



INTERFAITH CENTER ON CORPORATE RESPONSIBILITY
Inspired by faith, Committed to action

Docket Number: EPA-HQ-OAR-2010-0505 (NSPS Oil and Gas Rule)

We submit these comments on behalf of members of the Interfaith Center on Corporate Responsibility (ICCR), a coalition of faith-based and values-driven institutional investors that have been engaging oil and gas companies since 2007 on the need to reduce methane emissions. ICCR's membership comprises nearly 300 organizations including faith-based institutions, socially responsible asset management companies, unions, pension funds, and colleges and universities that collectively represent over \$100 billion in invested capital.

In September, we began an engagement with 31 oil and gas companies on the proposed EPA methane rule and have since followed up with substantive dialogues and calls.

We are concerned about all aspects of sustainability for the energy sector, but are especially concerned about methane as it is such a powerful climate change forcer. As long-term investors, we are deeply concerned about the impact of climate change on the economy as a whole, on the companies in which we are invested, and on communities across the world that will bear the impacts of climate change. Furthermore, ICCR's membership includes faith-based health systems and organizations, with ministries in communities impacted by oil and gas operations, so we are especially concerned about the deleterious impacts of methane and VOC emissions on public health. In our company engagements, we have consistently raised the need for methane and VOC leak reduction and repair, as well as meaningful engagements with community representatives, to address the social and environmental impacts from industry activity. We strongly support EPA's proposed standards to cut methane pollution from new and modified oil and gas sources, and hope regulation of existing infrastructure will follow.

Investors supporting these comments include:

Miller/Howard Investments, Inc.
Trillium Asset Management, LLC
Arjuna Capital & Baldwin Brothers Inc.
Sisters of St. Francis of Philadelphia
Province of St. Joseph of the Capuchin Order
Seventh Generation Interfaith Coalition for Responsible Investment
Northwest Coalition for Responsible Investment
Congregation of Sisters of St. Agnes
Zevin Asset Management
Tri-State Coalition for Responsible Investment
Sisters of St. Dominic of Caldwell, NJ
Dignity Health

List of supporting investors (cont.):

Unitarian Universalist Association
Adrian Dominican Sisters
Mercy Health
Mercy Investment Services
Provincial Daughters of Charity, Province of St Louise
St. Joseph Health
Socially Responsible Investment Coalition
Dana Investment Advisors
Dominican Sisters of Hope
Ursuline Sisters of Tildonk, U.S. Province
Walden Asset Management
Glenmary Home Missioners
Boston Common Asset Management, LLC
As You Sow
Everence Financial and Praxis Mutual Funds
Maryknoll Sisters
Region VI Coalition for Responsible Investment
Mennonite Education Agency

Investors are encouraged that EPA has proposed:

1. Broadly applicable methane leak detection and repair requirements
2. Methane emission standards for most of the same sources included in the 2012 standards for volatile organic compounds (VOCs)
3. Extended regulations to downstream sources (in the transmission and storage segment)
4. Limits on venting gas during oil well completions.

We would like to suggest several ways to strengthen the proposal:

1. We are concerned that the EPA continues to use an outdated global warming potential for methane of 25x CO₂. In 2013, the IPCC increased the GWP of methane from 72x to 86x over a 20-year timescale, and from 25x to 34x over a 100-year time horizon. Given that we are approaching real, irreversible tipping points in the climate system, climate studies should, at the very least, include analyses that use this 20-year time horizon.
2. We would like to see a performance standard developed for several pieces of equipment that are associated with significant methane emissions, but that have not been included in the proposed rule. These include:
 - a. Liquids unloading operations;
 - b. Pneumatic controllers that operate on an intermittent or snap-acting basis
 - c. Compressors at well sites
 - d. Storage vessels

It is our understanding that low-cost controls are available for each of these, and we hope the final rule will both develop performance standards for this equipment, and allow flexibility in what technology is to be used, to encourage development of effective, low-cost monitoring equipment.

3. We welcome the methane-based leak detection and repair standards proposed for well sites and compressor stations, but we think they need to be more frequent than once a year. The regulations developed in Colorado, with industry cooperation, call for quarterly inspections. This seems to be a cost-effective approach that is not unduly burdensome, and we recommend that the federal regulations adopt a similar schedule. We are concerned that super-emitters could be overlooked for a considerable period if there is not a more regular schedule of leak detection.
4. We are particularly concerned about provisions in the rule that allow oil and gas companies to skip leak detection surveys when they report finding relatively few leaks at these sites. Recent studies show that a facility's percentage of leaking equipment is not an accurate predictor of its emissions. A company may have a small percentage of leaks, but they may be significant in size. Studies show that there is a high degree of unpredictability and randomness to leaks, with super-emitters resulting from human error, manufacturing defects, and/or wear and tear. Frequent, regular monitoring with leak detection equipment is necessary to prevent climate-related pollution and negative impact on the health of communities, as well as to reduce the loss of valuable product. We are also concerned that allowing oil and gas companies to skip inspections based on the results of prior inspections may incentivize them to ignore or overlook leaks so they can skip the next survey.
5. It is important that leaks be repaired as quickly as possible. The proposal would allow oil and gas companies up to six months to repair leaking equipment if the companies say it would be unsafe to make the repair within 15 days of discovery. Communities living near these facilities should not have to live with leaks for months on end. Operators should be required to find a safe way to fix leaks in a reasonable period of time.
6. In talking with companies, we understand that monitoring equipment, particularly the infrared cameras, can be expensive. We are encouraged by recent and emerging advances in continuous detection technologies for methane that will permit real time identification of large leaks, paving the way for optimized deployment of OGI cameras, faster fixes, greater emission reductions, and less cost to operators. We advocate that the final regulation reflect EPA's technology-forcing authority under the Clean Air Act by allowing and incentivizing innovation in leak detection technologies and practices, including continuous detection. Without such alternative pathways, the proposed rule risks unintentionally freezing methane detection technology at its current level.
7. We support the requirement that oil and gas companies use or bring to market captured gas, instead of flaring it. For a number of processes covered by the proposed standards, operators can either capture gas for sale or for a beneficial use on-site, or burn the captured gas in a flare or incinerator. Capturing the gas for sale is generally preferable, since it reduces harmful pollution and avoids waste. In almost all cases, oil and gas companies can utilize the gas instead

of flaring, if they properly plan and design their equipment. EPA must specify that the use of flares should be permitted only in exceptional situations where it is genuinely infeasible to capture the gas for sale or on-site use or to use zero-emitting equipment; and EPA must ensure that any flares burn as cleanly as possible. In traveling through the Eagle Ford shale region last June, investors saw numerous flares that were not burning cleanly, and we were concerned about the negative impact on air quality that this engendered.

8. EPA also omitted from its cost-benefit analysis the monetary savings that would accrue from the sale of conserved gas in the transmission and storage segment. The agency's reason is the owners/operators of the infrastructure don't own the gas, and therefore are not personally enjoying the benefits of those savings. Yet the owner of the gas does realize the benefit of those savings. A cost-benefit analysis looks at societal costs and benefits – the cost-bearing entity need not be the one to enjoy the benefits for those benefits to factor into the analysis. There is therefore no reason to omit cost savings from preserved gas in the transmission and storage segment from the analysis.

Conclusion: By expanding the scope of the proposed standards, strengthening the leak detection and repair requirements, and doing more to reduce flaring, EPA can both maximize the emissions reductions from this rule and build a robust foundation for much-needed existing source standards as a next step. As investors who are deeply concerned about the disruptive and negative impacts of climate change on our broader portfolios, we would welcome a strengthening of the rule.