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ONE HUNDRED EIGHTEENTH CONGRESS

Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
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January 8, 2024

Ms. Amanda Eversole
Executive Vice President and Chief Advocacy Officer
American Petroleum Institute
200 Massachusetts Avenue, NW
Washington, DC 20001

Dear Ms. Eversole:

Thank you for appearing before the Subcommittee on Environment, Manufacturing, and Critical Materials on Wednesday, November 29, 2023, to testify at the hearing entitled "America Leads the Way: Our History as the Global Leader at Reducing Emissions."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions by the close of business on Tuesday, January 23, 2024. Your responses should be mailed to Kaitlyn Peterson, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, DC 20515 and e-mailed to Kaitlyn.Peterson@mail.house.gov.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,

Bill Johnson

Bill Johnson
Chair
Subcommittee on Environment,
Manufacturing, and Critical Materials

cc: Rep. Paul Tonko, Ranking Member, Subcommittee on Environment, Manufacturing, and Critical Materials

Attachment

Attachment—Additional Questions for the Record

The Honorable Bill Johnson

1. **During the questioning, a witness indicated that the Methane Emissions Reduction Program (MERP) would be essential to put the U.S. on the path to meet the global methane pledge to cut global methane emissions by 30% by 2030. What is your perspective on this?**

   API supports cost-effective and technically feasible direct federal regulation of methane from new and existing sources. We have constructively engaged with EPA on the New Source Performance Standards OOOOb and Emissions Guidelines OOOOc "Methane Rule" to ensure that the rule meets those criteria and enables us to achieve our shared goal of reducing methane emissions. API also supports accurate, timely, and transparent measurement and reporting of greenhouse gases (GHG). Accurate emissions reporting is foundational for companies to demonstrate their progress in meeting their own corporate and industry-wide global commitments. API has engaged with EPA on the proposed revisions to the Greenhouse Gas Reporting Program (GHGRP) Subpart W required by MERP and has raised concerns about several aspects of the proposed rule including the inherent bias towards higher reported emissions in the proposed methodologies and the limited ability to incorporate empirical data. We believe the proposed Subpart W rule would hinder the ability of the US to credibly demonstrate its GHG emissions reduction achievements.

   Rather than being an essential component of U.S. methane emissions reduction strategy, the WEC is a costly and ineffective measure that will only serve to raise costs on American energy production and hamper our shared goal of reducing emissions. EPA estimates the final Methane Rule will reduce emissions by 58 million tons from 2024-2038. By contrast, EPA estimates the MERP's Waste Emissions Charge (WEC) will reduce methane emissions by less than 1 million tons from 2024-2035. As proposed, the WEC rule would in fact disincentivize emissions reductions at facilities reporting less than 25,000 tpy[1] and hinder the industry's ability to achieve further accelerated emissions reductions. API opposes the WEC and the unnecessary regulatory burden it creates which, by EPA's own admission, will not result in significant emissions reductions.

2. **Recent news reports have highlighted how U.S. oil production is currently at record levels. As discussed at the hearing, oil and gas production in the U.S. has been a significant driver of emissions reductions. Nevertheless, the current administration continues to impose burdensome regulations on the oil and gas industry.**

   a. **How has the oil and gas industry been able to elevate production levels in a difficult regulatory environment?**

[1] API comments on proposed Waste Emissions Charge rule, pg 8

In 2023, production of oil and natural gas in the U.S. averaged 12.9 million barrels per day (MMbpd) and 103 billion cubic feet per day (BCFD), respectively, which are both record highs. However, many of the capital investments that led to these production levels were made years ago under a less restrictive regulatory environment and influenced by different economic drivers. Large energy projects require long-term capital investments that are influenced by public policies and permitting approvals from years ago. As such, it is important to recognize that a restrictive approach to development today could impact future production when forecasts still expect ongoing demand for oil and natural gas.

b. **Are there more opportunities for increasing oil and gas production in the United States?**

While U.S. oil and natural gas production have risen to record levels, it is important to recognize there remain additional opportunities for delivering energy to consumers. First, there are a number of opportunities for additional production on federal lands and waters, but there are also increasing restrictions on accessing acreage where production can take place. For example, the latest 5-year program for offshore leasing fails to meet the energy needs of the American people and limits future production in a region that plays a critical role in powering our nation and supplies among the lowest carbon-intensive barrels in the world. In addition, pipelines provide the safest and most efficient means of transporting oil and natural gas to customers, but permitting delays are leading to a lack of infrastructure that prevents continued growth in some basins. In particular, production from the Marcellus and Utica shale plays has been flat for nearly five years because of a lack of new pipeline capacity connecting supply to demand. The weaponization of permitting statutes and the judicial system has slowed the development of needed energy infrastructure, especially natural gas pipelines.

