

Inside EPA's Plan For Reducing Methane Emissions

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On Aug. 18, 2015, the U.S. Environmental Protection Agency released its regulatory proposal targeting methane emissions from new and modified sources in the oil and gas sector. The proposal will employ a combination of several regulatory programs to address methane emissions emanating from oil and natural gas production, processing, transmission and storage.

To achieve its goal of reducing methane emissions by 40 to 45 percent of 2012 levels by 2025, the EPA is largely relying on controls and work practice standards already employed in the oil and gas sector pursuant to existing new source performance standards addressing volatile organic compounds. Because the new methane requirements build on the existing VOC regulatory program, the new methane emission standards will be satisfied in many instances by the same equipment and procedures already required under the VOC program. In other situations, those requirements, which are already familiar to the regulated community, will be extended to additional sources.



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In addition to building on the existing NSPS framework, the EPA's methane plan provides additional guidance to states on reducing VOC emissions in areas of nonattainment for ozone and the ozone transport region. States with ozone nonattainment areas will be required to revise state implementation plans to incorporate new "reasonably available control technology" standards targeting VOC sources.

Finally, the EPA's Aug. 18 proposal includes a Source Determination rule addressing the definition of "adjacent" for purposes of determining what activities or emission sources must be considered as a group when assessing permitting requirements for new sources. This aspect of the proposal is potentially significant as a new regulatory definition will determine when small sources should be aggregated for purposes of evaluation of new source review/prevention of significant deterioration requirements and/or obtaining Title V permits under the Clean Air Act.

Each element of the methane proposal is discussed in detail below.

Cornerstone of the Proposal: Revised Performance Standards for New and Modified Sources

The cornerstone of the Obama administration's methane proposal is amendments to the existing NSPS addressing VOCs from new and modified wells, processing and transmission sources.

As noted above, many sources addressed in the EPA's methane rulemaking proposal are already subject to controls or work practice standards mandated by a 2012 NSPS regulating VOCs. As the rulemaking proposal explains, "[T]he best system of emission reduction for methane ... is the same BSER for VOC." As such, the proposal largely relies on existing controls and work practice standards already in place for VOCs and/or extends existing controls and standards already employed in the oil and gas sector to new sources.

Specifically, the EPA's regulatory proposal for methane includes:

- Emissions from well completions: The proposal requires hydraulically fractured wells to use reduced emission completion (also known as "green completion") which entails reinjecting flowback into a well or using it for another useful purpose whenever possible. Reduced emission completion is already required under the existing 2012 NSPS. Wildcat, delineation and low-pressure wells could still use only combustion under the proposal.
- Leak detection and control: The proposed rule targets fugitive emissions at most wells, compressor stations and natural gas processing plants and creates broader obligations for leak detection and repair. For instance, new and modified well sites and compressor stations will be required to conduct fugitive emission surveys using optical gas imaging and will be required to repair any leaking sources within 15 days of the survey. The EPA is requesting comment on the frequency of these required OGI inspections.
- Compressors: The EPA's proposal seeks to reduce methane and VOC emissions from wet seal centrifugal compressors by 95 percent. Sources would be required to change reciprocating compressors rodpacking at specified intervals or otherwise to route the emissions to another process.
- Pneumatic controllers: The proposed rule generally would add a natural gas blend rate limit of 6 standard cubic feet per hour for individual continuous bleed, natural-gas driven pneumatic controllers outside natural gas processing plants. Natural gas processing plants will be required to have a zero bleed rate for controllers under the proposal. This control also is required by the 2012 NSPS.
- Pneumatic pumps: The EPA's proposal will require a 95 percent reduction in methane and VOC emissions from pneumatic pumps (where a control device is already available on-site) or, for natural gas processing plants, the proposed standards will require zero emissions.

Aggregation of Sources for NSR, PSD and Title V Permitting: Source Determination Rule

The proposed Source Determination rule,[1] announced alongside the main methane rule, attempts to define “adjacent” for purposes of determining what activities must be considered as a group when assessing permitting requirements for new upstream and midstream sources in the oil and natural gas industry. The proposed definitions have the potential to aggregate multiple minor activities into one large source that would be considered a “major source” subject to more stringent permitting and regulatory requirements. In the past, determinations have been made on a case-by-case basis, considering if the activities were in the same industry, had common control and were on contiguous or adjacent properties.

The EPA has requested comment on two specific approaches. Under the first approach, the Source Determination rule will aggregate equipment or activities if they are located on the same site or within a quarter-mile of each other. Under the second, the EPA is considering aggregation of sources that are either: (1) separated by less than a quarter-mile or (2) separated by a greater distance but have “exclusive functional interrelatedness,” such as a physical connection by a pipeline or delivery of product from one point to another emission point via truck or train.

Additional Action for Areas with Ozone Problems

The EPA’s methane plan includes additional guidance to states on reducing VOC emissions in areas of nonattainment for ozone and the ozone transport region. For this aspect of the proposal, the EPA will employ rarely invoked statutory provisions on control technical guidelines under Section 182 of the Clean Air Act. While control technical guidelines do not impose legal obligations directly on sources, they do provide recommendations to state and local air agencies on “reasonably available control technology” standards for sources emitting VOCs. States with nonattainment areas, in turn, must incorporate “reasonably available control technology” standards into state implementation plans. Accordingly, the control technical guidelines could result in new state regulations in ozone nonattainment areas.

Voluntary Program Incentives

Although not specifically part of the Aug. 18 announcement, the EPA’s regulatory proposal complements the Methane Challenge program, an expansion of the voluntary Natural Gas STAR program preliminarily announced in late July. That program includes two major components: (1) a best management practice commitment option, which involves companywide implementation of best practices for selected methane emission sources and (2) a one future commitment option, focused on achieving a specified average rate of emissions intensity across all facilities in a given segment.

Regulation of Existing Sources Under Section 111(d)

The EPA’s announcement on its planned regulatory program was notable in what it did not include — performance standards under Section 111(d) for existing sources. This omission is particularly interesting in light of the EPA’s use of existing source performance standards to address greenhouse gas emissions from the electric utility sector.

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[1] http://www.epa.gov/airquality/oilandgas/pdfs/sd_prop_081815.pdf

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