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6 PROTECTING CLEAN AMERICAN ENERGY PRODUCTION AND JOBS BY

7 STOPPING EPA'S OVERREACH

8 WEDNESDAY, JANUARY 10, 2024

9 House of Representatives,

10 Subcommittee on Environment, Manufacturing,

11 and Critical Materials,

12 Committee on Energy and Commerce,

13 Washington, D.C.

14

15

16 The Subcommittee met, pursuant to call, at 10:01 a.m.,

17 Room 2123, Rayburn House Office Building, Hon. Bill Johnson

18 [Chairman of the Subcommittee], presiding.

19 Present: Representatives Johnson, Carter, Palmer,

20 Crenshaw, Joyce, Weber, Allen, Balderson, Fulcher, Pfluger,

21 Obernolte, Rodgers (ex officio); Tonko, DeGette, Schakowsky,

22 Sarbanes, Clarke, Ruiz, Peters, Barragan, and Pallone (ex

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23 officio).

24 Also present: Representatives Griffith, Walberg; and
25 Castor.

26 Staff Present: Kate Arey, Digital Director; Sarah
27 Burke, Deputy Staff Director; David Burns, Professional Staff
28 Member; Nick Crocker, Senior Advisor and Director of
29 Coalitions; Sydney Greene, Director of Operations; Rebecca
30 Hagigh, Executive Assistant; Nate Hodson, Staff Director;
31 Tara Hupman, Chief Counsel; Daniel Kelly, Press Assistant;
32 Patrick Kelly, Staff Assistant; Sean Kelly, Press Secretary;
33 Alex Khlopin, Staff Assistant; Peter Kielty, General Counsel;
34 Emily King, Member Services Director; Elise Krekorian,
35 Counsel; Drew Lingle, Professional Staff Member; Mary Martin,
36 Chief Counsel; Brandon Mooney, Deputy Chief Counsel; Kaitlyn
37 Peterson, Clerk; Karli Plucker, Director of Operations
38 (shared staff); Carla Rafael, Senior Staff Assistant; Emma
39 Schultheis, Clerk; Peter Spencer, Senior Professional Staff
40 Member; Michael Taggart, Policy Director; Dray Thorne,
41 Director of Information Technology; Waverly Gordon, Minority
42 Deputy Staff Director and General Counsel; Tiffany Guarascio,
43 Minority Staff Director; Caitlin Haberman, Minority Staff
44 Director, Environment, Manufacturing, and Critical Materials;

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45 Elysa Montfort, Minority Press Secretary; Emma Roehrig,
46 Minority Staff Assistant; Kylea Rogers, Minority Policy
47 Analyst; Andrew Souvall, Minority Director of Communications,
48 Outreach, and Member Services; and Rebecca Tomilchik,
49 Minority Junior Professional Staff Member.

50

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51 *Mr. Johnson. Good morning. The subcommittee hearing
52 will come to order, and welcome to today's hearing,
53 "Protecting Clean American Energy Production and Jobs by
54 Stopping EPA's Overreach."

55 Now, as many of you know, this is my last hearing as a
56 chairman, the chairman of this subcommittee. I will get to
57 that in a little bit. But it is fitting, in a way, that my
58 journey here in Congress is ending exactly the way that it
59 started, with a focus on oil and gas.

60 I first visited a drilling well in the heart of my
61 district in September of 2011. The company told me they were
62 just "looking for oil." Not long after, they stumbled upon
63 one of the largest natural gas reserves in the world, and the
64 shale revolution in eastern and southeastern Ohio was on the
65 way. This was before I joined this committee. But even then
66 I knew I had to work not only to preserve these good-paying
67 oil and gas jobs in my district, but also work to advance
68 policies to achieve American energy dominance while never
69 apologizing for our abundant, affordable, God-given natural
70 resources.

71 Thirteen years later, I am proud of what my team and I
72 have accomplished, but that work is far from over. There are

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73 serious threats to American energy security which affects
74 both the economic freedom and public health of the American
75 people today.

76 It shouldn't come as a surprise that the United States
77 not only leads the world in energy production, but also has
78 one of the lowest methane emission rates in the world. As a
79 valuable commodity, operators have a huge incentive to
80 capture and sell as much methane as possible, and they are
81 moving _ and they are innovating constantly to lower unwanted
82 emissions.

83 Additionally, methane emissions are already regulated by
84 the states, and the EPA's new proposal only serves to present
85 duplicative and burdensome requirements.

86 Then the EPA is expected to publish the rules for the
87 IRA natural gas tax _ or fee, if you want to be technical
88 about it _ on top of their methane rule some time in the next
89 few weeks, though there is no guarantee of that.

90 The EPA is also expecting producers to collect
91 information for 2024. That will be the basis for the tax
92 collection in 2025, yet the rules of how that is intended to
93 work are not even out yet.

94 This is an unworkable regulatory structure for American

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95 producers, particularly small and mid-sized companies. There
96 are about 9,000 independent oil and gas producers in the
97 United States. These companies are responsible for
98 developing 91 percent of the wells in the United States,
99 producing 83 percent of America's oil, and 90 percent of
100 America's natural gas.

101 These companies are not Big Oil, as is so often
102 described. On average, they employ just 12 people, and this
103 suite of methane regulations will crush these small
104 businesses. We will hear from three of these small producers
105 on our second panel: Mr. Montalban from Montana, whose
106 third-generation family business employs 15 full-time
107 employees; Mr. Oestmann, who employs about 35 people out of
108 Midland, Texas; and Mr. Martin from Michigan, who started his
109 company, Miller Energy, with his cousin in 2017.

110 These are not the big guys, but we should listen to
111 them. They employ our neighbors and our constituents. They
112 quite literally help to keep the lights on. They will give
113 us their perspectives on how aggressive EPA's overreach is
114 emblematic of this Administration's war on American energy.

115 Now, to conclude, and I am going to ask for the
116 indulgence of the subcommittee _ my ranking member

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117 particularly. I have got a few things I want to say since it
118 is my last chair _ subcommittee hearing that I will be
119 chairing.

120 I want to take a moment to express my gratitude first to
121 all of my staff, the E&C team, to Mary Martin and her Energy
122 and Environment staff for doing the extensive legwork and
123 working the long, late hours behind the scenes to make all of
124 this important work happen.

125 I want to thank our chair, Chair Rodgers, for her
126 leadership, for her support, for her vote of confidence in
127 the work that we have done.

128 It has been an honor to serve as this subcommittee's
129 chairman. And while it has been contentious at times, I
130 believe that we have collectively fostered a productive
131 conversation on an extensive, wide variety of issues that
132 matter to the American people. From chemicals and supply
133 chain to support our manufacturing sector, vehicles and
134 transportation, fuels, energy production, and grid
135 reliability, just to name a few: it just doesn't get more
136 important than that.

137 I also want to thank my colleagues. It has been a
138 pleasure to work with all of you.

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139 To my vice chair, Dr. Joyce, my neighbor just to the
140 east in Pennsylvania, thank you for your friendship and your
141 leadership.

142 And to Ranking Member Tonko, Paul, I have enjoyed our
143 time here together, and I want to express my gratitude to you
144 for your compassion and collaboration in our work on this
145 subcommittee, particularly as it relates to how we responded
146 and got answers following the East Palestine train derailment
147 in my district. And thank you so much for your friendship.
148 And I started to thank you for the chocolate, because I
149 thought it was you that was putting it there. And I just
150 learned today that it is Mary that has been sneaking those
151 things in here. My wife wants to talk to you, by the way.

152 [Laughter.]

153 *Mr. Johnson. And to the new members, a number of you
154 are just starting your journey on the Energy and Commerce
155 Committee, and I hope that you have felt listened to and that
156 you could make your mark on, in my view, the most
157 consequential subcommittee on energy and commerce. I am
158 biased, I understand that. Please make the most of your time
159 here. You never know when the policy debates here will hit
160 close to home.

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161 Mr. Goffman, thank you for being here. I know that we
162 disagree strongly on many issues, but I have enjoyed our
163 working relationship together. And that goes for you, the
164 EPA staff, and particularly Administrator Regan, who I have
165 built a very, very close, cordial working professional
166 relationship with. And I would like to think that our
167 committee oversight has been tough, but fair. And I do
168 believe at the end of the day we do share the same goal, to
169 keep the environment and the American people safe and
170 prosperous.

171 I also want to believe that we may have had a
172 breakthrough in collaboration that will benefit the American
173 people as you do your important job. I look forward to the
174 conversation that we are going to have today.

175

176 [The prepared statement of Mr. Johnson follows:]

177

178 *****COMMITTEE INSERT*****

179

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180 *Mr. Johnson. And now I recognize the ranking member,
181 Mr. Tonko, for his opening statement.

182 *Mr. Tonko. Thank you, Mr. Chair, and let me begin my
183 comments by thanking you for being a great partner in leading
184 this subcommittee. Our respective committee _ our respective
185 parties have assigned us this awesome role, some very
186 difficult decisions that need to be worked through. And
187 through that all we have had some major disagreements, some
188 minor disagreements, and some successes. So for all of that,
189 I say thank you for your always maintaining an open mind and
190 open spirit, and for being a gentleman throughout.

191 So, Ohio has had a strong voice in your representation,
192 and I wish you and your family the very best as you go
193 forward, and wish you success in your new assignment.

194 *Mr. Johnson. Thank you.

195 *Mr. Tonko. But before you leave us, we have a very
196 important hearing today on EPA's activities to address
197 methane pollution.

198 Methane, as we all know, is an incredibly potent
199 greenhouse gas with 84 times the global warming potential of
200 carbon dioxide over a 20-year period. It, therefore, is
201 estimated to be responsible for one-third of the warming we

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202 experience today.

203 As the United States in cooperation with the
204 international community works to reduce greenhouse gas
205 emissions, addressing methane is a critical part of achieving
206 a safe and sustainable climate. Since the U.S. oil and gas
207 sector is such a major source of methane emissions, I have
208 been very pleased to see the attention provided by EPA to
209 tackle this challenge. This includes finalizing a New Source
210 Performance Standards rule last month, which is estimated to
211 reduce methane emissions from these sources by some 80
212 percent, and provide nearly \$100 billion in net benefits to
213 Americans from 2024 to 2038. These benefits include as much
214 as \$13 billion in value from recovered natural gas, which, if
215 wasted, consumers, would still pay for.

216 EPA is also actively working to implement the Methane
217 Emissions Reduction Program, enacted as part of the historic
218 Inflation Reduction Act. In this provision, Congress
219 directed EPA to do three things: first, to improve
220 transparency and reporting to ensure emitters are accurately
221 accounting for their emissions; second, to provide more than
222 \$1.5 billion in financial assistance to support deployment of
223 monitoring and mitigation technologies; and finally, to

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224 impose a charge on large facilities that fail to adequately
225 control their emissions.

226 I am very supportive of the work that EPA has done and
227 will continue to do to reduce methane pollution. In fact, I
228 would support even bolder actions to strengthen rules for
229 other major sources of methane, such as our landfills and
230 taking other steps to limit air pollution from fossil fuels.
231 However, I suspect today we will not find consensus on EPA's
232 agenda because I fundamentally disagree with the majority's
233 framing of this hearing.

234 First, the suggestion that these actions are somehow an
235 attack on clean energy production. The science is clear.
236 Any claims about the climate benefits of fuel switching to
237 natural gas are undermined when that gas is produced with
238 significant amounts of fugitive methane emissions. And as
239 monitoring technology has improved in recent years, we have
240 begun to better understand just how undercounted these
241 emissions have been.

242 And second, the majority has suggested, as has become
243 common in the 118th session of Congress, that EPA is acting
244 inappropriately and overreaching. Under the Clean Air Act
245 EPA has a responsibility to address major sources of air

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246 pollution, including methane, as they have done with their
247 recent rule. And they have finalized a rule that provides
248 overwhelming net benefits to the American people. EPA also
249 has a responsibility to carry out new laws enacted by
250 Congress, including the Inflation Reduction Act.

251 I appreciate that my colleagues in the majority do not
252 support the Methane Emissions Reduction Program, as evidenced
253 by their numerous unsuccessful attempts to repeal this
254 provision. They do not support the more than \$1.5 billion
255 being provided to the private sector to deploy methane
256 monitoring and mitigation technologies, and they do not
257 support holding large polluters accountable through a methane
258 charge. So while they clearly would like EPA to not
259 implement this provision, I find it hard to believe that they
260 could accuse EPA of overreaching for merely following the
261 law.

262 I am indeed very proud of the work Democrats in Congress
263 have done to provide EPA with the authority and the direction
264 necessary to take meaningful action to reduce the climate
265 super pollutant. And honestly, I believe EPA should be doing
266 even more to support the rapid transition of our energy
267 system away from unabated emissions from fossil fuels.

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268 American oil and gas production is at record highs. Industry
269 is raking in massive profits. I do not think it is too much
270 to suggest that the largest of these emitters take cost-
271 effective steps to control their pollution.

272 Mr. Chair, I look forward to today's hearing, and
273 especially to learn more about how American innovation is
274 enabling improvements to technologies to better detect, to
275 fix, and to prevent methane leaks, and how we can ensure that
276 the oil and gas industry adopts these cost-effective
277 solutions.

278 With that, I again thank you for your service, thank you
279 for your great work here in the House, and wish you well.

280 [The prepared statement of Mr. Tonko follows:]

281

282 *****COMMITTEE INSERT*****

283

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284 *Mr. Tonko. And with that I yield back.

285 *Mr. Johnson. The gentleman yields back, and thank you
286 for your kind words. The chair now recognizes Chair Rodgers
287 for her opening statement.

288 *The Chair. Good morning. For decades America has led
289 the world in lifting people out of poverty and raising the
290 standard of living through energy and environmental
291 protection without sacrificing economic development or our
292 energy and national security. We have harnessed the power of
293 nuclear energy, electrified millions of homes with clean
294 hydropower, and ushered in the shale revolution, which
295 continues to create millions of new jobs, bring manufacturing
296 back to the United States, and revitalize communities across
297 the country.

298 America is more energy secure today than ever, thanks to
299 this legacy, which was built on the foundation of free
300 markets, entrepreneurship, and giving people the opportunity
301 to choose which energy sources best suit their needs. We are
302 leading the world's oil and natural gas production. We are
303 the leading exporter of LNG, and have achieved this while
304 also reducing emissions more than any other nation. We
305 should be celebrating this legacy and building on our

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306 achievements.

307 But instead, President Biden's EPA is implementing a
308 rush-to-green agenda, which is shutting down production and
309 forcibly transitioning the U.S. away from affordable,
310 reliable energy. Efforts like the Clean Power Plan 2.0 will
311 force states to change fundamentally how they generate
312 electricity and raise costs across the board. The agency's
313 de facto electric vehicle mandate would force Americans to
314 buy EVs, a more expensive alternative to other options that
315 will cede our automotive future to China.

316 The EPA's latest proposal, if implemented, would impose
317 additional burdensome regulations for methane, which will
318 further stifle innovation, increase operational costs for
319 producers, and increase the price of energy. These burdens
320 fall directly on American families and businesses.

321 Thanks to the policies of prior administrations, along
322 with technological breakthroughs that have been decades in
323 the making, the U.S. oil and gas production has reached
324 record levels in recent months. Despite this, the EPA is
325 moving ahead with an aggressive keep-it-in-the-ground
326 approach, one that will increase energy costs for Americans,
327 eliminate good-paying jobs, and harm communities across the

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328 country that benefit directly from the industry.

