requirements if appropriate.
- The proposed amendments would remove all sources in the transmission and storage segment of the oil and natural gas industry from regulation under the NSPS, both for ozone-forming volatile organic compounds (VOCs), and for greenhouse gases (GHGs). The existing NSPS regulates GHGs through limitations on emissions of methane.
- The amendments also would rescind the methane requirements in the 2016 NSPS that apply to sources in the production and processing segments of the industry.
- As an alternative, EPA also is proposing to rescind the methane requirements that apply to all sources in the oil and natural gas industry, without removing any sources from the current source category.
- As part of today's action, the Agency also is seeking comment on alternative interpretations of EPA's legal authority to regulate pollutants under section 111(b) of the Clean Air Act.
- EPA's regulatory impact analysis estimates that the proposed amendments would save the oil and natural gas industry \$17-\$19 million a year, for a total of \$97-\$123 million from 2019 through 2025.
- EPA will accept comments on all aspects of the proposed amendments for 60 days after they are published in the Federal Register. The agency will hold a public hearing on the proposed amendments in Texas. Details about the public hearing will be available shortly.
- Today's proposal is separate from EPA's September 2018 proposal to make targeted improvements to the 2016 NSPS, including amendments to the fugitive emissions (leaks) monitoring requirements in the rule. EPA expects to take final action on that proposal later this year.

Summary of Proposed Amendments

Primary Proposal

- Section 111 of the Clean Air Act requires EPA to set NSPS for categories of industrial facilities that EPA has listed because they cause, or significantly contribute to, air pollution that may endanger public health or welfare. These are called "source categories."
- The Agency's original source category listing for the oil and natural gas industry, issued in 1979, included only the production and processing segments of the industry. However, in the 2012 and 2016 NSPS rules, EPA interpreted the source category to include the industry's transmission and storage segment. In the 2016 NSPS rule, EPA also, as an alternative, expanded the source category to include the transmission and storage segment.
- EPA is proposing to remove sources in the transmission and storage segment from the oil and natural gas source category. The proposal notes that the agency erred when it interpreted or expanded the source

category in 2012 and 2016 to include the transmission and storage segment, because that segment of the industry is functionally separate from the production and processing segments. Sources in the transmission and storage segment include transmission compressor stations, pneumatic controllers, and underground storage vessels.

- In the proposal, EPA also notes that the Agency would need to make a separate finding that the transmission and storage segment contributes significantly to air pollution that is anticipated to endanger public health or welfare before those sources in that segment could be listed for regulation.
- Because the proposed amendments would remove sources in the transmission and storage segment from the source category, the proposal also would rescind the emissions limits in the 2012 and 2016 NSPS that currently apply to those sources. These include limitations on both methane emissions and emissions of VOCs.
- For the production and processing segments, the proposal would rescind emissions limits for methane but would keep emissions limits for VOCs. The proposal notes that the controls to reduce VOC emissions also reduce methane at the same time, so separate methane limitations for these segments of the industry are redundant. 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.
- These proposed amendments would remove the Agency's obligation to develop emission guidelines to address methane emissions from existing sources under section 111(d) of the Clean Air Act. EPA believes this would have limited environmental impact, because some existing sources that "modify" and, as a result, become subject to requirements for new sources, and because the number of remaining sources may decline over time as they are shut down or become obsolete.

Alternative Proposal

- As an alternative, EPA also is proposing to rescind the methane requirements in the NSPS for oil and natural gas sources, without removing any sources from the source category. Under this alternative, the rule would retain VOC standards for the production, processing, and transmission and storage segments of the industry. As in the primary proposal, the alternative proposal notes that because the controls to reduce VOC emissions reduce methane at the same time, separate methane limitations for the industry are redundant.

