

September 12, 2021

The Honorable Frank Pallone, Jr.
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Cathy McMorris Rodgers
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Pallone and Ranking Member McMorris Rodgers:

Last week, the undersigned organizations wrote to you to oppose the *Methane Emissions Reduction Act of 2021*, introduced by Senators Whitehouse, Booker, and Schatz in March 2021, and its inclusion in the reconciliation package as a punitive pay-for targeted solely on the oil and natural gas industry that would harm the U.S. economy and cost good-paying American jobs. The good news is that the *Build Back Better Act* (BBBA) slated for a full committee markup in the Energy and Commerce Committee tomorrow has not adopted the fundamentally flawed *Methane Emissions Reduction Act*. The bad news is that the BBBA includes a methane fee that is equally problematic.

The *Methane Emissions Reduction Act's* default tax on methane was steep at \$1,800 per ton. The amount of the BBBA methane tax remains significant at \$1,500 per ton. Given natural gas and petroleum together account for nearly 70% of energy consumption in the U.S., new taxes on the industry are likely to have a ripple effect across the U.S. economy – at a time when inflation is already skyrocketing.

The scope of oil and gas facilities subject to the tax is unclear. The legislation instructs EPA to lower the Greenhouse Gas Reporting Program (GHGRP) reporting threshold for oil and gas facilities from the current threshold of 25,000 metric tons of GHGs to 10,000 metric tons of GHGs. The number of facilities and the emission profile of those facilities that fall between the 10,000 and 25,000 metric tons limits are unknown. Additionally, the resulting emission and cost impacts of lowering the reporting threshold cannot be estimated. What is certain, however, is that a substantial number of smaller operators who have never before been subject to EPA's GHGRP will not only be subject to EPA reporting regulations, but also a new targeted tax.

We also note that the BBBA methane tax will hurt U.S. competitiveness globally. A unilateral tax on U.S. businesses and their exports when competing with global goods is a critical flaw. Imposing such a significant fee on U.S. businesses – and any tax this significant – undermines U.S. energy production, erodes U.S. economic competitiveness, and weakens our national security. This costly policy could result in the leakage of jobs and greenhouse gas emissions to other countries. This is not “building back better.”

Perhaps most importantly, the tax in the House Energy and Commerce bill will generate significant costs and loss of jobs. The methane tax is a tax on oil and natural gas which could

have harmful impacts on America's economy and jobs. At \$1,500 a ton, the potential cost of the bill's methane fee to the economy could be as high as \$9.1 billion and as many as 90,000 jobs could be lost.

A tax on methane is unnecessary. The EPA and several states already directly regulate methane emissions from the oil and natural gas sector, and the Biden Administration is planning additional regulations on the sector later this year. The oil and gas industry is committed to continue our progress in reducing methane emissions. We are committed to partnering with EPA to get a strong, efficient regulatory framework in place as we continue to invest in technologies and voluntary programs like The Environmental Partnership to reduce methane emissions. A tax penalty is punitive, duplicative, and an ineffective approach to addressing this important issue.

For reasons detailed above, the undersigned organizations, on behalf of their diverse memberships and representing a substantial cross-section of the U.S. economy as producers, distributors, and users of oil, natural gas, and natural gas liquids, collectively oppose the methane fee in the *Build Back Better Act* and any effort by the majority to drive this harmful policy – one equally as bad as the *Methane Emissions Reduction Act* – into reconciliation.

Sincerely,

American Petroleum Institute
American Exploration & Production Council
Independent Petroleum Association of America
Interstate Natural Gas Association of America
American Fuel & Petrochemical Manufacturers
Association of Oil Pipe Lines
US Oil & Gas Association
Natural Gas Supply Association
LNG Allies – The US LNG Association
API Colorado
API Gulf Coast Region
API Illinois
API Midwest Region
API Northeast Region
API Ohio
API Pennsylvania
API Southeast Region