329 The EPA's own regulatory impact statement of the new
330 methane rule acknowledges the burdens it will create on
331 energy production and affordability. Furthermore, the range
332 of new taxes and regulations that the EPA is proposing will
333 only increase compliance costs, putting small energy
334 companies out of business and shutting down oil and natural
335 gas production.

336 The EPA must be transparent to Congress and the American
337 people for how these new regulations will compromise U.S.
338 energy security and affordability. We have a lot of
339 questions about the impacts of this rule, and serious
340 concerns that the Administration is exceeding its authority
341 under the Clean Air Act. To ensure Americans have access to
342 affordable, reliable energy, it is vital that we understand
343 and take action to address the EPA's proposals and ensure
344 America's energy leadership.

345 [The prepared statement of The Chair follows:]

346

347 *****COMMITTEE INSERT*****

348

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349 *The Chair. Before I yield back I want to acknowledge
350 my good friend, Subcommittee Chair Bill Johnson's last
351 hearing with the Environmental Subcommittee. Mr. Johnson has
352 served the people of Ohio's 5th district honorably throughout
353 his time in Congress, and his leadership on this committee is
354 going to be missed. You know, over the last year he has led
355 this subcommittee in more than a dozen hearings, many focused
356 on EPA's regulatory overreach, from the Clean Power Plan 2.0,
357 EV mandates, to chemicals and PM 2.5.

358 Following the tragic events of the train derailment in
359 East Palestine last February, which was in his district, he
360 provided invaluable leadership, leading town halls and
361 helping coordinate speedy responses and resources for the
362 community. Public service has always been at the core of
363 everything Bill does, and I know that he is going to remain
364 committed to service in this new role.

365 We are all grateful for your leadership and your
366 friendship. We are going to miss you.

367 So with that I yield back. Thank you.

368 *Mr. Johnson. The gentlelady yields back. Thank you,
369 Chair Rodgers, for those kind words. Very humbling.

370 The chair now recognizes the ranking member of the full

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371 committee, Mr. Pallone, for five minutes for his opening
372 statement.

373 *Mr. Pallone. Thank you, Mr. Chairman. Bill, I just
374 want to say that I also regret your leaving.

375 I think that one of the things I can say that I most
376 admire most was how you managed to deal with _ very
377 effectively _ with issues locally, and sort of transition and
378 relate them to what we do here in Washington. I try to do
379 that too, but I often times think I am not very successful.
380 But you certainly were very successful at it, and that is why
381 I know that what you are going to be doing next is going to
382 be very fulfilling, and you will be, you know, accomplishing
383 a lot in that new role. But I still wish you weren't
384 leaving. But in any case, it is too late for that.

385 Today we are examining the EPA's actions to address
386 methane pollution from the oil and gas industry. These
387 actions are critical to protecting the health of our
388 communities, fighting the worsening climate crisis, creating
389 jobs, driving innovation, and delivering clean, affordable
390 and reliable energy to American families.

391 EPA's methane policies are long overdue. They are in
392 line with the statutory requirements of the Clean Air Act and

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393 complement the historic climate investments Democrats
394 delivered with the Inflation Reduction Act. Methane is a
395 potent, climate-disrupting greenhouse gas that is responsible
396 for about one-third of the warming we are facing today. At a
397 time when our nation is experiencing a \$1 billion or more
398 extreme weather event every 3 weeks, it is critical that we
399 reduce greenhouse gas emissions like methane to tackle the
400 climate crisis.

401 And science tells us the greatest and most cost-
402 effective way to curb methane pollution over the next decade
403 is to tackle it in the fossil fuel sector. After all, the
404 oil and gas sector is the largest industrial source of
405 methane emissions in the U.S. Without bold action to curb
406 these emissions, methane pollution will continue to cause
407 significant harm to public health, threaten the stability of
408 our economy, and compromise the wellbeing of our communities
409 and planet now and into the future.

410 Now, under the Clean Air Act EPA has a responsibility
411 and obligation to protect Americans from this dangerous
412 climate pollution, and that is why actions to dramatically
413 curb methane by congressional Democrats and the Biden
414 Administration are so important. Two years ago the

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415 Democrats' Inflation Reduction Act established the Methane
416 Emissions Reduction Program to control excess methane
417 pollution from the oil and gas industry. This landmark new
418 program holds individual companies responsible for their own
419 leaks and wasted methane, while recognizing the cleanest
420 performers, and it is going to drive innovation, create new,
421 good-paying jobs, and support projects to protect our
422 communities from the climate crisis.

423 The Inflation Reduction Act also required EPA to update
424 emissions reporting requirements for large oil and gas
425 facilities, and these disclosure requirements are necessary
426 considering the well documented history of underreporting.
427 They will help ensure the oil and gas industry is more
428 transparent, and hold _ and held accountable for excess
429 pollution.

430 Now, the EPA has also taken bold action with the final
431 methane rule for oil and gas operations that will control
432 pollution from existing methane sources for the first time,
433 and the final rule was released last month during COP 28. It
434 includes comprehensive leak monitoring requirements, expands
435 the use of innovative new monitoring technologies, eliminates
436 routine flaring from new sources, and responds to

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437 longstanding challenges such as super-emitters. This EPA
438 action is expected to dramatically cut methane emissions by
439 80 percent by 2038, which will result in more than \$97
440 billion in net benefits.

441 And as we have seen throughout the history of the Clean
442 Air Act, controlling pollution is not a zero sum game, and
443 controlling methane is no different. Ambitiously addressing
444 methane can yield tremendous climate, public health, and
445 financial benefits, from meaningful job creation in the
446 methane mitigation industry to spurring innovation and new
447 and cost effective technologies to controlling _ and look, it
448 is all a win-win for Americans.

449 The problem is that, time and again, House Republicans
450 have ignored these benefits and prioritized their polluters-
451 over-people agenda. They have tried to undermine and repeal
452 critical climate programs despite benefits to communities in
453 their districts, and they have attacked the Biden
454 Administration for proposing common-sense regulations to
455 address climate pollution from the oil and gas industry.

456 And while Republicans tout an all-of-the-above energy
457 approach, they continue to push back against policies that
458 accelerate clean energy development and reduce emissions. At

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459 COP 28 the international community rallied around
460 accelerating efforts to control methane pollution, with the
461 United States leading by example. And that is why Republican
462 efforts to undermine the EPA's methane protections are so
463 dangerous. The Republican agenda compromises America's
464 global leadership and threatens our global competitiveness.

465 And Democrats understand the urgency to act. Our
466 Inflation Reduction Act is already creating new jobs, cutting
467 costs, and advancing homegrown clean energy. And the
468 downpayment in these laws will complement our nation's
469 international efforts.

470

471

472

473 [The prepared statement of Mr. Pallone follows:]

474

475 *****COMMITTEE INSERT*****

476

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477 *Mr. Pallone. I yield back. Thank you, Mr. Chairman.

478 *Mr. Johnson. The gentleman yields back. For what
479 purpose does the gentleman from Pennsylvania _

480 *Mr. Joyce. Mr. Chairman, I would like to make a point
481 of personal privilege.

482 *Mr. Johnson. The gentleman is recognized.

483 *Mr. Joyce. Thank you, Mr. Chairman. Good morning.

484 First I would like to take a few minutes to recognize
485 Chairman Johnson for his incredible service to this
486 subcommittee. During his time as chair, Bill Johnson
487 accomplished a great deal for our committee and for his
488 constituents. This morning I would like to highlight his
489 leadership the last year, especially during the crises at
490 East Palestine.

491 Bill Johnson's presence there throughout the disaster
492 brought leadership to his community. He was the voice that
493 his constituents needed to ensure proper oversight for the
494 EPA and for the cleanup, and to ensure that East Palestine
495 was cared for and not forgotten.

496 Chair Johnson has also been instrumental in maintaining
497 coal and natural gas generation assets in Appalachia, which
498 is near and dear to us, his neighbor in Pennsylvania, as well

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499 as working to grow oil and gas production in the Marcellus
500 and Utica Shale regions.

501 Lastly, Bill Johnson has given the members of this
502 subcommittee the opportunity to create and advance their own
503 legislation, whether my own with electric vehicles or others
504 with LNG, critical minerals, or manufacturing. Under Bill
505 Johnson's leadership, this subcommittee has successfully
506 brought legislation that has passed out of committee and
507 through the entire House.

508 Throughout his time in Congress, Chair Johnson has been
509 a champion of the issues that matter most to this
510 subcommittee. I thank my friend and my colleague from Ohio
511 for his service. We will all miss him. We look for his
512 continued success in higher education.

513 Bill, may God continue to bless you, Joshua, Julia,
514 Jessica, and Nathan. And with that, Mr. Chairman, I yield
515 back.

516 *Mr. Johnson. The gentleman yields back. I am humbled
517 by these kind words. Thank you all so very, very much. I am
518 going to miss you all far more than you are going to miss me.
519 I can assure you of that.

520 Our witness today _ Mr. Goffman, I don't know whether

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521 you are going to miss me or not, but I hope you will.

522 [Laughter.]

523 *Mr. Goffman. I am.

524 *Mr. Johnson. Our first witness for the panel today is
525 Mr. Joseph Goffman, principal deputy assistant administrator
526 for the Office of Air and Radiation at the United States
527 Environmental Protection Agency.

528 Mr. Goffman, welcome. Thank you for coming. You are
529 recognized for five minutes for your opening statement.

530

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531 STATEMENT OF JOSEPH GOFFMAN, PRINCIPAL DEPUTY ASSISTANT
532 ADMINISTRATOR, OFFICE OF AIR AND RADIATION, U.S.
533 ENVIRONMENTAL PROTECTION AGENCY

534

535 *Mr. Goffman. Thank you, Mr. Chairman, Chair McMorris
536 Rodgers, Ranking Member Pallone, Chair Johnson, Ranking
537 Member Tonko, and members of the subcommittee. Thank you for
538 inviting me to testify today on EPA's final regulations for
539 methane in the oil and gas sector and on the implementation
540 of the Methane Emissions Reduction Program under the
541 Inflation Reduction Act.

542 And again, it is a real privilege to be able to testify
543 in front of you, Chair Johnson, on the occasion of your last
544 hearing. And I would like to say congratulations to your new
545 colleagues in higher education. I am sure I am not the only
546 one in the room who envies the experience they are about to
547 have when you join their ranks.

548 As required by Congress in the Inflation Reduction Act,
549 the most ambitious climate law in U.S. history and an
550 important pillar in the President's Investing in America
551 agenda, EPA is taking action to tackle harmful and wasteful
552 methane emissions.

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553 Methane is a climate super pollutant, many times more
554 potent than carbon dioxide at warming the atmosphere, and
555 also an important energy economy product. Significant and
556 sustained cuts in methane emissions are among the most
557 crucial actions we can take to slow the rate of climate
558 change, which is already having devastating impacts for
559 Americans across the country in the form of more frequent and
560 destructive wildfires, heat waves, extreme precipitation and
561 flooding, and sea level rise.

562 Oil and natural gas operations are the nation's largest
563 industrial source of methane, accounting for nearly 30
564 percent of all methane emissions in the United States. These
565 operations also emit other air pollutants harmful to human
566 health, including smog-forming volatile organic compounds and
567 air toxics like benzene and toluene, which can cause cancer,
568 breathing problems, and neurological illnesses in the people
569 who live and work near oil and natural gas facilities.

570 In the Inflation Reduction Act, Congress ratified EPA's
571 authority to take the action the agency had proposed in
572 November of 2021 under the Clean Air Act to address this
573 pollution. And then Congress built a three-part framework of
574 additional measures to complement EPA's actions to ensure

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575 reductions in methane from the oil and gas sector.

576 The EPA issued a final rule last December under section
577 111 of the Clean Air Act to sharply reduce methane emissions
578 from new and existing oil and gas operations under this clear
579 congressional directive. At the same time, EPA is working to
580 implement the three-part framework that Congress created
581 under the Inflation Reduction Act's Methane Emission
582 Reduction Program. These three parts are as follows.

583 First, EPA is partnering with the Department of Energy
584 to provide over \$1 billion for financial and technical
585 assistance to accelerate the transition to no and low-
586 polluting oil and gas technologies, support methane
587 monitoring, and reduce pollution from oil and gas operations.

588 Second _ again, as Congress directed _ EPA has proposed
589 revisions to Subpart W of the Greenhouse Gas Reporting
590 Program in order to ensure that reporting of methane
591 emissions from this sector is based on empirical data, and
592 accurately reflects emissions.

593 And finally, third, EPA was directed by Congress to
594 collect a charge on methane emissions from large oil and gas
595 facilities that are high-emitting and wasteful, and that can
596 take advantage of near-term opportunities for methane

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597 reductions, all while working towards full implementation of
598 the final Clean Air Act rule.

599 Together, EPA's Clean Air Act rule and the three
600 complementary IRA provisions will accelerate the deployment
601 of practical and cost-effective solutions that many states
602 and leading oil companies have been utilizing for years.

603 The final rule will avoid an estimated 58 million tons
604 of methane emissions from 2024 to 2038, and by avoiding
605 methane emissions and releases that otherwise would have been
606 wasted, the rule will increase recovery of natural gas valued
607 at between 7.4 and \$13 billion from 2024 to 2038. Applying
608 methane controls will have long-lasting benefits for public
609 health, preventing up to 97,000 cases of asthma symptoms and
610 35,000 lost school days a year from reductions in smog-
611 forming pollution.

612 As supported by Congress's actions under the Inflation
613 Reduction Act, EPA's comprehensive methane programs are
614 designed to work together to ensure near-term reductions of
615 harmful emissions in order to protect human health and the
616 environment, and eliminate waste in the oil and gas sector.
617 These actions will advance the adoption of clean, cost-
618 effective technologies, reduce wasteful practices, and yield

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619 significant economic, public health, and environmental
620 benefits.

621 Thank you for the time, and I look forward to answering
622 your questions.

623 [The prepared statement of Mr. Goffman follows:]

624

625 *****COMMITTEE INSERT*****

626

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627 *Mr. Johnson. Thank you, Mr. Goffman. The gentleman
628 yields back. We will now begin with questions, and the chair
629 will start.

630 I want to say to my colleagues we can't solve this
631 climate issue in a day. We have a polar vortex bearing down
632 on the country next week, and in one day people can literally
633 lose their lives. This is a public health issue. Energy is
634 about to be back at the top of the minds of the American
635 people across this country, particularly here in the Midwest.
636 Access to affordable and reliable energy has to inform
637 everything we do here.

638 I put myself back in Ohio for a second. It is the whole
639 eastern seaboard of the of the nation that is going to be
640 froze out.

641 Mr. Goffman, there are few, if any, tangible "benefits"
642 in this rule for the American people, and they have huge
643 compliance costs. Do you believe that the EPA should force
644 American consumers to pay more for energy today to offset
645 highly speculative global climate impacts that occur decades
646 into the future, yes or no?

647 And I need you to give me a yes or no, because I got a
648 lot of questions to ask you.

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649 *Mr. Goffman. Okay. I do _ before I answer the
650 question I would like to assure you that we agree with you
651 that ensuring affordability for businesses and consumers is
652 absolutely an essential priority.

653 *Mr. Johnson. Okay, well, I am going to take that as a
654 no. You don't think Americans ought to be paying for
655 something that could happen decades down the road when they
656 are freezing to death today. So _

657 *Mr. Goffman. We think that this rule will have
658 immediate benefits for Americans.

659 *Mr. Johnson. So yes or no again, Mr. Goffman, will the
660 energy produced by OPEC and Russia be subject to your EPA
661 rules?

662 *Mr. Goffman. Those operators in those countries have
663 undertaken voluntary _

664 *Mr. Johnson. No, but will they be subject to your
665 rules? You can't penalize and fine them, right?

