

Message

From: van Hoogstraten, David Jan [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN= [REDACTED]]
Sent: 14/08/2017 16:59:57
To: Stout, Robert [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN= [REDACTED]]
CC: Sitomer, Gabrielle [/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN= [REDACTED]]
Subject: Inaugural meeting of the API Voluntary Methane Program Steering Committee/ My notes

I listened in to this initial meeting at which BP was represented by Gabrielle Sitomer. The meeting was well-attended by the member companies though some major players such as XTO and Conoco Philips were not on the call today.

Eric Melito and Matt Todd of API chaired the meeting. They indicated that precisely because the industry is already taking many voluntary actions across the board that have led to a decrease in methane emissions, these efforts need to be captured in a way that effectively explains what is being accomplished to the public and benefits the oil and gas industry. As an industry we are going to want to demonstrate four years from now, 8 years from now how we have made environmental progress in real ways.

The program will focus – but only initially – on three specific areas with respect to which the main elements of a voluntary emissions reduction program have already been developed:

- Leak monitoring
- High bleed pneumatics phase-out; and
- Establishing best practices for liquids unloading of gas wells.

Eventually, the voluntary program could be expanded to include other areas. It will start with these three areas but it is not intended only to address these three. We are going to stress continuous improvement. This is a platform that the industry can use to tell what is a good story. Over the next week and prior to the next Steering Committee call, companies will review these papers which API views as being “nearly final.” Do we need more meat behind the three one-pagers

The announcement of the new program will be December 1 and the actual roll-out will be on January 1 (not clear in my mind exactly what the difference is). They plan to reach out to other trade associations to get others to join. Thought is being given to a “small operator program” for marginal wells. They are also going to want to go out to the state oil and gas associations (OGAs) and explain the program. In the meantime, we have to develop what the story is going to be.

What API envisions is a voluntary “environmental program” and not an API program. Preliminarily they are looking at calling it something like, “The Environmental Partnership, a Project of the U.S. Natural Gas and Oil Industry.” It is limited to the upstream and will encompass exploration and production.

Dick Francis of Shell made the point that the industry has to get out in front on methane. Even if it becomes a regulation in the future, it is the right thing to do. But let’s also get rewarded as much as we can for what we are doing now as early movers. The hope – but far from the certainty – is to stave off future regulation. Kate Fay of Noble Energy also spoke of the need for a “robust” program.

This program alone, conceded Melito, may not stave off regulation, but it would provide the industry with ammunition to help us better mitigate/mold regulation when it does come. The best precedent in terms of eventual outcomes is probably Frack-Focus. You begin by doing things voluntarily and then that (and not much more) becomes the regulation. We can positively influence but not eliminate the possibility of future regulation. As Kate Fay pointed out, especially if we can develop a robust data set, it will make it harder for agencies to move unilaterally in future and ignore that data.

Eric Melito made the additional point that we want the greatest amount of “flexibility” in this program in order to get the maximum number of companies involved. Already it looks as though there will be participation in the program being developed by some 12 of the top 20 gas producers in the country. Companies get to figure out for themselves how they want to reduce methane emissions. Melito encouraged those on the phone to consider what they would need to see in this program in order to secure their companies’ participation.

Melito agreed that while a lot of voluntary action is being taken it would also not hurt to include in the story what is required by regulation. Companies can report on both and if they do, we have to consider what is the best message around that.

Next steps: Get together in Houston early in September so Steering Committee can get to know one another. In the meantime there will be weekly meeting of the Steering Committee. At the meeting next week, the focus will be on the sufficiency of the one-pagers on each of the three parts of the program as it has thus far been developed by the Methane Policy Task Force.

My impressions: The most vocal on the phone were companies that either want to ensure that this program is robust and collects data that may be relied upon to mitigate future regulation, and then that seek maximum flexibility and don’t want accumulation of data to dictate future regulation. What the public/ ENGO community is going to want to see is the reduction of X amount of emissions by X time. This program doesn’t yet seem to be well developed beyond wanting to show some commitment to reduce methane emissions. If the industry has already done so much to reduce methane emissions, then why is the message one often hears that the industry should do more that is measurable if gas is to maintain its position as a cleaner fuel? It strikes me that there may not be sufficient recognition of how highly charged politically is the current situation. Methane reduction is about reducing greenhouse gas emissions. That is not even a priority of the current EPA.

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