Seeking Comment on EPA's Legal Authorities to Regulate Methane

- As part of today's action, EPA also is seeking comment on alternative interpretations of the Agency's legal authority to regulate pollutants under section 111 of the Clean Air Act.
- In the 2016 rule, EPA took the position that the law did not require that the Agency, as a prerequisite to regulating methane as part of the NSPS, first make a separate, pollutant-specific determination that GHG emissions (primarily methane) from the oil and natural gas industry cause, or significantly contribute to, air pollution that may endanger public health or welfare.
- In the 2016 rule, the Agency also made a finding in the alternative if the Clean Air Act were interpreted to require a separate pollutant-specific determination. In that finding, GHG emissions (primarily methane) from the oil and gas industry do cause or contribute significantly to air pollution that may be reasonably expected to endanger public health or welfare.
- As part of today's proposal, EPA is seeking comment on whether the Agency should revise the positions it took in the 2016 rule. Specifically, EPA is requesting comment on:
 - o Whether section 111 of the Clean Air Act requires EPA to make a pollutant-specific significant contribution finding for GHG emissions (primarily methane) from the oil and natural gas industry; and
 - o If the law does require a pollutant-specific finding, whether the finding in the alternative in the 2016 rule properly satisfied that requirement.
- EPA also is seeking comment on the appropriate criteria to use when determining, under section 111,

whether a pollutant emitted from a particular source category significantly contributes to air pollution that may reasonably be anticipated to endanger public health and the environment. The Agency is seeking these comments to inform its actions in future rules.

Avoided Costs and Emissions Reductions

- EPA has analyzed costs that would be avoided and emission reductions that would not occur if the policy amendments are finalized as proposed.
- The Regulatory Impact Analysis for the proposal estimates that the oil and natural gas industry would save a total of \$97 million (present value using a 7 percent discount rate) or \$123 million (3 percent discount rate) from 2019 through 2025, or \$17 million and \$19 million a year (7 percent and 3 percent discount rates, respectively). The total cost savings reflect both the cost savings associated with proposed changes to requirements in the rule and the forgone value of natural gas that would not be recovered as a result of those changes.
- EPA's analysis estimates the following emissions reductions would not occur from 2019 through 2025 as a result of the proposed amendments: 370,000 short tons of methane (8.4 million metric tons of carbon dioxide equivalent), 10,000 short tons of volatile organic compounds, and 300 short tons of hazardous air pollutants. The analysis also estimates the total present value of climate benefits within the United States that would not occur at \$13 million (under a 7 percent discount rate) or \$52 million (under a 3 percent discount rate), which translates to \$2.3 or \$8.1 million per year, using 7 percent and 3 percent discount rates, respectively.
- These impacts are projected compared to a baseline that only includes final actions. The Regulatory Impact Analysis also presents potential impacts of this action compared to a baseline where the technical reconsideration proposed in 2018 is included.

How to Comment

- EPA will take public comment on the proposed amendments for 60 days after they are published in the Federal Register. There are multiple ways to submit written comments. Please use one of the methods below to ensure EPA receives your comments.
- **The Docket ID number for the proposed amendments is EPA-HQ-OAR-2017-0757.**
- Label your comments with the Docket ID number, then submit them by any one of the following methods:
 - o Online - go to www.regulations.gov and type Docket ID number EPA-HQ-OAR-2017-0757 in the search box. Click on the "Comment Now!" button at the top right of the page and follow the instructions for submitting your comments.
 - o E-mail: Send comments by e-mail to a-and-r-Docket@epa.gov, Attention Docket ID EPA-HQ-OAR-2017-0757. Please include the docket number in the subject line of your email message.
 - o Fax: You may fax your comments to: (202) 566-9744, Attention Docket ID. No. EPA-HQ-OAR-2017-0757
 - o NOTE: Confidential Business Information (CBI), or other information that is subject to disclosure restrictions by law, should never be sent to EPA electronically. If you have questions about submitting CBI or other information subject to disclosure restrictions by law, please visit <http://www.epa.gov/dockets/commenting-epa-dockets> for additional information.
- Mail: You may mail your comments to Environmental Protection Agency, EPA Docket Center (EPA/DC), Mail Code 28221T, Attention Docket ID No. EPA-HQ-OAR-2017-0757, 1200 Pennsylvania Avenue, NW, Washington, DC 20460.
- Hand delivery/courier delivery: Comments may be delivered to EPA Docket Center, Room 3334, EPA WJC West Building, 1301 Constitution Ave., NW, Washington, D.C. 20004, Attention Docket ID No. E EPA-

HQ-OAR-2017-0757. Please note that hand/courier deliveries are only accepted during the Docket's normal hours of operation, and special arrangements should be made for deliveries of boxed information.

- For tips on submitting comments, see <https://www.epa.gov/dockets/commenting-epa-dockets>.

For additional information

- To read the proposed amendments, visit <https://www.epa.gov/controlling-air-pollution-oil-and-natural-gas-industry/proposed-policy-amendments-2012-and-2016-new>.