666 *Mr. Goffman. No, but they are _

667 *Mr. Johnson. Okay.

668 *Mr. Goffman. _ responding to U.S. leadership _

669 *Mr. Johnson. Yes.

670 *Mr. Goffman. _ which these rules actually represent.

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671 *Mr. Johnson. Beginning later this year the EPA will
672 unleash an avalanche of new regulations, reporting
673 requirements, and fees on American energy producers. On top
674 of the recently finalized methane regulations, operators must
675 prepare for the "New Methane Fee Program," better known as
676 the natural gas tax.

677 We all know that the methane fee is simply a tax that
678 will be passed along to the American people in higher energy
679 costs. The Congressional Budget Office projects that EPA
680 will collect \$6.3 billion from the natural gas tax. Do you
681 agree with CBO's projection on that, Mr. Goffman?

682 *Mr. Goffman. Congressman Johnson, Chair Johnson, we
683 have done our own analysis, which we will be sharing with the
684 public.

685 *Mr. Johnson. Do you agree with the CBO's _

686 *Mr. Goffman. I think _

687 *Mr. Johnson. _ projection?

688 *Mr. Goffman. I think we have come to a different
689 conclusion. And when we _

690 *Mr. Johnson. Okay, so that _

691 *Mr. Goffman. _ proposal _

692 *Mr. Johnson. I will take that as a no.

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693 *Mr. Goffman. _ proposal, you will see that analysis.

694 *Mr. Johnson. You are going to release your own
695 analysis, so that is a no.

696 Do you agree with CBO that a tax on natural gas will
697 increase energy prices for the American people? Again, yes
698 or no.

699 *Mr. Goffman. Again, I am actually not familiar with
700 the CPO [sic] analysis, and I know we are doing _ we will be
701 releasing our own analysis.

702 *Mr. Johnson. Wait a minute. You haven't _ you are not
703 familiar with the CBO's analysis?

704 *Mr. Goffman. Not immediately.

705 *Mr. Johnson. Okay.

706 *Mr. Goffman. As I said, EPA is doing its _

707 *Mr. Johnson. That is a _

708 *Mr. Goffman. _ own analysis.

709 *Mr. Johnson. That is a different question.

710 Has EPA developed guidance for operators to comply with
711 the tax for this year, 2024?

712 *Mr. Goffman. The tax is based on the existing Subpart
713 W reporting rule, which operators have been functioning under
714 for several years.

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715 *Mr. Johnson. What we are hearing from industry _ and
716 we are going to hear from some of them in a few minutes,
717 after we finish with your testimony _ the guidance is not out
718 there. So I am not sure where the disconnect is.

719 *Mr. Goffman. We will be proposing _ it is very, very
720 soon.

721 *Mr. Johnson. Okay.

722 *Mr. Goffman. At least that is our intention, and
723 finalizing it before the end of the year.

724 *Mr. Johnson. Does the EPA have discretion to waive the
725 natural gas tax to give operators adequate time to prepare,
726 yes or no?

727 *Mr. Goffman. We have latitude for the _

728 *Mr. Johnson. Okay.

729 *Mr. Goffman. _ collecting of the tax in the course of
730 2025, which is _

731 *Mr. Johnson. What I am hearing, Mr. Goffman, is that
732 the EPA plans to move forward with the natural gas tax
733 regardless, and it will be retroactive to cover emissions for
734 the entire calendar year of 2024. The EPA has provided zero
735 guidance to energy producers on who will be subject to the
736 tax, what level of emissions it will cover, how they will

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737 calculate the tax, or how they will enforce it. And most
738 importantly, we don't know how the EPA will interpret the
739 statutory exemptions.

740 I have some other questions for you, and I will look to
741 get some _ maybe some time yielded later. But with that I
742 yield back, and I now yield to the ranking member for his
743 questions.

744 *Mr. Tonko. Thank you, Mr. Chair.

745 And thank you, Mr. Goffman, for appearing before the
746 subcommittee today and for everything that EPA is doing to
747 address methane pollution. I know today we are going to hear
748 many claims about what is and is not part of EPA's methane
749 agenda, so I am hoping we can clarify a few things from the
750 outset.

751 First, Mr. Goffman, I know you must be familiar with
752 section 136 of the Clean Air Act, which was added to the law
753 by the Inflation Reduction Act. Is it indeed correct that
754 the charge included in section 136 explicitly states that it
755 can only apply to a facility that reports more than 25,000
756 metric tons of carbon dioxide equivalent of greenhouse gas
757 emissions per year?

758 *Mr. Goffman. Yes, that is in the statute itself.

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759 *Mr. Tonko. Thank you. And so is it fair to
760 characterize the methane charge as incentivizing the largest
761 sources of methane pollution from the oil and gas industry to
762 act?

763 *Mr. Goffman. Yes, that is our understanding of what
764 the IRA intended.

765 *Mr. Tonko. Thank you. And I do not think _ and
766 clearly, by the language in section 136, I do not believe _
767 Congress thought it was unreasonable for a facility emitting
768 that much pollution to take some steps to reduce its methane
769 emissions or otherwise be held accountable to a charge. So
770 the best way for an operator of a large polluting facility to
771 avoid the charge is to control their methane and sell that
772 gas to their customers.

773 Mr. Goffman, does that align with your understanding of
774 the intent of that section?

775 *Mr. Goffman. Yes, it does.

776 *Mr. Tonko. Mr. Goffman, that same section of the
777 Inflation Reduction Act also included significant funding to
778 support private sector compliance, which can help avoid the
779 charge entirely. So my question to you is, how does EPA
780 envision those funding opportunities, including grants

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781 dedicated to small producers, will complement the agency's
782 regulatory agenda?

783 *Mr. Goffman. Thank you for that question, Congressman.
784 EPA has already issued provisional grants to 14 states _ we
785 did it at the end of last year _ of about \$350 million.
786 Under the provision of the statute targeting the plugging of
787 a well, of low-producing wells in order to assist the states
788 and the operators to eliminate emissions from those wells.
789 And I think that is an example of what Congress intended. In
790 fact, Congress explicitly put that in the statute.

791 We will soon be issuing, with our partners at the
792 Department of Energy, a notice of opportunity to submit
793 grants for additional emission reduction actions.

794 *Mr. Tonko. Thank you. And obviously, that assists
795 everyone. Everyone is a winner in that outcome. So we thank
796 you.

797 Finally, Mr. Goffman, traditionally, has the development
798 and deployment of pollution control technologies supported
799 American jobs?

800 *Mr. Goffman. Yes. Our understanding that it have _
801 that it has. And to the extent that these rules purposely
802 promote technology innovation, we expect a number of

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803 innovative and new technology businesses to engage in support
804 of compliance of this rule and increase employment.

805 *Mr. Tonko. Any numbers in that regard, any, you know,
806 projected numbers of jobs created?

807 *Mr. Goffman. I will get back to you on that.

808 *Mr. Tonko. Sure, that would be helpful.

809 *Mr. Goffman. By outside groups, as well as EPA.

810 *Mr. Tonko. Okay. And so it is reasonable to believe
811 that efforts to detect and fix and prevent methane emissions,
812 as well as related environmental remediation such as the
813 plugging of wells, will continue that trend of creating jobs
814 to manufacture and install American-made technologies. And I
815 think that will be a great benefit to the American public,
816 and certainly to our environment. And so with that I thank
817 you.

818 And I yield back, Mr. Chair.

819 *Mr. Johnson. The gentleman yields back. The chair now
820 recognizes the chair of the full committee, Chair Rodgers,
821 for her five minutes.

822 *The Chair. In many examples, EPA has gone rogue under
823 the Biden Administration, and it is harming the American
824 people. This EPA's regulation has little to do with

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825 protecting clean air and water and, regrettably, is crushing
826 American manufacturing and energy production and giving
827 China, OPEC, and Russia the competitive advantage.

828 We all support clean air, clean water, a healthy
829 environment. I also support targeted and cost-effective
830 regulations when they are justified and developed in a
831 transparent manner that serves the public interest.

832 Mr. Goffman, OMB's fall 2023 Unified Regulatory Agenda
833 shows that EPA has 120 regulatory actions pending, including
834 methane regulations. Fifty-two of those one hundred and
835 twenty regulations are within the Air Office. Does EPA
836 intend to finalize 120 new regulatory actions before the end
837 of this term into this year?

838 *Mr. Goffman. I apologize, Chair McMorris Rodgers. I
839 don't have the reg agenda fresh in my mind, but we certainly
840 intend to carry out the mandate of Congress under the
841 Inflation Reduction Act and the Clean Air Act in a timely
842 fashion.

843 *The Chair. Will EPA conduct a full assessment to
844 ensure that these regulations will not shift jobs and
845 economic development opportunities to China?

846 *Mr. Goffman. Well, as _ let me give you an example.

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847 We think that the rule we are discussing today, the oil and
848 gas rules, actually strengthens American industry, the oil
849 and gas industry, and strengthens American global leadership.
850 This rule will promote technology innovation that will be
851 used worldwide.

852 And I believe you, Chair McMorris Rodgers, or Chair
853 Johnson pointed out that the U.S. oil and gas sector is
854 already leading the world in terms of its methane
855 efficiency _

856 *The Chair. Mr. Goffman, yes.

857 *Mr. Goffman. _ and this rule builds on that U.S.
858 leadership.

859 *The Chair. When _ okay, thank you for that. When will
860 we have that assessment, EPA's _ when will we be able to see
861 EPA's assessment?

862 *Mr. Goffman. Our regulatory impact analysis that
863 accompanied this, the oil and gas rules, did address some of
864 these issues.

865 *The Chair. Okay.

866 *Mr. Goffman. And when we proposed the waste emissions
867 charge, which we intend to do imminently, that will also
868 include analysis there.

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869 *The Chair. Okay.

870 *Mr. Goffman. And of course, the Methane Emission
871 Reduction Program funding account that the IRA gave us _

872 *The Chair. Thank you.

873 *Mr. Goffman. _ will help with that.

874 *The Chair. Thank you, thank you. I was disturbed to
875 learn from the EPA's inspector general that EPA does not
876 conduct an annual internal audit. Do you know how much is
877 spent by EPA on Clean _ the Clean Air Act-related activities,
878 including the methane requirements?

879 *Mr. Goffman. Not off the top of my head, but I would
880 be happy _

881 *The Chair. Okay.

882 *Mr. Goffman. _ to get back to you on that.

883 *The Chair. Would you support an independent and
884 objective external _ internal audit of agency activities?

885 *Mr. Goffman. My understanding is that the inspector
886 general is doing that constantly in various aspects.

887 *The Chair. Would you support the EPA doing their own
888 internal audit? I was shocked, I was _ I just couldn't
889 believe _ what do you mean, an agency doesn't have an audit,
890 an internal audit?

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891 But would you support an internal audit?

892 *Mr. Goffman. I don't want to say no right now.

893 *The Chair. Okay.

894 *Mr. Goffman. I would love to get back to you on that.

895 *The Chair. Okay. Will you work with the committee to
896 provide documents and information on your office's budget and
897 workforce?

898 *Mr. Goffman. Well, we are committed under
899 Administrator Regan to _ accountability and transparency to
900 Congress.

901 *The Chair. Thank you.

902 EPA's methane regulations and the natural gas tax will
903 destroy small and medium-sized American energy producers.
904 EPA's internal review has already shown it will increase
905 energy prices and decrease production. But I don't think
906 people really understand how much damage it is going to do to
907 small, rural communities where these companies operate.

908 I wanted to ask, have you visited these communities and
909 talked with American energy workers to understand what is the
910 impact going to be on the local economy and to schools and
911 hospitals?

912 *Mr. Goffman. My colleagues and I spent a lot of time

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913 talking to various companies and other stakeholders in the
914 industry _

915 *The Chair. Okay.

916 *Mr. Goffman. _ over the course of the last _

917 *The Chair. Thank you. I would encourage you to go
918 visit one.

919 *Mr. Goffman. _ years.

920 *The Chair. Do you believe that it is fair to trade
921 away their jobs and livelihoods in a forced transition away
922 from fossil fuels?

923 *Mr. Goffman. Well, as I said, we believe this rule
924 will actually strengthen operations because it will prompt
925 investment in increased operational efficiency and new
926 technologies.

927 *The Chair. Well, unfortunately, EPA is ignoring the
928 impact that it is going to have in increased energy costs and
929 the impact that it is going to have on companies in this
930 country.

931 Will you commit to addressing the many concerns raised
932 with the EPA's methane rules, several of which will
933 disproportionately harm small and medium-sized businesses?

934 *Mr. Goffman. We will absolutely continue to work with

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935 states and industry on addressing those concerns.

936 *The Chair. Okay, thank you. More to come.

937 I yield back.

938 *Mr. Johnson. The gentlelady yields back. The chair
939 now recognizes the gentleman from New Jersey, Mr. Pallone,
940 for five minutes.

941 *Mr. Pallone. Thank you, Chairman. Last year I
942 traveled to COP 28 with members on both sides of the aisle,
943 actually, from this committee, and we were tackling methane
944 pollution as one of the top items on the agenda. And thanks
945 to the strong leadership of the United States, the global
946 community is rallying to dramatically cut methane emissions
947 in the coming years.

948 The Biden Administration is leveraging the ambitious
949 methane policies here at home to help drive further
950 international cooperation. I am glad that our Principal
951 Deputy Assistant Administrator Goffman is here to discuss
952 EPA's role in this effort.

953 Democrats established, as I said in my opening, the
954 Methane Emissions Reduction Program as part of the Inflation
955 Reduction Act. And the program includes three things:
956 incentives to help the industry reduce its own emissions,

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957 transparency measures to hold polluters accountable, and a
958 fee for methane that is wasted.

959 So Mr. Goffman, how does the three-part framework of
960 this Methane Emission Reduction Program complement EPA's
961 final oil and gas rule and help drive greater methane
962 reductions from oil and gas _ from the oil and gas sector
963 overall?

964 *Mr. Goffman. Thanks, thank you for that question,
965 Chair Pallone _ or sorry, Ranking Member Pallone. If it is
966 okay, I would like to answer it by, you know, drawing an
967 analogy to a three-cornered _ or three-legged stool.

968 The Inflation Reduction Act provides significant
969 resources and incentives for reducing emissions in this
970 sector, often by doing so by increasing the efficiency, the
971 operations of the sector, and promoting new technology.

972 The other leg of the stool is what industry itself is
973 undertaking. A great many of the technologies that our
974 standards are based on are already in use by a significant
975 number of companies.

976 And then finally, our regulations complement or provide
977 the third leg of that stool. So Congress, we believe,
978 created a really harmonious structure in section 136 by

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979 putting together funding for reductions directly, as well as
980 a strong incentive for investments in new technology. And
981 then our rule provides the sort of underpinning of those
982 investments.

983 *Mr. Pallone. Well, thank you. And then I have a
984 second question which relates to the fee for methane that is
985 wasted.

986 I know that, you know, we constantly get questions _ I
987 shouldn't say constantly, but the Republicans often mention
988 that this program is a tax, and that is not true. In fact,
989 it was _ we went out of our way to make sure that it wasn't a
990 tax. The fee is simply an eminently reasonable _ it only
991 applies to the wasted methane above industry-led targets, and
992 it holds individual companies responsible for their own
993 pollution. So the idea is, you know, you do what you are
994 supposed to do, and if you don't then you have to pay a fee.

995 So, you know, I think this is a big win for consumers.
996 And Mr. Goffman, how will consumers benefit from methane
997 reduction policies like the waste emissions charge?

