To: G US C&EA All[redacted]@bp.com]
From: Clanton, Brett[/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/[redacted]
Sent: Tue 21/02/2017 10:29:54 PM (UTC)
Subject: FYI - E&E story on BLM's venting and flaring rule (BP comment included)

Redacted - First Amendment

METHANE

Westerners anticipate crush of shut-in wells under BLM rule

Pamela King, E&E News reporter
Published: Tuesday, February 21, 2017

A pumpjack draws oil from a well in Weld County, Colo. Some Westerners say the Bureau of Land Management's methane rule could render uneconomical small wells on federal lands. Photo by C.L. Baker, courtesy of Flickr.

Keeping an Obama-era rule to curb natural gas releases from energy production on public lands could have far-reaching financial impacts for the communities that rely on a robust oil and gas industry to keep their economies afloat.

While some locals have raised concerns over potential lost revenue if Congress successfully overturns the Bureau of Land Management's methane and waste reduction rule, others say the regulation's costs would shut in production from small independent producers, a loss that would ripple through Western budgets (*Energywire*, Feb. 15).

The fate of the regulation rests in the hands of the Senate, which could vote next week to repeal the rule under the authority of the Congressional Review Act.

"The overall economic impacts are already being felt," said Christopher Guith, senior vice president for policy at the U.S. Chamber of Commerce, regarding the methane rule. "It's a transparent attempt to make production more expensive."

In Colorado's Rio Blanco County, where the federal government owns most of the land, officials say the amount of money it would take to retrofit the county's wells to bring them into compliance far outweighs the revenue BLM expects to collect.

"You take our revenue, you put these burdensome regulations in place, we don't have a lot of room to work," Guith said. "The federal government controls our economies."

Rio Blanco County Commissioner Shawn Bolton estimated that Rio Blanco, where 85 percent of revenue comes from oil and gas in some way, has experienced a nearly 30 percent revenue drop due to market conditions that have suppressed production.

BLM's rule could be another punch to the gut, Bolton said.

In New Mexico, where at least 30 percent of the state's budget is driven by energy development, a business group has estimated that the methane rule would close up 70 percent of the 30,000 wells in the state's northwestern corner.

"That would have a devastating impact," said Carla Sonntag, executive director of the New Mexico Business Coalition.

BLM has cited a Government Accountability Office estimate that 40 percent of natural gas that is burned off or released from federal onshore production sites could be captured with currently available technologies.

One of the options for containing that gas — pipelines that would carry the fuel to market — is difficult to expand because of environmental activism, Guith said. Disputes over the Keystone XL and Dakota Access pipelines have heightened controversy around new oil and gas infrastructure projects.
Guith said he expects some of that opposition will be overridden by the arrival of a new administration and Congress that favor expediting pipelines. But that does not solve the core problem he and others see with the BLM rule — its attempt to regulate methane.

Financial impact

Disputes over the BLM rule's economic impact stem from disagreements over whether the agency should be regulating methane and the potential financial benefits of implementing that control.
In fact sheets on its rule, BLM has cited a 2010 GAO estimate that taxpayers lose as much as $23 million each year from wasted natural gas.
GAO found Interior's efforts to control flaring and venting insufficient.
"Interior's oversight efforts to minimize these losses have several limitations, including that its regulations and guidance do not address some significant sources of lost gas, despite available control technologies to potentially reduce them," GAO wrote.
Industry and congressional Republicans have called into question the $23 million royalty benefit. That loss is closer to $3.68 million, considering currently low natural gas prices, according to an analysis conducted at the request of the Western Energy Alliance, a trade group representing Western oil and gas producers.
The text of BLM's rule cites a more conservative lost royalty sum ranging from $3 million to $10 million per year.
Either way, the royalty benefit comes nowhere near offsetting industry's estimated cost of $1.26 billion to implement the rule, economic research firm John Dunham & Associates Inc. wrote in a memo to the Western Energy Alliance.
BLM has pegged the cost of its rule at up to $279 million per year. That could be an overestimate, the agency wrote.
"In some areas, operators have already undertaken, or plan to undertake, voluntary actions to address gas losses," BLM wrote. "To the extent that operators are already in compliance with the requirements of this final rule, the above estimates overstate the likely impacts of the rule."
BLM calculated an estimated annual net benefit of at least $46 million, after accounting for a minimum $209 million annual benefit of reducing methane emissions. Environmental groups have pushed for oil and gas companies to internalize the costs of emitting the potent greenhouse gas into the atmosphere.
"Economists believe that only when external costs have been fully considered will firms act so as to prevent market failures and move to a socially optimal level of output," the Conservation Economics Institute wrote in an analysis last year.
Because U.S. EPA and states are already addressing methane emissions, BLM's attempt to limit venting and flaring has been seen by industry as an unnecessary layer of regulation.
"Compliance with these overlapping and likely nonaligned regulations will be challenging, especially in our operations located in 'checkerboard' areas where federal and non-federal sections are located side-by-side," BP PLC wrote in comments on the proposed rule. "We urge the Bureau to consider the overlapping nature of these regulations and the challenges they raise regarding cost, efficiency, effectiveness and governance, and to focus on reducing the duplication that will arise from other state, local, tribal and federal regulatory requirements."
The benefits of methane control are superfluous to the rule's cost-benefit analysis because that power lies outside BLM's purview, some opponents of the rule say.
"That, right there, all by itself should be the singular issue why this rule should go away," said Rio Blanco County Commissioner Bolton. "They just do not have the authority on this."

Brett Clanton

BP America Inc. | **Senior Director, U.S. Media Affairs**

phone: [redacted] | mobile [redacted] | e-mail: [redacted]@bp.com
BP America | [redacted] | Houston, TX 77079