



METHANE EMISSIONS TAX: WRONG PATH TO MANAGE METHANE

The Independent Petroleum Association of America recognizes the importance of managing air emissions of methane and volatile organic compounds. The American oil and natural gas production industry participates in voluntary programs to identify and implement cost effective management technologies. It works diligently to comply with federal and state regulations.

The Biden Administration announced that it will be revising and expanding federal regulation of methane emissions. States are actively implementing their own regulations. And yet, now, Congress is considering an inappropriate and unworkable methane emissions tax.

This methane emissions tax envisions the collection of ambient methane emissions data for oil and natural gas production and transmission across all basins of the nation, converting this information into basin specific ratios related to production and movement of natural gas, dividing it among producers and transmitters of natural gas, and applying an \$1800/ton tax.

This tax is inequitable, unworkable and the wrong path to manage methane. Here's why:

► **Tax Violates Commitment Not to Increase Taxes on Small Businesses**

- The Biden Administration and Democrat Leadership committed to not increasing taxes on small businesses
- Most oil and natural gas producers are small businesses that would be subjected to the tax violating this commitment

► **Tax Requires Measurement Technology That Does Not Exist**

- Tax is based on ambient methane emissions measurements
- Tax would require that each AAPG geological province develop ambient methane measurements
 - There are more than 75 onshore AAPG geological provinces
 - All of them would need accurate ambient methane measurements that reflect the entire basin, some of which are tens of thousands of square miles
 - The measurements would have to be continuous – 24 hours/day every day
 - Measurements would have to distinguish between oil and natural gas production, agricultural emissions – about a third of U.S. methane emissions – and landfill emissions – about a third of U.S. methane emissions
- No such system exists and cannot be created in the foreseeable future

► **Tax Is a Production/Processing/Transmission Tax, Not an Emissions Tax**

- Measuring individual source emissions is similarly impractical or infeasible
 - While the proposal includes an opt-out provision, it is unworkable
 - Tax will continue to be based solely on production, processing, transmission or distribution volumes

► **Tax Should Not Apply to Regulated Emissions**

- The Biden Administration has announced it will revise and expand oil and natural gas industry methane emissions regulations
- Compliance with these regulations will be costly
- Congress has demanded expanded regulation; it should not then impose burdensome taxes on these regulated industries

► **Tax Counterproductive to Environmental Objectives**

- The increased product costs for natural gas created by the tax will reduce its demand as users shift to cheaper fuels, like coal

► **Industry Segments Taxed Multiple Times**

- For example, pipelines that cross multiple AAPG geological provinces would pay the tax multiple times. A natural gas pipeline beginning in New Mexico could pass through five geological provinces before reaching a customer in the Texas Gulf Coast and would have to pay five different times