998 *Mr. Goffman. Well, when we looked at the recovery of
999 natural gas that would result from compliance with our
1000 regulations, we saw that enough methane would be recovered to

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1001 heat eight million homes during the winter. The waste
1002 emissions charge we understood to be designed by Congress not
1003 to maximize the collection of revenue, but actually to focus
1004 or incentivize investment being focused on reducing
1005 emissions _

1006 *Mr. Pallone. And I don't like to interrupt you, but I
1007 also want to make it clear that it was _ we worked on this
1008 with industry. Industry _ I mean, I am not saying everybody,
1009 but most of the industry, certainly the good actors,
1010 supported it.

1011 *Mr. Goffman. And our understanding is that the
1012 Congress's logic was the more efficient the industry operates
1013 in production of oil and gas, that benefit will go to
1014 consumers because that will _ because of the economic
1015 efficiency that will result.

1016 *Mr. Pallone. Well, I appreciate that. And you know,
1017 again, we worked on this with industry. They said, you know,
1018 "Don't charge us a tax. We will work with you to reach these
1019 targets, and then the bad actors would have to pay the fee if
1020 they don't meet the targets and if they don't do the right
1021 thing.'" That is how it was put together with the
1022 cooperation of industry. And it just makes _ it is common

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1023 sense that, you know, the polluters should be accountable for
1024 their wasted energy and to try not to waste it.

1025 But thank you. Thank you, Mr. Chairman. Thank you, Mr.
1026 Goffman.

1027 *Mr. Johnson. The gentleman yields back. The chair now
1028 recognizes the gentleman from Georgia, Mr. Carter, for five
1029 minutes.

1030 *Mr. Carter. Thank you, Mr. Chairman. And before I
1031 begin let me say what an honor it has been serving with you,
1032 Mr. Chairman, on this committee and particularly on this
1033 subcommittee. You have done an outstanding job, your
1034 leadership, and particularly for your constituents.

1035 East Palestine was a tragedy, and you were there
1036 immediately, and you were there in the extended time, as
1037 well, and set a great example for all of us as Members of
1038 Congress. So thank you for that.

1039 Mr. Goffman, thank you and welcome back to the
1040 committee. As you know, the U.S. is a global leader in
1041 natural gas. I am very proud of that. That is something
1042 that I consider to be an asset, not a liability. We should
1043 be exporting natural gas.

1044 I know in my district we have a plant that has been

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1045 converted in the past years from being an import facility to
1046 an export facility. I consider that to be progress, and I
1047 think that is good. We should be exporting good, clean
1048 American energy. We lead in both the production, and we have
1049 excellent environmental standards here in this country. And
1050 I think that we should be both _ very proud of both of those.

1051 Affordable and clean energy around the world improves
1052 the environment. We all know that. We know we can't solve
1053 the climate crisis without a global buy-in and without making
1054 sure that everyone is doing their part. That is why we
1055 should be exporting our innovation and our clean energy here.

1056 But I am frustrated. I am frustrated with this
1057 Administration because they vilified the industry as a whole,
1058 and I don't think that is an understatement. I think that is
1059 correct. I think this Administration has vilified the
1060 industry as a whole, and has vilified fossil fuels as a
1061 whole. I am one who believes in an all-of-the-above-type
1062 energy strategy, and that we have _ going to have to have
1063 this in order to move forward. We should be partners in
1064 promoting American energy and not fighting each other, but
1065 the history of the EPA attempting to regulate methane
1066 emissions going all the way back to the Obama Administration.

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1067 Now, in August of 2020, during the Trump Administration,
1068 the EPA issued final rules to control methane emissions from
1069 oil and gas sources. The first thing this Administration
1070 did, the first thing the Biden Administration did, was to,
1071 when they came into office, was begin to roll back these
1072 standards issued by the Trump Administration. And what we
1073 find is that the _ under the Clean Air Act the EPA is only
1074 authorized to regulate a source of category if it contributes
1075 significantly to air pollution, and if it is anticipated to
1076 be to endanger public health or welfare. I would submit to
1077 you that that is not the case here with natural gas.

1078 In 2020 the EPA reversed the position and rolled back
1079 the rules from the prior administration. Why didn't you do a
1080 methane-specific endangerment finding prior to finalizing
1081 those rules?

1082 *Mr. Goffman. If I can, I would like to answer the
1083 question in part here, and maybe get back to you with some
1084 more information.

1085 *Mr. Carter. That will be fine.

1086 *Mr. Goffman. If I recall correctly _ and this is where
1087 I want to confirm what I am saying in follow-up _ I believe
1088 the EPA, under the Obama Administration, did make such a

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1089 finding based on a 2009 finding that methane was one of the
1090 greenhouse gases that presented a threat to public _

1091 *Mr. Carter. Okay, and if you will, clarify that for me
1092 and verify that for me.

1093 *Mr. Goffman. I would be _

1094 *Mr. Carter. I appreciate that.

1095 *Mr. Goffman. _ more comfortable clarifying it, and
1096 maybe _

1097 *Mr. Carter. Thank you.

1098 *Mr. Goffman. _ writing in follow-up, or just _

1099 *Mr. Carter. So why didn't you do a methane-specific
1100 endangerment finding prior to finalizing these rules that we
1101 are talking about today?

1102 *Mr. Goffman. I believe that the finding we did make or
1103 that _ the foundation of our final action was consistent with
1104 the requirements of section 111 of the Clean Air Act.

1105 *Mr. Carter. How much does _ let me ask you this. How
1106 much does EPA consider the larger picture? How _ do you ever
1107 look at the total picture and the larger picture of reducing
1108 emissions and the role that natural gas plays in reducing
1109 global emissions when making determinations like this?

1110 *Mr. Goffman. In this particular rule we were building

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1111 on the strength of the oil and gas sector and its economic
1112 and technological leadership on a global basis.

1113 *Mr. Carter. Do you agree that the United States should
1114 be exporting natural gas?

1115 *Mr. Goffman. I agree that the U.S. should be playing a
1116 broad leadership role _

1117 *Mr. Carter. Not _

1118 *Mr. Goffman. _ on a number of economic fronts. And as
1119 I said _

1120 *Mr. Carter. Now, that is _

1121 *Mr. Goffman. _ one of the benefits _

1122 *Mr. Carter. That is not what my question was. My
1123 question was do you believe the United States should be
1124 exporting natural gas?

1125 *Mr. Goffman. My understanding is that we are doing _

1126 *Mr. Carter. I know we are, but do you believe that we
1127 should be?

1128 *Mr. Goffman. Well, I _ we are certainly supportive of
1129 the economic activities of this industry and its response to
1130 the _

1131 *Mr. Carter. But if it does _

1132 *Mr. Goffman. _ global market.

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1133 *Mr. Carter. _ decrease global emissions to other
1134 countries, and therefore we are helping to decrease global
1135 emissions, don't you think that is a good thing?

1136 *Mr. Goffman. I think the U.S. leadership role in
1137 reducing global emissions is significant. I think rules like
1138 this are a significant part of our leadership, and I think _

1139 *Mr. Carter. Okay.

1140 *Mr. Goffman. _ the proof is that at the COP a number
1141 of international operators and countries joined with us in
1142 committing to take actions to reduce methane from this
1143 industry.

1144 *Mr. Carter. Okay. Well, I am out of time, but I look
1145 forward to you getting back with me on some of those
1146 questions.

1147 Thank you, and I yield back.

1148 *Mr. Johnson. The gentleman yields back. The chair now
1149 recognizes the gentlelady from Illinois, Ms. Schakowsky, for
1150 five minutes.

1151 *Ms. Schakowsky. Thank you, Mr. Chairman. Mr.
1152 Chairman, you said that we can't solve the climate problem
1153 within a day. I think that we have proven that very, very
1154 well right now. But it also, I think, imposes on us the

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1155 commitment that every day we work to solve the climate crisis
1156 we are absolutely behind already, and this is an emergency
1157 that we have to deal with as a country, as a world right now.
1158 And to minimize the speed, I think, is a real disincentive to
1159 the work that needs to be done and is being done.

1160 Methane is a real danger right now. This is not a
1161 mystery. We have known that for a very long time, and we
1162 know that right now the carbon pollution that it can cause is
1163 about _ over 20 years is about 80 times the amount of what we
1164 see from carbon dioxide. So we have to address methane, and
1165 we are.

1166 And when it comes to the Inflation Reduction Act, let's
1167 remember that not a single Republican voted in favor of it.
1168 So you have never been for this, for moving forward in an
1169 aggressive way to deal with climate and among the other many
1170 things that the Inflation Reduction Act dealt with.

1171 And when it comes to jobs, actually this Administration
1172 has produced more jobs in its two years than we have seen in
1173 any other administration. So we are seeing an increase in
1174 jobs every month, including this one. The jobs numbers are
1175 very, very strong.

1176 But I do want to talk about the rule that we are looking

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1177 at right now. And you had mentioned somewhat in your
1178 presentation, Mr. _ is it Garmin? Am I saying that right?

1179 *Voice. Goffman.

1180 *Mr. Goffman. Goffman.

1181 *Ms. Schakowsky. Goffman, Mr. Goffman, that it is not
1182 just the matter of methane and the pollution, but the effect
1183 that it has on health care and other things. And I wondered
1184 if you could elaborate a little bit more on that, as well.

1185 Are we at risk? We were hearing how in danger the
1186 American people are. But isn't there a health risk that _ if
1187 we don't act?

1188 *Mr. Goffman. Yes, there is. The climate change is
1189 associated with, for example, aggravation of problems related
1190 to degraded air quality.

1191 And to get down to specifics, the actions that the
1192 industry is taking to reduce methane and will be taking to
1193 reduce methane will also reduce air toxics and other air
1194 quality pollutants to an extent that we will see tens of
1195 thousands of illnesses avoided, lost workdays and school days
1196 avoided, all because the reductions will help protect public
1197 health.

1198 *Ms. Schakowsky. I want underscore that, underscore

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1199 that, because tens of thousands of people lost work days,
1200 students that can't go to school.

1201 So this is a serious improvement that we will have with
1202 this rule and with the implementation of the rule in reducing
1203 the methane.

1204 What else can Congress be doing?

1205 *Mr. Goffman. Well, thank you for that question, and I
1206 certainly don't want to be presumptuous in answering it. I
1207 want to really commend the accomplishment of the section of
1208 the Inflation Reduction Act that we are talking about this
1209 morning because it really is a model of a extremely well-
1210 designed strategy and policy foundation for achieving a range
1211 of about a half-a-dozen benefits from public health
1212 protection addressing climate change, promoting technology,
1213 enhancing U.S. global leadership in the energy sector and in
1214 terms of leadership on climate change.

1215 So the model that you all perfected with this section of
1216 the IRA is one that we would look forward to Congress
1217 continuing to apply.

1218 *Ms. Schakowsky. Well, we are proud of the Inflation
1219 Reduction Act and the work that you are doing. So thank you
1220 very much.

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1221 I yield back.

1222 *Mr. Johnson. The gentlelady yields back. The chair
1223 now recognizes the gentleman from Pennsylvania, the vice
1224 chair of our subcommittee, Dr. Joyce, for five minutes.

1225 *Mr. Joyce. Thank you, Mr. Chairman.

1226 And I want to thank you also, Deputy Secretary Goffman,
1227 for being with us today.

1228 We have spoken at length in this subcommittee about how
1229 America is leading the way in emissions reduction. Between
1230 2005 and 2021 America's greenhouse emissions were cut by 17
1231 percent, according to the EPA. Today the U.S. not only leads
1232 the world in energy production, but we also have one of the
1233 lowest methane emission intensities in the entire world. To
1234 be blunt, this was achieved by using the resources underneath
1235 the feet of my constituents and unlocking natural gas
1236 potential in places like Pennsylvania and Ohio.

1237 Now, with this rule, the Biden Administration is
1238 attacking the very industry that is responsible for this
1239 significant success. When will the Administration learn that
1240 we need to innovate and not regulate?

1241 In my district, People's Gas is investing in their
1242 system modernization program to minimize methane leaks and

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1243 deliver the needed natural gas to my constituents. By
1244 stifling the very industries that are needed to produce
1245 cleaner and reliable and affordable energy, these policy
1246 initiatives are very much counterproductive.

1247 It is worse that this is happening at the time when the
1248 same Biden Administration is putting more strain on our grid
1249 by attempting to mandate everything from electric stoves to
1250 electric vehicles. Our nation cannot afford to both be
1251 adding significant demand to the grid while simultaneously
1252 making it harder and more expensive to produce energy for
1253 that grid. At some point something has got to give, and that
1254 is why the EPA needs to understand the potential effects of
1255 these draconian policies.

1256 Mr. Goffman, given the significant potential consequence
1257 of this rule, especially when the EPA is trying to mandate
1258 electric vehicle purchases, how does the EPA plan to balance
1259 so-called environmental progress with the need for
1260 affordability and reliability in the energy sector?

1261 *Mr. Goffman. Thank you for that question, Congressman,
1262 because that is a question that we believe is central to our
1263 own work, which is ensuring that energy and technology remain
1264 affordable and available to everybody, including in these

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1265 sectors.

1266 In many ways the emissions reductions that we have
1267 observed since 2005 are due in part to advances that our
1268 industry, like the oil and gas industry, have made in
1269 cleaning up their own operations and increasing their
1270 efficiency and deploying innovative technologies. And our
1271 rules, as the rule _ as is the case with this rule, builds on
1272 the progress that our innovators and that our energy sector
1273 has been making.

1274 *Mr. Joyce. So what, if any, additional guidance and
1275 specifications will be provided for third-party monitors?

1276 And has the EPA considered that failure to do this could
1277 unintentionally spur overzealous or unnecessary activities?

1278 *Mr. Goffman. That is an important question that a
1279 number of stakeholders raised with us after we proposed the
1280 super-emitter program. And in the final rule we made changes
1281 that go directly to those issues.

1282 And so in the final rule it will be EPA that will be
1283 certifying the third-party monitors. It will be to EPA that
1284 the data is submitted. It will be EPA that will be reviewing
1285 the data, and then it will be EPA that is _ that will be
1286 notifying the operators. And before we make any of that data

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1287 public, the operators will have an opportunity to respond to
1288 us.

1289 *Mr. Joyce. Do you think there could be potential
1290 misuse of the program by third-party monitors who could
1291 potentially harass the energy operators?

1292 *Mr. Goffman. That was an issue that was specifically
1293 raised to us after the proposal, and the three or four steps
1294 that I just enumerated, we think, provide a remedy or an
1295 avoidance of that risk.

1296 *Mr. Joyce. So the steps that you have outlined, will
1297 the agency take that to employ also in other areas like
1298 technologies and standards and procedures to help the
1299 industry be aware of any potential leaks?

1300 *Mr. Goffman. Well, we, again, think that is a very
1301 important issue. We think that the industry itself is in the
1302 best position to be aware of leaks _

1303 *Mr. Joyce. I have witnessed that firsthand by going to
1304 the site where People's Gas was doing those changes to make
1305 sure that any potential leaks were detected and changed out.

1306 *Mr. Goffman. That is right. And one of the reasons we
1307 felt comfortable, if you will, codifying those practices is
1308 because we have seen them being done by industry. And even

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1309 more, we know that the industry itself and other technology
1310 innovators are making the kinds of investments in new
1311 approaches and more effective ways of detecting leaks, and
1312 making it easier for operators to fix them.

1313 *Mr. Joyce. I have seen industry stand up and make
1314 those necessary changes to monitor for those leaks, and have
1315 already had that intervention, and I don't think they need
1316 any additional EPA regulation to achieve that.

