AMERICAN EXPLORATION & PRODUCTION COUNCIL

AXPC Opposes Methane Tax on American Producers and American Families

AXPC member companies are focused on reducing methane emissions from their operations and have already invested millions of dollars going above and beyond federal regulation to drive down methane emissions.

AXPC supports effective and reasonable regulation of methane that balances the essential need of U.S. oil and natural gas production with the global challenge of addressing climate change. The U.S. Environmental Protection Agency (EPA) is the appropriate federal agency to address methane emissions with efforts already underway to further strengthen existing regulatory programs aimed at reducing methane emissions.

AXPC believes this combination of private sector investment and public sector regulation will successfully continue to drive down emissions in the oil and natural gas industry and makes a proposed methane tax, which we oppose, a punitive policy step designed to single out one segment of one industry.

All AXPC member companies report their methane emissions to EPA and are members of The Environmental Partnership, which focuses on industry best practices and fostering collaboration on new and emerging technologies to promote sustainable production. Our members often go above and beyond what is required by regulations to provide additional information about their voluntary efforts to reduce emissions.

All Americans are currently facing higher energy prices. That reality may worsen over time, as policymakers are contemplating imposing *even more new, punitive taxes and fees* on America's oil and gas producers. The effects will be all too predictable: higher costs at the gas pump for families, increasing heating and cooling costs, jobs moving overseas, and foreign oil producers (i.e. OPEC+) benefitting at the expense of American energy workers and America's energy security. Industry-led efforts to reduce emissions and address climate change will also be jeopardized, as new taxes diminish capital and resources available to invest in new technologies.

Imposing a significant new tax regime is a major policy change that Congress is rushing to enact without holding hearings, receiving input from subject matter experts, debating, or understanding the economic hardship it will impose on lower income Americans, small businesses, or the regional distortions introduced into the market. The proposal also does not quantify the effect this new tax regime would have on actually reducing methane emissions. Congress needs to do its due diligence to understand the consequences of this bill in order to craft responsible, meaningful legislation.

A Methane Tax Would:

1. **Drive up energy costs for American families and businesses**: The proposed methane tax would be a regressive tax that will violate President Biden's commitment not to raise taxes on Americans making less than $400,000/year. Low-income families will face the biggest burden of this policy, as they spend a large proportion of their income on energy. The tax will hurt the Americans who are least able to afford it at a rate which has yet to be calculated or publicly debated.

2. **Be arbitrary and exorbitant due to the size of the tax:** The bill proposes a massive fee equivalent of $1500 per ton of methane or more, as it is based on a much-debated "global warming potential" factor. This would cost American families hundreds of millions of dollars. This is clearly designed to simply hurt U.S. producers, as opposed to actually reducing emissions. Inevitably, policies like a methane fee that restrict domestic production would result in higher energy costs for American families and businesses.

3. **Adversely affect the U.S.'s GHG emission reduction progress**: Increases in the cost of domestic natural gas could lead to a shift in electric power generation away from cleaner natural gas to coal. Since 2005, two-thirds of the power sector GHG reductions have resulted from the switch from coal to natural gas. To impose a punitive tax on natural gas could undermine efforts to reduce GHG emissions, and a fuel-source switch could undermine the reductions in GHG emissions achieved in the U.S. power sector and around the world.

4. ***Increase* global emissions by creating a competitive disadvantage for cleaner US natural gas**. Russia is currently the world's largest exporter of natural gas, which Secretary Granholm recently called "the dirtiest form of natural gas on Earth." Additionally, she has also stated, "I believe U.S. LNG exports can have an important role to play in reducing international consumption of fuels that have greater contribution to greenhouse gas emissions." Taxing U.S. production of natural gas and LNG will create a competitive global advantage for Russian gas and other, higher emitting forms of energy, to meet global energy demand.

5. **Conflict with potential ongoing EPA rulemaking to regulate each-and-every domestic oil and gas well:** Federal and state programs already regulate emissions for air quality and the protection of human and environmental health. The Biden Administration has directed EPA to develop stringent new regulations for each domestic oil and gas well, both new and existing sources in the oil and gas industry. AXPC and other industry partners are collaborating with EPA to ensure that these regulations are balanced and effective. It defies common sense and good policy to impose taxes and regulations on the same sources.

6. **Restrict private investment in game-changing technologies to reduce emissions**: Promoting innovation is a key component to reducing emissions. The proposed methane

tax stifles private investments in leak monitoring and detection and other technologies that can help greatly reduce emissions. It would siphon off available capital from investments in these new technologies to pay a huge new tax.

7. **Unfairly penalize oil, natural gas, and LNG companies** while leaving other large sources of methane emissions currently reporting to the same EPA inventory untouched. While it would likely have similar drawbacks regardless of industry, this tax is clearly designed to be punitive to just one industry, as it does not address methane from other sources that actually emit more.

8. **Wrongly includes policy directives to revamp the Greenhouse Gas Reporting Program** for this sector to capture more businesses and also make it practically impossible to comply. In addition to the fee, the language directs an overhaul of the reporting program itself to capture smaller businesses with its tax and reporting costs, and to utilize technological capabilities that are not presently available commercially nor experimentally at a scale, consistency, or accuracy that would be appropriate for a taxing regime.

9. **Weaken U.S. energy security**: A methane tax puts U.S. oil and natural gas at a significant competitive disadvantage in the global marketplace. Taxing American natural gas could compromise America's place in the world as a leading energy exporter and create an advantage for exporting countries who are working to weaken our democracy. This unvetted methane tax will be compounded by other restrictive policies on US oil and gas, even as President Biden appeals to OPEC to increase its oil and gas production.

About the American Exploration and Production Council:
AXPC is a national trade association representing the largest independent oil and natural gas exploration and production companies in the United States. We lead the world in the cleanest and safest onshore production of oil and gas, while supporting millions of Americans in high-paying jobs and investing a wealth of resources in our communities. Learn more at https://www.axpc.org/