Fact Sheet

Proposed Rule: Waste Emissions Charge for Petroleum and Natural Gas Systems

Action

- The U.S. Environmental Protection Agency (EPA) is proposing a regulation to implement provisions of the Inflation Reduction Act that require the Agency to collect an annual Waste Emissions Charge (WEC) on methane emissions from oil and natural gas facilities that exceed specific levels of emissions and methane intensity specified in the IRA.

- The WEC is designed to work together with EPA's Clean Air Act rules for oil and natural gas facilities, and with other provisions of the IRA, to incentivize and encourage reductions in harmful air pollution and waste from oil and natural gas operations. The proposal includes calculation procedures, exemptions, and reporting requirements related to the WEC.

Background

- In August 2022, the Inflation Reduction Act of 2022 (IRA) was signed into law. Section 60113 of the IRA amended the CAA by adding section 136, "Methane Emissions and Waste Reduction Incentive Program for Petroleum and Natural Gas Systems." CAA section 136(c) directs the Administrator of EPA to impose and collect a WEC on methane emissions that exceed statutorily specified waste emissions levels from an owner or operator of an "applicable facility." The waste emissions level is a facility-specific amount of methane emissions (metric tons) calculated using segment-specific methane intensity levels defined in CAA section 136(f)(1)-(3) and the amount of natural gas (or oil, in certain circumstances) that the facility sends to sale.

- **The Waste Emissions Charge is just one element of the Methane Emission Reduction Program (MERP), which Congress included in the IRA to reduce harmful methane emissions from oil and gas operations**.

- In the IRA**, Congress expressly recognized EPA's authority to address methane pollution from oil and gas operations under the Clean Air Act – and built a three-part framework of additional measures** to complement that authority and drive reductions in methane from the oil and gas sector.

- As contemplated by Congress in the IRA, **EPA issued a final rule last December under section 111 of the Clean Air Act to achieve substantial and sustained reductions in methane emissions** from new and existing oil and gas operations.

- **EPA is also working to implement the three-part framework of the Inflation Reduction Act's Methane Emissions Reduction Program** (MERP) to help states, industry and communities implement recently issued Clean Air Act standards and slash methane emissions:

- **First,** utilizing resources provided by Congress in the IRA, EPA is partnering with the Department of Energy (DOE) to provide **over $1 billion dollars in financial and technical assistance** to **accelerate the transition** to no- and low- emitting oil and gas technologies, including funds for activities associated with low-producing conventional wells; support methane monitoring; and reduce pollution from oil and gas operations.
- **Second, on August 1, 2023, as directed by Congress, EPA proposed revisions to Subpart W of the Greenhouse Gas Reporting Program** to ensure that reporting of methane emissions from oil and natural gas operations is based on empirical data and accurately reflects emissions.
- **Third, EPA is proposing a regulation to implement the Waste Emissions Charge.** To take advantage of near-term opportunities for methane reductions while EPA and states work toward full implementation of the final Clean Air Act rule, Congress directed EPA to collect a charge on methane emissions from large oil and gas facilities that are **high-emitting** and **wasteful** based on data submitted under subpart W.

Overview

- The WEC is specifically tailored to impose a charge on high-emitting oil and gas facilities to incentivize actions to reduce wasteful methane emissions while EPA and states work toward full implementation of the CAA rule.

- The WEC is required by CAA section 136(e) to apply to emissions occurring in year 2024 at $900 per metric ton of methane, increasing to $1,200 per metric ton of methane in 2025, and to $1,500 per metric ton of methane in 2026 and in the years after. The WEC only applies to the subset of a facility's emissions that exceed the levels set by Congress, and that are not exempt from the charge.

- An applicable facility, as defined in CAA section 136(d), is a facility within the following industry segments (as defined in 40 CFR part 98, subpart W): onshore petroleum and natural gas production, offshore petroleum and natural gas production, onshore natural gas processing, onshore petroleum and natural gas gathering and boosting, onshore gas transmission compression, onshore natural gas transmission pipeline, underground natural gas storage, liquefied natural gas import and export equipment, and liquefied natural gas storage. Only applicable facilities that report more than 25,000 metric tons of carbon dioxide equivalent under subpart W would be subject to the WEC.

Proposed Requirements

- EPA is proposing methodologies for calculating the amount by which a facility's reported methane emissions are below or in exceedance of the waste emissions threshold, and the total WEC owed by a facility owner or operator.

- EPA is also proposing approaches for implementing the three exemptions created by Congress, which may lower a facility's WEC or exempt the facility entirely from the charge.

    - *Unreasonable Delay*: This exemption would apply to methane emissions caused by unreasonable delay in environmental permitting of gathering or transmission infrastructure necessary for offtake of increased volume as a result of methane emissions mitigation implementation.
    - *Plugged Wells*: This exemption would apply to the methane emissions from wells that have been permanently shut-in and plugged in the previous year in accordance with all applicable closure requirements.
    - *Regulatory Compliance*: This exemption would apply to facilities that are subject to and in compliance with methane emissions requirements promulgated pursuant to CAA sections 111(b) and (d), when and if certain statutorily specified conditions are met.

- EPA is proposing an approach for allowing the netting of emissions across different facilities owned by the same owner or operator, as required by Congress. Netting would mean that if an owner or operator has multiple applicable facilities reporting more than 25,000 metric tons of carbon dioxide equivalent to subpart W under common ownership or control, the emissions above and below the waste emissions thresholds from all applicable facilities can be summed to calculate net emissions. If net emissions are positive, this value would be multiplied by the annual $/metric-ton value to calculate the total WEC owed. If net emissions are less than or equal to zero, no WEC would be owed.

- EPA is proposing to require that the WEC would be quantified and paid through a WEC filing submitted no later than March 31 of each calendar year for methane emissions that occurred in the previous calendar year. The WEC filing would include information relevant to calculating the WEC, such as identification of facilities included in netting, eligibility for exemptions from WEC, and supporting information necessary for EPA to verify the WEC filing.

- As required by Congress, the WEC would first apply to emissions that occur in the 2024 reporting year (i.e., 2024 calendar year). EPA is proposing that owners or operators of applicable facilities would be required to submit a WEC filing for the 2024 reporting year by March 31, 2025. EPA is taking comment on whether the filing deadline should be extended for the first reporting year.

- The WEC would be calculated primarily using data reported under subpart W. In the subpart W rulemaking, EPA proposed that revisions to the emissions quantification methodologies would go into effect for the 2025 reporting year. EPA is currently reviewing comments received on the subpart W proposal, including those supporting the optional use of empirical data for the 2024 reporting year for the purpose of calculating the 2024 WEC. Any flexibilities that allow facility owners or operators to voluntarily submit empirical data for the 2024 reporting year will be addressed in the final subpart W rule.

- EPA is proposing that the WEC filing, remittance of applicable WEC, and any other submittals be submitted electronically.

- Waste Emissions Charge revenues will go to the general Treasury, as required by the Miscellaneous Receipts Act. The revenue does not go to EPA and EPA does not control how Waste Emissions Charge revenue is used.

More Information

- For an unofficial prepublication version of this action, please visit our Web site: https://www.epa.gov/inflation-reduction-act/methane-emissions-reduction-program. The *Federal Register* notice for this proposal will be posted on this webpage when it is available.

- EPA will hold a virtual public hearing for this proposed action. Further details will be announced on our Web site: https://www.epa.gov/inflation-reduction-act/methane-emissions-reduction-program.

- There is a 45-day public comment period following publication of the proposal in the *Federal Register*. Detailed instructions on how to provide comments are located in the preamble of the proposed rule.