1317 Mr. Chairman, my time has expired and I yield back.

1318 *Mr. Johnson. The gentleman yields back. The chair now
1319 recognizes the gentleman from Maryland, Mr. Sarbanes, for
1320 five minutes.

1321 *Mr. Sarbanes. Thank you very much, Mr. Chairman,
1322 congratulations on your transition.

1323 I just wanted to pick up on something my colleague said
1324 a moment ago, which is that, you know, when is the agency
1325 going to realize you shouldn't regulate, you should innovate
1326 in this space?

1327 But if you look historically, it is often when we put
1328 good, robust, smart regulatory frameworks in place that it
1329 stimulates innovation and moves us to a new place, not just
1330 in this instance in terms of, you know, addressing

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1331 environmental challenges, but creating new economic
1332 opportunities which you have been speaking to.

1333 So I want to thank you for being here. We are glad to
1334 have the opportunity to hear more about what EPA is doing to
1335 reduce emissions of methane in this case.

1336 And as we have been discussing, methane is one of the
1337 largest contributors to climate change. Nearly a third of
1338 methane emissions in the United States are the result of oil
1339 and gas production. So there is a lot we can do there to
1340 move the needle. Reducing these emissions represents one of
1341 our most important opportunities to protect environment, our
1342 communities. But it is hard to make that progress when there
1343 is ambiguity about the amounts and the sources of the
1344 emissions because, as you know, you can't manage what you are
1345 not measuring.

1346 So Mr. Goffman, how are the methane emissions from
1347 facilities currently tracked and reported under the existing
1348 Greenhouse Gas Reporting Program?

1349 And in your perspective, in the Office of Air and
1350 Radiation, has this methodology been effective in accurately
1351 assessing the methane that is emitted?

1352 *Mr. Goffman. Thanks for that question. That is a

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1353 major part of our mission under the Greenhouse Gas Reporting
1354 Program is to ensure that we are getting good data. That
1355 program has been in place for several years. And what we
1356 know is that, over time, the technology and the methodologies
1357 are continually improving, and we have tried to keep up with
1358 that.

1359 One of the great benefits of section 136 under the
1360 Inflation Reduction Act in specifically directing us to
1361 revise the Subpart W program to ensure that the data we are
1362 getting is more accurate and really reflects what is
1363 happening in the real world, it has given us the directive
1364 and the opportunity to take advantage of new methodologies
1365 and new technological developments that can help us improve
1366 even more the quality and accuracy of the data we get.

1367 *Mr. Sarbanes. Thank you. In the proposed update, as
1368 you have been indicating here today, to the Subpart W is
1369 designed, as you suggested, to ensure that going forward
1370 reporting is based on empirical data and accurately reflects
1371 total methane emissions from the applicable facilities.

1372 A little bit more, if you could, on how these changes to
1373 Subpart W address gaps in the current methane emissions
1374 measurements or improve upon our current system. Are there

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1375 some examples you could give?

1376 And I think you said that there is new technologies
1377 available to facilitate these measurements, but maybe you can
1378 give me a couple of examples of where these gaps can be
1379 filled now.

1380 *Mr. Goffman. Well, industry itself has been doing some
1381 innovating and has shared with us some of the innovations
1382 they have either already started to apply or would like to
1383 apply, and have asked us, in response either before we
1384 propose the new revisions to Subpart W or in response to the
1385 proposal, to include those.

1386 And so we are talking about things like remote sensing,
1387 going beyond just using on-site, infrared cameras, but
1388 actually using some of the very advanced satellite
1389 technology, and other _ I want to say drone technology that
1390 allows an operator to get a more accurate picture of what is
1391 going on in a more efficient, more technologically advanced
1392 way. So those are the kind of innovations that we have been
1393 seeing that we were asked to consider, that we asked either
1394 proposed or asked for comment on, and we are _ hope or intend
1395 to reflect when we finalize the _

1396 *Mr. Sarbanes. It is interesting that you are

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1397 describing industry stepping into the space, designing these
1398 new technologies to measure better, and you are going to look
1399 at those and, in a sense, push them back out onto industry in
1400 a broader way to make sure this information is collected.
1401 And I assume _ I am running out of time, but I assume that AI
1402 is going to be a resource when it comes to capturing data
1403 about methane both, in a sense, point source, but
1404 collectively what is happening throughout the atmosphere. So
1405 thank you for the work.

1406 And I yield back my time.

1407 *Mr. Johnson. The gentleman yields back. The chair now
1408 recognizes the gentleman from Georgia, Mr. Allen, for five
1409 minutes.

1410 *Mr. Allen. Thank you, Chairman Johnson, and I want to
1411 thank you for _ you have been a great mentor to me, both
1412 spiritually and congressionally. And I am going to miss you
1413 and I wish you all the best. It has been a privilege to
1414 serve with you.

1415 Getting back to the hearing, you know, I want to thank
1416 the Environmental Protection Agency Deputy Principal
1417 Administrator and _ Mr. Goffman for testifying today.

1418 The oil and gas sector in our country is the backbone of

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1419 our energy independence. And this sector has taken
1420 meaningful steps to lower emissions. I think they are doing
1421 their best to cooperate in this global, very competitive
1422 environment that we are in.

1423 However, the aggressive regulatory agenda by the
1424 Environmental Protection Agency is making it very difficult
1425 for these oil and gas producers to continue to operate. This
1426 is _ this has the consequence of increasing our energy
1427 dependance on other countries and resulting in Americans
1428 paying higher prices for energy. I think energy is the
1429 largest driver of inflation that we are dealing with in this
1430 country today.

1431 I would highlight that I have many rural communities in
1432 my district, and their access to affordable and reliable
1433 energy is critical, particularly our farmers. Food is a
1434 national security issue in our country. And we _ I mean
1435 that, again, is a global competition. I fear that many of
1436 these regulations will come from high _ will come with high
1437 compliance costs and could cause producers to close their
1438 businesses and create higher prices being passed and continue
1439 to be passed on to consumers.

1440 Mr. Goffman, the recently finalized methane regulations

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1441 will impose huge compliance costs on American energy
1442 producers while giving OPEC and Russia a free pass to
1443 pollute. Since this is a global market, U.S. workers will be
1444 at a huge disadvantage. I would like a yes-or-no answer.
1445 The Environmental Protection Agency conducted a regulatory
1446 impact assessment of various cost scenarios. Is it true the
1447 compliance costs would exceed \$30 billion? Is that a true
1448 statement, yes or no?

1449 *Mr. Goffman. Let me check on that and get _

1450 *Mr. Allen. Okay, get back to me.

1451 Yes or no, will compliance costs discourage the
1452 production of oil and natural gas? Yes or no.

1453 *Mr. Goffman. No, it will not discourage the
1454 exploration and production of natural _

1455 *Mr. Allen. Yes or no, will the decrease in oil and gas
1456 production raise energy prices?

1457 *Mr. Goffman. Only by a quarter a barrel.

1458 *Mr. Allen. I think we have missed that mark several
1459 times.

1460 Yes or no, is the Environmental Protection Agency
1461 required to ensure that the benefits of regulations outweigh
1462 the cost?

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1463 *Mr. Goffman. In this particular case the benefits of
1464 regulation vastly outweigh the costs.

1465 *Mr. Allen. Okay, and that is _

1466 *Mr. Goffman. The net benefits of this rule are
1467 measured in the billions of dollars.

1468 *Mr. Allen. Yes, and you are talking about savings in
1469 health care, is that correct, that _ or you are saying that
1470 the problem is a health risk is what I think you said in your
1471 _ okay.

1472 *Mr. Goffman. Also in the recovery of what would
1473 otherwise be wasted natural gas product.

1474 *Mr. Allen. Right.

1475 *Mr. Goffman. That is part of the net benefits.

1476 *Mr. Allen. Well, you do know the largest killer of
1477 Americans between the ages of 18 and 25 in this country is
1478 drugs. What are we doing about that? You know, I mean,
1479 100,000 people last year. What is the Administration doing
1480 about that?

1481 Yes or no, is the Environmental Protection Agency
1482 required to ensure the benefits of these regulations outweigh
1483 the cost? Are you required to do that? Yes or no.

1484 *Mr. Goffman. We are required to impose standards that

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1485 are cost effective and well founded in existing technology,
1486 and this rule really speaks directly to that question because
1487 the net benefits are so significant. That is, the benefits _
1488 both public health, climate, and economic outweigh the
1489 compliance costs.

1490 *Mr. Allen. Yes or no, since the regulatory compliance
1491 costs are paid for by the American people, do you agree that
1492 the benefits that the Environmental Protection Agency counts
1493 should be all the tangible benefits that can be enjoyed by
1494 the American people?

1495 *Mr. Goffman. Yes. And in this case the tangible
1496 benefits are in terms of, you know, reduced flaring at
1497 facilities, improved air quality, recovered natural gas to
1498 the _

1499 *Mr. Allen. I am out of time.

1500 And then the other thing I want to know is what in the
1501 world are you all doing about fentanyl, which is a terrible
1502 danger to this country? At EPA. And you can send that
1503 answer in.

1504 [The information follows:]

1505

1506 *****COMMITTEE INSERT*****

1507

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1508 *Mr. Allen. I am out of time, and I will yield back.

1509 *Mr. Johnson. The gentleman yields back. The chair now
1510 recognizes my friend and colleague from California, Mr.
1511 Peters, for five minutes.

1512 *Mr. Peters. Thank you, Mr. Chairman, and I don't want
1513 to _ I can't take a lot of time to tell you how much I have
1514 enjoyed getting to know you and work with you and appreciate
1515 the work you have done on behalf of your constituents. You
1516 are a fierce conservative. We don't often agree on policy,
1517 but I will tell you that I respect your commitment to this
1518 institution and to the country, and I will _ we will miss
1519 you. Thank you.

1520 I have been working on short-lived climate pollutants
1521 since I got here. Those are the pollutants that have an
1522 outsized impact in the short run on climate change, but don't
1523 persist in the atmosphere. And so you really have a chance
1524 to affect the rate of global warming if you deal with them.
1525 What are they, basically HFCs? We made some good progress on
1526 HFCs, coolants. Black carbon, that is really complicated by
1527 wildfires. We have a lot of work to do. And methane.

1528 And we sit here today, the _ you know, we hear about all
1529 the dire predictions about oil and gas production here. In

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1530 2023 we estimated the U.S. would produce a record production
1531 level of 12.9 barrels _ million barrels of crude oil per day
1532 in 2023. That is double what was produced a decade ago. We
1533 also _ we expect that LNG exports will double over the next
1534 four years. This is the biggest production we have ever had.
1535 It only is continuing to grow.

1536 So it is just so incongruous to hear this dire
1537 prediction about how the oil and gas industry is in dire
1538 straits. It is booming, it is booming. And I am not one of
1539 the people who sits here and says it should be banned, or
1540 that we can ban it in four years. What I have said is let's
1541 clean it up. And my point has been that methane is the point
1542 where we should agree, right? Because if we can eliminate
1543 methane, you all can take credit for the benefit of the
1544 carbon dioxide reduction that you have made through the shale
1545 gas revolution, but if you don't get rid of it all the
1546 climate benefit of that has _ is erased with just the small
1547 leaks.

1548 So why can't we come together and agree on that? And I
1549 have evangelized this. I have been to Midland, Texas twice.
1550 I have been to Houston, the Petroleum Club in Houston. I
1551 spoke to them. I have been to Lubbock to talk to the

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1552 petroleum engineering department at Texas Tech. I told the
1553 Emir of Qatar when I was there talking about Afghanistan he
1554 has got to get control of his methane. And I would think
1555 that by now that you would understand I really want to work
1556 with this in a bipartisan way. And this is what I get: not
1557 a discussion of how to get better regulations, how to do it
1558 more efficiently, how to make sure that small producers can
1559 comply, but an idea that we should just get rid of all the
1560 regulation entirely. I am really frustrated by this.

1561 I also, ironically, have been a person who has spoken
1562 against the Biden Administration's approach to this because I
1563 think we can have a more effective regime. I told
1564 Administrator Regan at the beginning of this process, "Do
1565 something that is based on emissions, because we have the
1566 emissions technology to both _ detect both the presence and
1567 concentration of methane, regulate that directly and let the
1568 companies decide how best to achieve that limit.'" And they
1569 have come up with a technology-based system that I think
1570 could be better, but I do think it is better than nothing.
1571 And I think we should work with it. And I am open to
1572 discussion to have with my Republican colleagues about how to
1573 make sure everyone is covered by this.

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1574 The other thing we have done is we have provided
1575 resources to help the small producers who unquestionably will
1576 _ could be burdened by this to comply. And that was part of
1577 the Inflation Reduction Act. Again, we were trying to come
1578 meet you, and this is what we get: Do nothing.

1579 Mr. Goffman, I would like you to tell me a little bit
1580 about how we are doing in terms of deploying or letting
1581 people know about the resources that are available to help
1582 domestic _ particularly small and domestic-sized producers
1583 reduce their methane emissions. What resources are we
1584 providing for them, and what don't they know that we could
1585 tell them about how we are trying to make sure that they can
1586 comply with these regulations and still succeed?

1587 *Mr. Goffman. Well, thank you for that question. It is
1588 an important one. And one of the tools that Congress gave us
1589 to address that question was the funding in the Methane
1590 Emission Reduction Program, and we are going to use that. In
1591 fact, we already have by distributing some of those funds to
1592 states. And we are going to use that shortly to issue a
1593 notice of availability of the remainder of the funding to
1594 apply some of these technologies, and _

1595 *Mr. Peters. I ran out of time making my own little

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1596 statement there, but I would say that is a priority for me.

1597 And I would say to my Republican colleagues I want to
1598 help you get this right, but don't come and tell me to do
1599 nothing. I have been trying to say, listen, we can come
1600 together on this, but methane is something that has to be
1601 dealt with by every entity, not just the big players. But we
1602 need to get compliance from everyone. I am willing to sit
1603 here with you and figure out how to make that happen. I did,
1604 in good faith, try to put that in the Inflation Reduction
1605 Act, and I want to make it work. But please don't tell me to
1606 do nothing. It is really frustrating to me. It makes me
1607 look foolish, like really you are not serious about this, and
1608 I am.

1609 I yield back.

1610 *Mr. Johnson. The gentleman yields back. The chair now
1611 recognizes my friend from Idaho, potato country, and an
1612 important member of this subcommittee, Mr. Fulcher, for five
1613 minutes.

1614 *Mr. Fulcher. Thank you, Mr. Chairman, and please add
1615 my name to the list of people that is going to miss you
1616 dearly.

1617 For those who are not aware, Mr. _ my colleague and

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1618 friend, Mr. Johnson, has been a dear friend to me throughout
1619 my time here and throughout a significant health challenge,
1620 filled in for me on the floor many times, and we joked about
1621 the confusion sometimes of some people between Idaho and
1622 Ohio. And so we are joined forever with the great state of
1623 O'Idaho.

1624 And so thank you, Mr. Chairman. You are going to be
1625 very much missed, but a friend forever.

1626 Mr. Goffman, I want to talk with you about Subpart W.
1627 There is some concern, certainly with me and I know others,
1628 of the EPA's revised calculation for Subpart W, and the
1629 potential for that leading to higher fees and taxes through
1630 what could be potentially inflated methane emission
1631 calculations. And I would like to ask you to talk about that
1632 a little bit.

1633 What was the impetus to change that calculation? What
1634 was it that prompted that calculation change?

1635 *Mr. Goffman. Well, I thank you for that question. And
1636 let me address one of the things you said as part of that,
1637 which is we certainly don't want to end up with a final
1638 reporting rule that would inflate data, and therefore inflate
1639 liability for companies.