3. **During the hearing you discussed how Congress should be envisioning our future energy system through a lens of addition, rather than substitution. Arguing that the global demand for energy is increasing and we should not be taking reliable and affordable energy offline.**

a. **Will the Environmental Protection Agency's recently finalized methane rule result in decreased oil and natural gas production compared to if the proposal was not finalized?**

EPA's final regulatory impact analysis (RIA) estimates that the New Source Performance Standards (NSPS) OOOOb/EG OOOOc Methane Rule will result in lost crude oil production of 4.4 million barrels in 2027, rising to 41.4 million barrels of lost production in 2038. The final RIA also estimates that 4.1 million Mcf of natural gas production will be lost in 2024, and natural gas production losses will peak at 272.5 million Mcf in 2028. Per the White House Office of

Management and Budget's (OMB) July 2001 guidance memoranda on complying with Executive Order 13211[2], the Methane Rule constitutes a significant energy action as it results in a "significant adverse effect" due to the projected reduction of crude oil production in excess of 20 million barrels per year and reduced natural gas production in excess of 40 million mcf per year.

b. **If so, does the American Petroleum Institute estimate the reductions will be higher or lower than the rule's regulatory impact analysis?**

API has not estimated the possible production impacts of the final rule. However, API would point to the cumulative burden on industry from implementing the Methane Rule and the costs of the WEC. EPA has underestimated the impact of the WEC by basing its analysis on RY2021 Subpart W data. This data underestimates the impact of the proposed WEC in two respects: First, RY2021 occurred during the COVID-19 pandemic and may not accurately reflect a typical year for oil and gas operations due to reduced energy demand. Second, RY2021 (or any other year) data do not reflect the proposed Subpart W revisions which, based on the proposed Subpart W rule, will significantly increase reported methane emissions. Given the unknown outcome of the final Subpart W revisions, API cannot fully assess the impact of the WEC. Given previous instances where EPA underestimated the impact of its rulemakings (e.g., storage vessels under NSPS OOOO), API believes that EPA has greatly underestimated the impact of the WEC, which also results in a failure to adequately assess impact to small businesses.[3]

c. **In your opinion, will decreased domestic production be made up by foreign countries on the global market?**

Over the past few years, as U.S. oil production has increased significantly, the amount of crude oil imported into the U.S. has fallen from a weekly average of around 10 MMbpd in the mid-2000's to a weekly average of around 6.5 MMbpd in 2023.[4] On average, in 2023, 71% of that imported crude oil came from Canada and Mexico with only 16% originating in OPEC countries.[5] However, global energy demand is projected to grow as developing countries industrialize; and, while the U.S. is currently the largest producer of both crude oil and natural gas, our ability to continue to meet growing domestic energy demand as well as world oil demand may be hindered by regulatory incoherence. In that case, we risk increasing our reliance upon other countries to increase their production to meet demand in the absence of U.S. energy leadership.

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[2] Environmental Protection Agency, Summary of Executive Order 13211 – Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use, 66 FR 28355, May 22, 2001: https://www.epa.gov/laws-regulations/summary-executive-order-13211-actions-concerning-regulations-significantly-affect.

[3] API comments on proposed Waste Emissions Charge rule, pg 4

[4] U.S. Crude Oil Imports (eia.gov), U.S. Energy Information Administration, Release Date: March 29, 2024.

[5] U.S. Total Crude Oil and Products Imports (eia.gov), U.S. Energy Information Administration, Release Date: March 29, 2024.

d. **If so, do those countries have the environmental performance of the United States?**

It is difficult to always do a straight comparison of the regulatory regimes of different countries. Based upon emissions, though, according to the latest EPA data, the methane intensity of onshore U.S. oil and natural gas production fell 55% between 2015 and 2022. Many energy-producing countries have worse environmental performance than the U.S., meaning that if they ramp up production to fill a supply gap, there will be a net increase in overall emissions.[6]

The Honorable Paul D. Tonko

1. **In response to Rep. Pence, you stated, "We share the objectives of reducing emissions in the transportation sector. That is clear and straightforward. But the RFS is really not designed for this sort of objective." As you know, a Low Carbon Fuel Standard can be designed as a technology-neutral, performance-based policy, which can recognize and reward emissions reductions throughout the entire fuel production process.**

   a. **Does API believe a technology-neutral, performance-based policy, such as a Low Carbon Fuel Standard, can accomplish our shared emissions reduction objectives?**

   As noted in our API Climate Action Framework and conveyed in our many comments on recent regulatory proposals, the oil and natural gas industry is advancing cleaner fuels to provide consumers with lower-carbon options. And we believe to effectively achieve emissions reductions in the transportation sector, technology-neutral solutions are needed – utilizing an approach that addresses fuels, vehicles, and infrastructure systems that allow all technologies to compete on a level playing field.

   b. **If so, what recommendations do you have for designing such a policy to ensure it is effective and fair?**

   An effective and fair approach would be accomplished best by designing policies at the federal level that holistically encompass the lifecycle emissions of both the vehicle and the fuel. This combination allows the development of the most effective approach to reduce transportation greenhouse gas (GHG) emissions, as those emissions occur throughout the lifecycle of the vehicles and the fuels that they use.

   Further, using a lifecycle approach allows a more complete quantification of the emissions associated with the transportation sector allowing agencies and stakeholders to work together to develop the best strategies to achieve the established goals. For example, the reductions achieved by the U.S. EPA's existing programs (e.g., the

[6] International Energy Agency, Strategies to reduce emissions from oil and gas operations, https://www.iea.org/reports/global-methane-tracker-2023/strategies-to-reduce-emissions-from-oil-and-gas-operations.

current light-duty GHG and heavy-duty GHG Phase 2 rules, and criteria pollutant programs such as the gasoline and diesel sulfur rules) are due in large part to addressing emissions holistically and utilizing all available and emerging technology to do so without mandating a specific technology. Further, federal policy will help to ensure a more level playing field versus a patchwork of potentially conflicting state policies.

c. **If not, what are your specific recommendations for accomplishing our shared objectives of reducing emissions in the transportation sector?**

API's recommendations are addressed in subsection (b).