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1640 We were responding specifically to language in the
1641 Inflation Reduction Act, as well as to input we got from
1642 technical experts and from the industry itself to consider
1643 updates and changes and innovations in the methodologies we
1644 proposed, and in some of the technologies we proposed. And
1645 the important thing I think at this point is that word
1646 "proposed," because we are getting a lot of comment from
1647 experts and from industry, and we are continuing to work
1648 through those comments _

1649 *Mr. Fulcher. So you are saying it was a response to
1650 the Inflation Reduction Act?

1651 *Mr. Goffman. It was in response to the Inflation
1652 Reduction Act. It was a response to _

1653 *Mr. Fulcher. How would that impact the calculation of
1654 an emissions program?

1655 I mean, why would that impact your emissions
1656 calculation?

1657 *Mr. Goffman. Because Congress told us to make changes
1658 and, if you will, update the calculations that we required or
1659 proposed _

1660 *Mr. Fulcher. Okay.

1661 *Mr. Goffman. _ accuracy _

This is an unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker.

1662 *Mr. Fulcher. If I could move on, because I don't have
1663 much time, there is, at least from our vantage point, the
1664 risk of double counting, over-estimating, or misrepresenting
1665 emissions with this new calculation methodology that shows an
1666 increase even when the opposite is to be true.

1667 And so it brings into question does the EPA really
1668 understand what this calculation can result in, or is this an
1669 effort to tip the scales in opposition to fossil fuel?

1670 *Mr. Goffman. We are working on those concerns to the
1671 extent they have been raised to us in response to our
1672 proposal. As Congress directed us to do, and as we were
1673 already committed to doing _

1674 *Mr. Fulcher. Okay. So are you saying you are open to
1675 looking at that calculation?

1676 *Mr. Goffman. Absolutely, and I think you are not alone
1677 in raising those concerns. They have been raised to us in
1678 response to the proposal. We are taking them very seriously,
1679 and we are expecting that we will take all the information we
1680 have gotten around those concerns and end up with a rule that
1681 avoids the very problems _

1682 *Mr. Fulcher. So by this _

1683 *Mr. Goffman. _ we want to _

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1684 *Mr. Fulcher. By this exchange, by hearing you say that
1685 this is something that you are going to look at as a
1686 potential to change that calculation methodology _

1687 *Mr. Goffman. We are looking at it right now.

1688 *Mr. Fulcher. Okay. Final question, because I am about
1689 out of time here. As part of this rationale, did the EPA
1690 consider any significant financial liability that gets placed
1691 on oil and gas companies when those revisions were put in
1692 place, in particular the small operations?

1693 *Mr. Goffman. We spent a lot of time _ as we were
1694 implementing the various provisions of the Inflation
1695 Reduction Act, we have spent a lot of time engaging with and
1696 talking to the small operators. I think you will see in the
1697 one piece of this that we have finalized, which is the oil
1698 and gas standards, that we have made provisions specific to
1699 small operators.

1700 And I do want to encourage you to focus on the fact that
1701 for many of these standards it will ultimately be the states
1702 that define their requirements, and we will be very
1703 supportive of the states working with small operators to make
1704 sure that they can comply.

1705 *Mr. Fulcher. Okay. Thank you, Mr. Goffman. I look

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1706 forward to further communication on the topic.

1707 Mr. Chairman, I yield back.

1708 *Mr. Johnson. The gentleman yields back. The chair now
1709 recognizes Mr. Ruiz for five minutes.

1710 *Mr. Ruiz. Thank you, Mr. Chairman, and congratulations
1711 on your decision. I know it is a tough one, but it is the
1712 right one, according to your own aspirations and needs and
1713 with your family. I know you are going to spend a lot more
1714 time with those that you love.

1715 As I have discussed in previous hearings, air pollution
1716 and extreme weather are problems that constituents in my
1717 district face every day, and in the summers temperatures
1718 regularly reach above 100 degrees _ I think about 120
1719 sometimes _ all over my district from Blythe to Indio, down
1720 to El Centro near the border. And the number of patients I
1721 have had to treat for asthma and respiratory problems
1722 stemming from air pollution would stop you in your tracks.

1723 So I bring these two items up again because _ you know
1724 what they have in common? They both result from methane
1725 getting released into our communities. Methane is released
1726 alongside toxic air pollution during oil and gas production,
1727 and is a key contributor to smog. Moreover, climate-related

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1728 extreme weather is driven by greenhouse gas emissions like
1729 methane. Methane releases can contaminate soil and water
1730 resources, leading to reduced agricultural fertility and
1731 making water sources unsafe for consumption.

1732 The cattle industry in Imperial County, located in my
1733 district, boasts the largest number of feedlots and feed
1734 cattle capacities in California, grossing in value of over
1735 \$2.6 billion in 2022. The effects of methane leaks into the
1736 soil can be detrimental to our agricultural productivity and
1737 community, which is the number-one industry in that county.

1738 And what shouldn't surprise anyone is that these methane
1739 effects are disproportionately shouldered by low-income and
1740 minority communities. That county is actually the most
1741 impoverished county in the State of California. So I would
1742 like to start with a quick clarifying question.

1743 Mr. Goffman, would the regulations that are being
1744 discussed today apply to methane released from the
1745 agricultural sector?

1746 *Mr. Goffman. That is certainly an important question.
1747 As a matter of fact, the regulations we are talking about are
1748 focused on the oil and gas sector.

1749 *Mr. Ruiz. Okay. In 2016 California saw one of the

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1750 worst methane leaks in U.S. history due to a blowout of a
1751 well owned by the Southern California Gas Company. This leak
1752 resulted in the release of 100,000 metric tons of methane
1753 into the atmosphere, causing residents to develop anxiety,
1754 unnecessary stress, respiratory issues, and cancer.

1755 As an emergency medicine physician, I have seen
1756 firsthand the connection between a person's health and the
1757 environment where they live and the very real effects of
1758 environmental injustices.

1759 Could you highlight, Mr. Goffman, the steps the EPA is
1760 taking to address these large methane leak events?

1761 *Mr. Goffman. What we are focusing on, Congressman, is,
1762 if you will, the exploration and production and processing
1763 side of the sector. But it is in that sector, as well, that
1764 independent experts have identified large emissions events.
1765 The scientists refer to them and we ended up referring to
1766 them as super-emitter events.

1767 And one of the things that we include in our oil and gas
1768 regulations is a program whereby third parties with the
1769 expertise that are certified by us using reliable
1770 methodologies have the opportunity to detect those leaks and
1771 report them to us as soon as they are detected. And then we

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1772 go through a series of steps to make sure that the
1773 information is solid and reliable, and then engage directly
1774 with the companies that are associated with those so-called
1775 super-emitter leak events.

1776 *Mr. Ruiz. Well, I am heartened to see that the EPA is
1777 taking concrete steps to reduce dangerous methane leaks.

1778 So under EPA's final methane rule, what steps is the EPA
1779 taking in order to prevent future gas leaks from occurring?

1780 *Mr. Goffman. Well, I think the _ creating this new
1781 system that I just described will have the effect of
1782 supporting companies that are already asserting leadership in
1783 eliminating their leaks, and then helping other companies
1784 that are have an opportunity to catch up, to catch up.

1785 I think Congress did its own work through the Inflation
1786 Reduction Act with respect to asking us to improve our
1787 reporting requirements under Subpart W, and creating an
1788 incentive to avoid waste in the form of the waste emissions
1789 charge that will also prompt operators to use their _ the
1790 know-how across the industry to deal with problems like
1791 leaks.

1792 *Mr. Ruiz. Okay. So I appreciate and applaud EPA's
1793 action to regulate the amount of methane that is released

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1794 into our communities and put in place helpful measures to
1795 ensure leaks don't continue to pollute our homes.

1796 So with that I yield back.

1797 *Mr. Johnson. The gentleman yields back. The chair now
1798 recognizes my friend and colleague from Ohio, my neighbor,
1799 Mr. Balderson, for five minutes.

1800 *Mr. Balderson. Thank you, Mr. Chairman, and I want to
1801 also congratulate you on your new venture. Thank you for
1802 your service to southeastern Ohio. It has been fun to watch
1803 you. We saw each other when you started running in 2009, so
1804 you have been a great service. So thank you very much for
1805 your service.

1806 Mr. Goffman, thank you for being here today. You note
1807 the EPA is partnering with the Department of Energy to
1808 provide one billion in assistance to support the transition
1809 to low-emitting oil and gas technologies and support methane
1810 monitoring. Can you discuss how these funds have been
1811 allocated so far?

1812 *Mr. Goffman. Thanks for that question. It was a very
1813 important part of the Inflation Reduction Act, and we really
1814 value our partnership with the DoE, which _ a partnership
1815 that is helping that program be more effective.

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1816 Last month we issued \$350 million of grants to 14 states
1817 that came forward to identify opportunities to, in this
1818 particular case, help smaller or low-yield producers plug
1819 their wells and eliminate their emissions. Very shortly we
1820 hope to put out a notice for the remaining funds, giving
1821 other stakeholders and states the opportunity to identify a
1822 range of opportunities that they have to monitor emissions,
1823 apply technologies, and achieve reductions.

1824 *Mr. Balderson. Okay. So just that 350 number is all
1825 that has been allocated right at the moment, correct?

1826 *Mr. Goffman. [No response.]

1827 *Mr. Balderson. The 350 _ excuse me, the 350 number is
1828 what is out there right now that has been allocated so far?
1829 Okay.

1830 How is EPA ensuring these funds are being distributed to
1831 support small and mid-sized oil and gas producers? And I
1832 know you touched on that a little bit, but is there anything
1833 specifically that you look at when you decide who gets this?

1834 *Mr. Goffman. Well, with respect to that first tranche
1835 of funding, we were following what Congress put in the
1836 statute in providing that funding to states to _ for well
1837 plugging. There is _ I am going to admit I am speculating,

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1838 but there is probably a fairly significant incidence of the
1839 ultimate beneficiaries of the money that the states give to
1840 their operators that are smaller operators. I don't know
1841 that for sure, but as I said, it is a speculation that _

1842 *Mr. Balderson. Okay.

1843 *Mr. Goffman. _ that we are thinking some of the states
1844 will focus on.

1845 *Mr. Balderson. I think Ohio is. But we will look at
1846 that.

1847 We have discussed the super-emitter program that was
1848 created by the EPA's rulemaking. This program would deputize
1849 third-party monitors to identify and address methane leaks
1850 from production facilities. I have heard some concerns on
1851 how third-party monitors could misuse the program to harass
1852 or target oil and gas operators. I wanted to follow up on
1853 Dr. Joyce's question regarding third-party monitors. How
1854 will qualifications for third-party monitors be determined?

1855 *Mr. Goffman. Well, thank you for that question. That
1856 was one of the most important issues we dealt with between
1857 the time we proposed the program and what we finalized in
1858 December, because the industry itself, while being generally
1859 supportive of the program because they thought it would help

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1860 them accomplish what they needed to in terms of reducing
1861 leaks and other unwanted releases, came to us with a series
1862 of suggestions as to how to address those issues.

1863 And essentially, thanks to those suggestions and our own
1864 work, what we finalized is a program whereby we certify the
1865 third parties, and then the third parties bring their data to
1866 us. They don't go public immediately, or don't go to the
1867 operators immediately. They bring the data to us. We review
1868 the data, and then after we reviewed the data, EPA goes to
1869 the operator and gives the operator a chance to respond.

1870 And again, what we think is, with industry supporting
1871 the basic principle of the proposal, those changes will
1872 address the issues you raised.

1873 *Mr. Balderson. Okay, thank you. I am going to try to
1874 get my last question in here.

1875 During the rulemaking process, do you believe the EPA
1876 properly solicited and accounted for feedback from small and
1877 mid-sized producers?

1878 *Mr. Goffman. We worked really hard on that. We really
1879 understood the _ how important it was for this rule to be
1880 workable for everybody in the industry. And we are going to
1881 continue to work with small producers because a lot of them

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1882 ultimately will be subject under the Federal rule to state
1883 implementation.

1884 We provided states with a certain amount of latitude to
1885 address a whole range of factors, and we plan to be
1886 supportive of states as they and we work with small
1887 producers.

1888 *Mr. Balderson. Okay. I hope you read their testimony
1889 on the next panel.

1890 Mr. Chairman, thank you very much.

1891 *Mr. Johnson. The gentleman yields back. The chair now
1892 recognizes the gentlelady from California, Ms. Barragan, for
1893 five minutes.

1894 *Ms. Barragan. Thank you, Chairman Johnson, and
1895 congratulations. We will miss you.

1896 Mr. Goffman, thank you to you and EPA for your tireless
1897 work to protect our air and water from pollution. Methane is
1898 a major contributor to the climate crisis, and is released
1899 with toxic air pollutants during oil and gas operations.
1900 EPA's historic methane rule to cut emissions by 80 percent
1901 helps the United States lead on climate action, and is
1902 important for communities living near oil and gas wells.

1903 Over 1.8 million Latinos live within a mile and a half

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1904 of an oil or gas well, including in my district in south LA,
1905 where we still have urban oil drilling near homes, schools,
1906 and businesses. We have high rates of respiratory diseases
1907 such as asthma, and too many kids with inhalers around their
1908 necks.

1909 Mr. Goffman, how will the finalized EPA methane rule
1910 help the health of communities like mine that live near oil
1911 and gas wells?

1912 *Mr. Goffman. Thank you for the question,
1913 Congresswoman, and thank you for actually so directly and
1914 concisely framing the basis, framing the context in which
1915 this rule is going forward. It is precisely because there
1916 are communities that live and work near these operations that
1917 this rule will provide benefits directly to them. Because
1918 not only do the effects of climate change harm those
1919 communities and put stresses on them, but when methane is
1920 being reduced, air quality pollutants and air toxics are also
1921 being reduced. And we identified significant reductions in
1922 air quality pollutants and air toxics right at the site that
1923 the methane reductions were being _ are being made, which
1924 means right at the site of those communities where those
1925 folks live.

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1926 So as this rule is implemented we will be seeing
1927 significant reductions in air toxics like benzene and
1928 toluene, volatile organic compounds, all of which reductions
1929 will bring avoided illnesses, avoided lost workdays, avoided
1930 lost school days right in those communities.

1931 *Ms. Barragan. Great, thank you. In December of 2021 I
1932 led 15 members of the Congressional Hispanic Caucus in a
1933 letter to EPA urging a strong methane rule that ends routine
1934 flaring, which is the burning of excess methane at a well.
1935 How does the final rule address flaring, and how significant
1936 of an impact will this have on methane emissions?

1937 *Mr. Goffman. Thank you for that question. That was
1938 one of the parts of this rule that we worked hardest on, both
1939 _ because we identified it as an important priority in just
1940 the same way you articulated it in you and your colleagues'
1941 letter.

1942 And this rule has, I would say, an extensive regime for
1943 reducing flaring that we spent a lot of time ensuring would
1944 be actually workable so that, you know, not only would we
1945 have a good rule on the books, but we would actually have a
1946 very strong program in place so that operators in a variety
1947 of circumstances could comply with the rule and reduce

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1948 flaring.

1949 *Ms. Barragan. All right, thank you.

1950 Mr. Chairman, I would like to submit into the record the
1951 letter signed by the Hispanic Caucus calling for a strong EPA
1952 methane rule.

1953 And number two, a September 20, 2022 study titled,
1954 "Inefficient and Unlit Natural Gas Flares Both Emit Large
1955 Quantities of Methane'" by the University of Michigan. This
1956 study found oil and gas flaring is responsible for five times
1957 more methane emissions than previously thought.

1958 *Mr. Johnson. Okay, without objection _ we will take a
1959 look at those, but, without objection, so ordered.

1960 [The information follows:]

1961

1962 *****COMMITTEE INSERT*****

1963

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1964 *Ms. Barragan. Great, thank you. And just a quick
1965 follow-up here.

1966 Half a dozen adopted California climate and air rules
1967 are waiting on Federal waivers from EPA. These rules include
1968 zero-emission standards for tugboats, locomotives, and
1969 trucks. Some waiver requests have only recently been
1970 submitted, but others have been waiting for EPA action for
1971 nearly a year. Will EPA prioritize the review of these
1972 waivers?

1973 *Mr. Goffman. We always try to be responsive and timely
1974 in our addressing the waivers that come in. And we are
1975 continuing to try to be timely in our responses.

1976 *Ms. Barragan. Okay. If EPA were to approve all of
1977 these waivers, nearly 9,000 lives could be saved and
1978 California would see \$75 billion in public health benefits.
1979 This is also _ this also has national implications, since
1980 other states can opt into California standards. I urge EPA
1981 to make these waivers a priority.

1982 And with that I yield back. Thank you.

1983 *Mr. Johnson. The gentlelady yields back. The chair
1984 now recognizes the gentleman from California, Mr. Obernolte,
1985 for five minutes.

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1986 *Mr. Obernolte. Well, thank you very much, Mr.
1987 Chairman, and I will join my colleagues in expressing my
1988 dismay that you will be leaving us. You have been a great
1989 mentor to me.

1990 And let me point out that, unfortunately, your departure
1991 reduces the ranks of the computer scientists in Congress by
1992 one. And so I would suggest that, in addition to the
1993 responsibility for training more computer scientists, which I
1994 know you will do as president of a university, you now have a
1995 responsibility to send more of them here, because I would say
1996 we are under-represented.

1997 *Mr. Johnson. I am working on it.

1998 *Mr. Obernolte. All right, I appreciate that.

1999 Mr. Goffman, I appreciate your testimony today. I
2000 wanted to continue a line of questioning about the methane
2001 emissions charge that is part of this proposed rule. You
2002 know, obviously, we are _ the EPA is going to impose a charge
2003 on the emissions of methane during the production of energy
2004 and set that at an appropriate level to hopefully incentivize
2005 people to _ instead of paying the charge to invest in the
2006 technology to reduce methane emissions.

2007 But one way or the other, these producers are going to

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2008 pass that charge along to their customers in the form of
2009 increased energy prices. I am gratified to learn that the
2010 EPA has done some investigation of how much that is going to
2011 increase energy prices. I heard you say earlier that it
2012 would be about a quarter a barrel. Is that correct for oil?

2013 *Mr. Goffman. That is for our _ for the Clean Air Act
2014 regulation that we _

2015 *Mr. Obernolte. Okay. So the _ talking about
2016 specifically natural gas, how much will the methane emissions
2017 charge increase the price of natural gas to consumers?

2018 *Mr. Goffman. On the methane emissions charge we
2019 haven't released the proposal yet, so we haven't released the
2020 answer to that question. We intend to issue the proposal
2021 very, very shortly, and we will be sharing with the public
2022 the answer to that question, which is what we think the
2023 impact will be on consumers. And I will make sure that we
2024 follow up with you directly.

2025 One of the things that Congress _ it wasn't really us,
2026 it was Congress that, I think, deserves the credit for such a
2027 well-designed program _ is that Congress set the level of
2028 emissions and the efficiency quotient that defines whether an
2029 operation is liable for a charge or not. We think _ and we

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2030 have gotten feedback in this area _ that a number of
2031 operators will invest in their own operations to _

2032 *Mr. Obernolte. Sure. Well _

2033 *Mr. Goffman. _ increase their efficiency, bring _

2034 *Mr. Obernolte. Well, I am sorry to interrupt _

2035 *Mr. Goffman. _ the emissions down _

2036 *Mr. Obernolte. My time is limited here.

2037 I mean, the point is that, regardless of whether or not
2038 you choose to pay the fee or you choose to make an investment
2039 in more efficient operations, your costs go up. Therefore,
2040 the cost of producing the energy goes up. So you are saying
2041 you don't have that information today?

2042 *Mr. Goffman. Because the proposal is still being
2043 wrapped up and we haven't released it publicly yet. So _

2044 *Mr. Obernolte. All right. Are you also going to do an
2045 analysis of how much _ since the cost of energy is a primary
2046 driver in the cost of living, how much that is going to
2047 increase poverty in the United States?

2048 *Mr. Goffman. We will be looking at the consumer
2049 impacts.

2050 *Mr. Obernolte. Okay. And I would imagine you are also
2051 going to be looking at how much _ since the cost of energy is

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2052 one of the primary drivers of inflation, and since that has
2053 been one of the primary things that has been causing misery
2054 for Americans over the last 18 months, are you also going to
2055 do analysis of how much this rule is going to increase
2056 inflation?

2057 *Mr. Goffman. I understand the question. I think it is
2058 _ there are others who will be looking at that in addition to
2059 the agency.

2060 *Mr. Obernolte. I am sorry, others, not the EPA?

2061 *Mr. Goffman. No, that is not _ we analyzed
2062 specifically the impact of the proposed charge.

2063 *Mr. Obernolte. Okay. So you will be releasing an
2064 analysis of how much you think this will increase the cost of
2065 energy, how much you think it will increase the rate of
2066 poverty, but not how much it will increase inflation?

2067 *Mr. Goffman. We will be focused on the impact on the
2068 cost of oil and natural gas.

2069 *Mr. Obernolte. Okay. How about _ I mean, obviously,
2070 since this is a cost that we are imposing on U.S. producers
2071 but not on producers of foreign energy that is imported into
2072 the country, will there also be an analysis of how much this
2073 will shift consumption, potentially, to foreign sources of

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2074 energy instead of domestically produced?

2075 *Mr. Goffman. On a literal level, I am not sure that we
2076 are looking at that, but I do want to emphasize that this is
2077 a rule that is intended _ or rather, it is a statutory
2078 provision that is intended to promote increased efficiency of
2079 operations, which in _ as we have seen, really contributes to
2080 U.S. leadership globally in this sector.

2081 *Mr. Obernolte. Okay. I mean I understand, and I see I
2082 am out of time. But just making the point, I mean, we can
2083 claim moral leadership in imposing this type of regulation,
2084 but if this regulation increases the cost of domestic energy
2085 and forces American consumers to consume imported energy, you
2086 know, that is not showing economic leadership. Those are
2087 very different things.

2088 So I am looking forward to seeing the results of these
2089 analyses. And particularly, I am _ in particular, I am
2090 concerned about the economic costs of these EPA rules on the
2091 consumers that I represent, because they are already
2092 struggling to afford the energy that they are buying today.
2093 And if it is more expensive in the future as a result of what
2094 the EPA has done, that is of concern to me. But _ so I will
2095 look forward to reviewing those, and thank you for your

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2096 testimony today.

2097 I yield back, Mr. Chairman.

2098 *Mr. Johnson. The gentleman yields back. The chair now
2099 recognizes Ms. DeGette for her five minutes.

2100 *Ms. DeGette. Thank you so much, Mr. Chairman.

2101 Mr. Goffman, I just want to jump right into it. Methane
2102 is responsible for about one-third of the current warming
2103 that our planet is experiencing. Is that correct?

2104 *Mr. Goffman. Yes, that is correct.

2105 *Ms. DeGette. And it is also true that oil and natural
2106 gas operations are our nation's largest industrial source of
2107 methane. Right?

2108 *Mr. Goffman. That is correct.

2109 *Ms. DeGette. So because industry can financially
2110 benefit from methane capture, most of the industry are
2111 supportive of capturing methane so that they can make more of
2112 a profit. Is that right?

2113 *Mr. Goffman. Yes, and industry has undertaken a wide
2114 range of voluntary efforts to eliminate methane leaks and to
2115 recapture it.

2116 *Ms. DeGette. So one thing EPA is doing is utilizing _
2117 this is from your testimony _ utilizing resources provided by

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2118 Congress in the Inflation Reduction Act. You are actually
2119 partnering with DoE to provide money for companies who are
2120 trying to reduce methane. Is that right? I believe it is
2121 over \$1 billion.

2122 *Mr. Goffman. That is right. That is what Congress
2123 provided.

2124 *Ms. DeGette. Okay. And you have worked _ in
2125 promulgating all of this, EPA has worked with industry. Is
2126 that right?

2127 *Mr. Goffman. That is correct.

2128 *Ms. DeGette. And one of the things _ this is also from
2129 your testimony _ one of the problems we have had _ it is not
2130 necessarily the large companies, it is the small and low-
2131 producing wells that account for roughly half of all oil and
2132 gas production methane emissions. Those are the ones that
2133 frequently have the hardest time with the capture, is that
2134 right?

2135 *Mr. Goffman. That _ I think that is right, you put
2136 your finger on it. Often low-yield operations are high
2137 emitters, and _

2138 *Ms. DeGette. Right. And that is why the final rule
2139 provided for additional compliance flexibility for the

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2140 sources located at small or low-producing wells, so that it
2141 could really incentivize the capture of those wells.

2142 *Mr. Goffman. Yes.

2143 *Ms. DeGette. Is that right?

2144 *Mr. Goffman. And we expect that a number of the
2145 participants in the funding program will take advantage of
2146 the funding for the _ for that group, or for those kinds of
2147 sources.

2148 *Ms. DeGette. Right, because they want to capture that
2149 methane and incur the economic benefit.

2150 *Mr. Goffman. That is right.

2151 *Ms. DeGette. This is what _ see, I try to talk to my
2152 colleagues on the other side of the aisle about this. It is
2153 not a zero sum game. If you help these producers capture the
2154 methane, it helps with climate change and it also helps
2155 economically for them.

2156 Now, in June of 2021 President Biden signed the
2157 Congressional Review Act invalidating the Trump
2158 Administration's 2020 methane rescission rule which tried to
2159 block EPA's authority to regulate methane from existing
2160 sources. And I know about this because I was the sponsor of
2161 this bipartisan effort. And it reinstated two Obama-era

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2162 methane emissions rules that set stricter limits on the
2163 amount of methane the oil and gas industry can release.

2164 So my first question about this to you is how did that
2165 2021 CRA lay the groundwork for the recent methane
2166 regulations?

2167 *Mr. Goffman. Well, thank you. Thank you for that
2168 question.

2169 One of the things in the legislative history that that
2170 CRA included was a reaffirmation of EPA's longstanding Clean
2171 Air Act authority to set these standards. Congress went even
2172 further in the Inflation Reduction Act section 136 by, in
2173 effect, ratifying what we had by then proposed under that
2174 very same authority.

2175 *Ms. DeGette. Great, thanks. Now, EPA's final methane
2176 rule addresses emissions from both new and existing oil and
2177 gas operations. Is that right?

2178 *Mr. Goffman. Yes. That is right.

2179 *Ms. DeGette. And why is it important to address
2180 existing sources of methane in the oil and gas industry?

2181 *Mr. Goffman. Because those existing sources are a
2182 significant part of the oil and gas sector methane inventory.

2183 *Ms. DeGette. Okay. And how is EPA tackling the

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2184 existing sources in the final methane rule?

2185 *Mr. Goffman. We are, in effect, identifying the
2186 technologies that are used to reduce methane. Those
2187 technologies are the basis of the standards that we apply
2188 directly to new sources or modified sources.

2189 We then are telling the states that, as the Clean Air
2190 Act directs us to do, to meet their obligation to put
2191 together state plans whereby the states will be implementing
2192 the reductions based on those same technologies. So we are
2193 creating a level playing field so that what the industry has
2194 already done, what the industry leaders and innovators have
2195 already done in deploying clean technology can be used across
2196 the industry.

2197 *Ms. DeGette. Thank you so much.

2198 Mr. Chairman, I yield back.

2199 *Mr. Johnson. The gentlelady yields back. The chair
2200 now recognizes the gentleman from Alabama, Mr. Palmer, for
2201 five minutes.

2202 *Mr. Palmer. Thank you, Mr. Chairman, and I will add my
2203 congratulations on your opportunity to _

2204 *Mr. Johnson. Thank you.

2205 *Mr. Palmer. _ to enjoy your family life. But we will

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2206 miss you.

2207 *Mr. Johnson. _ wants to play Alabama, by the way, so I

2208 _

2209 *Mr. Palmer. Well, reclaiming my time _ we have already
2210 lost to Michigan, and that was a disaster.

2211 [Laughter.]

2212 *Mr. Palmer. But reclaiming my time, I want to clarify
2213 for you, Mr. Goffman, that energy is the most inflationary
2214 commodity in our entire economy, and that these proposed EPA
2215 regulations are going to impact the cost of everything
2216 Americans consume, whether it is goods or services, and it
2217 will be compounded because that energy cost gets added at
2218 every stage of production, refinement, distribution, point of
2219 sale. That includes groceries, that includes household
2220 utilities.

2221 All total, compounded Biden inflation has reduced
2222 household purchasing power by over 17 percent. That amounts
2223 for the average family of 4 of over \$15,000, or almost \$1,300
2224 per month just since Biden took office. And this will just
2225 add to it. So you may know more about what your EPA
2226 regulations will do in terms of methane emissions than you do
2227 about the economic impact.

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2228 I want to ask you something else on that same line. You
2229 are proposing these regulations in the context of climate
2230 change, but you don't make any projection on how much _ how
2231 it will impact the climate in terms of temperature reduction
2232 or sea level rise, because I don't think that is really the
2233 main point here. I think the main point here is this
2234 Administration's determination to eliminate fossil fuel as _
2235 or hydrocarbon fuel as a part of our economy, which _ I find
2236 that very interesting, considering where China is.

2237 China holds the third largest coal reserves in the
2238 world, but they are consuming coal at such a rate now that
2239 they are a net importer of coal. They have got the third _
2240 the world's largest shale gas reserves, but because they
2241 don't have the technology to access it because of geological
2242 structures and the depth of it, they are importing over 40
2243 percent. And it is projected by the International Energy
2244 Administration that they will need to import over 60 percent
2245 of their natural gas by 2030.

2246 My colleagues keep talking about how well China is doing
2247 with their renewables. They only produce about seven percent
2248 of their overall electricity. But the thing that I want to
2249 point out is that if China switched from coal to natural gas,

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2250 it would reduce their carbon dioxide emissions by up to 50
2251 percent from 4.7 billion metric tons to 2.3 billion. That is
2252 the equivalent of taking 500 million gasoline cars off the
2253 road. It is the equivalent of what India emits in a year.

2254 Shouldn't the Biden Administration be encouraging the
2255 production of natural gas for export to China and India to
2256 help facilitate the conversion from coal to natural gas,
2257 considering the enormous impact that my colleagues have
2258 already pointed out in terms of emission reductions in the
2259 U.S.?

2260 *Mr. Goffman. Thank you for that question. We think
2261 that what this package of rules will do, including the
2262 elements provided by the Inflation Reduction Act, will
2263 actually strengthen our industry because it will invest in
2264 increased efficiency. And we think that actions like this _

2265 *Mr. Palmer. But you have already admitted that it will
2266 increase the cost, and the cost gets compounded.

2267 *Mr. Goffman. Congressman, we analyzed the cost impact
2268 of the oil and gas standards, and what we projected is that
2269 it will increase the cost of crude oil production by one-
2270 third of one percent.

2271 *Mr. Palmer. I _

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2272 *Mr. Goffman. We also projected that the price increase
2273 on natural gas production would be about 2 percent, and that
2274 is in 2028 in the case of natural gas _

2275 *Mr. Palmer. But it will be compounded.

2276 *Mr. Goffman. _ 2038, in the case of _

2277 *Mr. Palmer. It will be compounded in every _ in the
2278 cost of everything that requires natural gas. I will do a
2279 little research on what the actual cost might be, talking
2280 with other people that I have confidence in.

2281 But the point that I want to make is that natural gas is
2282 necessary for the production of ammonia nitrate fertilizer.
2283 Eighty percent of the cost of that is natural gas. You
2284 eliminate natural gas, you cut the world food supply in half.
2285 These policies have a major impact on people. It is 90-
2286 something percent of pharmaceuticals.

2287 I see I have exceeded my time, Mr. Chairman, and I yield
2288 back, and no more discussion about college football, please.

2289 *Mr. Johnson. The gentleman yields back. The chair now
2290 recognizes the gentlelady from New York, Ms. Clarke, for five
2291 minutes.

2292 *Ms. Clarke. Thank you very much, Mr. Chairman, and I
2293 thank our Ranking Member Tonko for holding today's hearing.

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2294 I also want to thank you, Mr. Goffman, for being here
2295 today to testify on the EPA's final regulations for methane
2296 in the oil and gas sector and the Methane Emissions Reduction
2297 Program.

2298 As we come _ as we continue our collective fight against
2299 climate change and the negative impacts it has on our planet,
2300 livelihood, and health, we must recognize the dangers of
2301 methane pollution. The oil and gas sector produces roughly a
2302 third of U.S. methane emissions, which are 84 times more
2303 powerful than carbon dioxide pollution. And it is our
2304 responsibility to work to curb these emissions and hold
2305 polluters accountable.

2306 Research published by the Environmental Defense Fund
2307 shows that methane is a key contributor to smog, a mixture of
2308 pollutants that reduces visibility and has negative impacts
2309 on respiratory health. New Yorkers and many others across
2310 the country experienced heavy smog and its harmful effects
2311 last June, as wildfire smoke moved its way across the country
2312 and forced New York City to issue an air quality health
2313 advisory. The wildfire smog experienced in my district last
2314 summer is the harsh reality of many communities surrounding
2315 oil and natural gas facilities as methane produced there is a

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2316 key contributor to smog.

2317 So Mr. Goffman, can you please address the impact of
2318 methane emissions on those who work at these facilities and
2319 live in the surrounding communities?

2320 Additionally, when can we expect to see the impact of
2321 the Methane Emissions Reduction Program on the health and
2322 well-being of surrounding communities?

2323 *Mr. Goffman. Well, thank you for that question. And
2324 we think that one of the benefits of our methane's _ of EPA's
2325 methane standards and the Inflation Reduction Act investment
2326 in cleaning up these operations is the reduction not just in
2327 methane emissions, but in the emissions of volatile organic
2328 compounds and air toxics like benzene. In those cases, we
2329 will see improvement in air quality since VOCs are ozone
2330 precursors, and air toxics like benzene and toluene are
2331 associated with a range of illnesses, including cancer.

2332 So the immediate effect, as the methane is being
2333 reduced, will be the reduction in these other pollutants
2334 which affect the air that people breathe right in those
2335 communities and, therefore, affect their public health.

2336 *Ms. Clarke. Do you expect that _ when do you expect
2337 that we will be able to see the impact?

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2338 Is this something _ I remember when the travel was
2339 limited during the pandemic, it seemed as though our air
2340 quality spiked to new heights. Is that similar, or will
2341 there be more of a phased in?

2342 *Mr. Goffman. In this case, if you put together what
2343 Congress included in the Inflation Reduction Act with the
2344 Clean Air Act standards, you will be seeing, we think, a
2345 phase-in of the benefits, but some of those phases will start
2346 right away.

2347 *Ms. Clarke. Very well. The EPA has begun utilizing
2348 the resources afforded by the Inflation Reduction Act to
2349 reduce methane emissions and ease the transition for all oil
2350 and gas facilities, including small and independent-owned
2351 facilities. Many oil and gas executives are already
2352 asserting that EPA is utilizing a one-size-fits-all approach
2353 that is hurting their business, and will cost workers at
2354 smaller facilities their jobs.

2355 Mr. Goffman, could you tell us about the programs and
2356 the grants the EPA has made available to ensure a smooth
2357 transition for smaller facilities as they work to reduce
2358 methane emissions?

2359 *Mr. Goffman. Well, thank you for that question. We

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2360 think the grant program reflects Congress's intent under the
2361 Inflation Reduction Act to address that set of issues.

2362 And as a, if you will, as a first step, Congress
2363 provided EPA with money to move on to the states so that they
2364 could provide funding for small and low-producing operators
2365 to close down the non-producing or low-producing wells to
2366 avoid additional methane emissions.

2367 I should say that the way the Inflation Reduction Act
2368 was written, if those wells and _ or when those wells are
2369 closed in and shut down, that will exempt them from the waste
2370 emissions charge, which is, obviously, a benefit to those
2371 operators. We will soon be announcing a new round of funding
2372 _ again, provided by the Inflation Reduction Act _ to address
2373 a wider range of emission reduction opportunities.

2374 *Ms. Clarke. Very well. Thank you.

2375 Mr. Chairman, I yield back and best wishes to you in all
2376 of your future endeavors.

2377 *Mr. Johnson. Thank you, Ms. Clarke.

2378 The gentlelady yields, and the chair now recognizes my
2379 friend from Texas, Mr. Weber, for five minutes.

2380 *Mr. Weber. Thank you, Mr. Chairman. And listening to
2381 all these _ our colleagues talk about you leaving, and giving

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2382 you congratulations and best wishes, I am thinking _ I don't
2383 mean to out you here, but you are only a little over a year
2384 younger than I am. And I am thinking would I really, at this
2385 age, want to go back to college? I am just asking. Well,
2386 congratulations. We are going to miss you, Bill.

2387 Mr. Goffman, do you know what country was the top
2388 methane producer in 2021 according to the IEA?

2389 *Mr. Goffman. I am sorry, I didn't catch the word.
2390 Country or company?

2391 *Mr. Weber. Do you know what country _ or college,
2392 there might be some colleges who are top producers. But
2393 anyway, do you know what country was the top producer?

2394 *Mr. Goffman. Not off the top of my head, no.

2395 *Mr. Weber. The answer is China, with 58.4 million tons
2396 of methane, nearly twice the emissions of the United States.

2397 Do you know what country has led the world in reducing
2398 emissions since 2005?

2399 *Mr. Goffman. I would like to think it was us, the
2400 United States.

2401 *Mr. Weber. Well, I am glad you think that is so,
2402 because that is entirely the fact.

2403 The world has about 8.1 or 8.2 billion people, if I

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2404 remember my facts right. Let me just give you some quick
2405 rundowns. India has about 1.4 billion; they actually lead
2406 China by 10 million. China has 1.4 billion. Then it is USA
2407 has 340 million. Russia has 147 million. The rest of the
2408 world accounts for 4.7 billion.

2409 Now, why am I _ population, now, why is that of interest
2410 to me? I think we would all agree that the USA is a very
2411 small percentage, at 4.6 percent, of the world's population.
2412 Would you agree with that?

2413 *Mr. Goffman. Yes.

2414 *Mr. Weber. Okay, and that is pretty easy math. Do you
2415 recognize that China, India, and Russia and others are
2416 absolutely polluting more than we are?

2417 *Mr. Goffman. Generally speaking, we are the world's
2418 leaders in cleaning up air pollution.

2419 *Mr. Weber. I am glad you recognize that. Would you
2420 further conceive of the possibility that the EPA's actions
2421 quite probably could be problematic, and even _ threatened
2422 with higher cost, and then thereby threaten our energy
2423 security?

2424 *Mr. Goffman. These rules enhance our energy security.

2425 *Mr. Weber. You think they enhance our energy _

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2426 *Mr. Goffman. Yes, yes.

2427 *Mr. Weber. I want to follow up on what Mr. Obernolte
2428 said in you all's discussion. He said it is actually putting
2429 a cost on U.S. producers. But the other countries that I
2430 just named around the world who out-pollute us big time, it
2431 doesn't affect them at all. So in effect, what we would be
2432 doing is hamstringing our energy producers while the rest of
2433 the world does little or nothing, actually, to try to keep up
2434 with us. It would be a real _ you could see that that might
2435 _ might, I won't hold you to a yes _ but that could
2436 conceivably be a problem, no?

2437 *Mr. Goffman. In the last two years the U.S. has led a
2438 global effort to undertake and implement a wide range of
2439 commitments across the world in reducing methane.

2440 *Mr. Weber. But _

2441 *Mr. Goffman. U.S. leadership has not only been
2442 recognized, but it has been effective.

2443 *Mr. Weber. But if it costs our American consumers more
2444 money for their energy, as was pointed out by Gary Palmer and
2445 others, then we are not getting a good bang for our buck.

2446 Let me go on. It could disadvantage the USA _ I am
2447 going to actually list a few areas _ not only in energy

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2448 security, economic security, the balance of trade. You heard
2449 about how much coal that China uses, how much they are
2450 importing. It could absolutely hurt us in that regard.

2451 Energy security, which I would posture the theory _ or
2452 the fact, I would call it _ that it actually is national
2453 security. The world is unsafe right now. We had better be
2454 in the best energy position we can possibly be in not just
2455 for our consumers, but for our military, as well. Does the
2456 very _ even the slightest possibility that that could somehow
2457 be a problem for our Americans, does that concern you at all?

2458 *Mr. Goffman. These rules actually improve our energy
2459 security, because what will _ what we expect to occur, and we
2460 have already seen it occurring, is that compliance with the
2461 Inflation Reduction Act, or anticipation of the IRA, is
2462 leading to the recovery of methane.

2463 *Mr. Weber. So you think _

2464 *Mr. Goffman. And economic benefits _

2465 *Mr. Weber. _ increased energy costs _ and let me just
2466 go back to your written testimony that EPA "carefully
2467 considered" the nearly one million comments it received on
2468 its recently finalized methane regulation. How many
2469 personnel did you have looking at those comments?

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2470 *Mr. Goffman. I don't know the answer off the top of my
2471 head. I would be happy to get you that _

2472 *Mr. Weber. Are you here to say that they looked at
2473 every single one of them, and they weighed all the comments
2474 individually?

2475 *Mr. Goffman. We didn't just look at comments. We
2476 actually had ongoing discussions with a number of
2477 stakeholders, including industry stakeholders.

2478 *Mr. Weber. Well, I raise the issue because I am
2479 extremely concerned that the EPA is plowing ahead with what
2480 sounds like good policy, but it winds up maybe costing us in
2481 more ways than one.

2482 Mr. Chairman, I yield back.

2483 *Mr. Johnson. The gentleman yields back. The chair now
2484 recognizes the gentleman from Texas, Mr. Pfluger, for five
2485 minutes.

2486 *Mr. Pfluger. Thank you, Mr. Chairman, and we are going
2487 to miss you. We are proud of the job you have done and the
2488 leadership that you have shown.

2489 Mr. Goffman, welcome to the committee. Can you tell us
2490 _ you know I represent the Permian Basin. We have had the
2491 conversation on the phone recently. Can you tell the

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2492 committee the reduction in methane emissions in the Permian
2493 Basin over the last 5 to 10 years?

2494 *Mr. Goffman. Not _ I can get back to you with that
2495 question _ or that answer.

2496 *Mr. Pfluger. Thirty-two percent over the last five
2497 years. Thirty-two percent. So my question is, do we have a
2498 problem?

2499 *Mr. Goffman. What that sounds like is what we have is
2500 leadership in the industry in the Permian Basin.

2501 *Mr. Pfluger. Agreed. I am concerned because nobody
2502 from the EPA and the C-suite has been out there, even though
2503 I have asked.

2504 So it has been said that that you all have consulted
2505 with industry. Can you provide me a list of companies in
2506 Midland, Texas that you have consulted with? Just name two
2507 or three, if you can.

2508 *Mr. Goffman. I would rather get back to you with a
2509 complete list.

2510 *Mr. Pfluger. Okay.

2511 *Mr. Goffman. Rather than just trust my faulty memory
2512 right here.

2513 *Mr. Pfluger. I think the fact is that I am not sure

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2514 that anybody in Midland, Texas was consulted. I don't know
2515 that anybody in the Permian Basin was consulted. I am not
2516 sure that anybody at a small, independent level was
2517 consulted. Maybe Exxon was, but I am not sure that the
2518 industry _ and we will hear from the second panel. Mr.
2519 Goffman, will you commit to listening to the second panel?

2520 *Mr. Goffman. Yes.

2521 *Mr. Pfluger. Thank you.

2522 *Mr. Goffman. And can I ask you a, I guess, something
2523 of a favor?

2524 As you know, the EPA standards are ultimately
2525 implemented by states. And if there are particular
2526 stakeholders, companies, leaders that you want us _

2527 *Mr. Pfluger. Sure.

2528 *Mr. Goffman. _ to engage with as the implementation of
2529 the standards and the other parts of the IRA go forward _

2530 *Mr. Pfluger. Yes, we will get you that list.

2531 *Mr. Goffman. _ that would be very helpful.

2532 *Mr. Pfluger. But I want to see a list from EPA.

2533 *Mr. Goffman. Okay.

2534 *Mr. Pfluger. Who did you talk to; how many companies
2535 you talked to; what was the size of the companies; what type

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2536 of industry _ was it production, was it exploration of
2537 production, was it midstream, was it downstream, was it
2538 refineries, was it storage? Who did we talk to?

2539 Tell us, tell the committee, tell people _ I want you to
2540 talk to Midland, Texas now _ tell my district how you are
2541 going to implement this tax, on who, because the threshold is
2542 25,000 tons of equivalent CO2, right?

2543 *Mr. Goffman. That is the threshold.

2544 *Mr. Pfluger. So nobody under 25,000 tons will be
2545 subjected to this tax. Is that a true statement?

2546 *Mr. Goffman. That is our understanding of the statute.

2547 *Mr. Pfluger. You said earlier you have latitude in how
2548 you levy this tax. So does that latitude mean that you are
2549 going to dip below 25,000?

2550 *Mr. Goffman. No.

2551 *Mr. Pfluger. You are not. Okay. I am glad to have
2552 that on the record that nobody under 25,000.

2553 So talk to me about how the tax will be levied because
2554 10 days ago people were supposed to collect data. So tell me
2555 _ talk to Midland, Texas now, and tell me how that tax is
2556 going to be levied. I want to know, practically speaking.

2557 *Mr. Goffman. Well, the 2024 system or obligation for

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2558 operators is to continue what they have been doing for
2559 several years, which is to report their methane emissions
2560 under the current Subpart W greenhouse gas reporting rule.
2561 And the revisions that Congress asked for that we proposed in
2562 2023 are in the process of being finalized.

2563 But right now, our understanding _ and we believe
2564 sources' understanding _ is quite clear under the existing
2565 greenhouse gas reporting program, Subpart W.

2566 *Mr. Pfluger. I think there is a lot of questions on
2567 how this is going to be levied. And when terms like "our
2568 understanding'" is used, it leads me to believe that there is
2569 confusion, even from the EPA. And especially _ I am glad you
2570 brought up Subpart W, because under the IRA the expansion of
2571 Subpart W, those that could be affected by it, the registry
2572 of data has expanded quite a bit. So it leads me to believe
2573 that people that are under 25,000 metric tons of CO2
2574 equivalents per year could be subjected to this. And that is
2575 very, very concerning.

2576 But I will ask you again, do you think we have a methane
2577 problem in the United States in the production of _ and do
2578 you know how much production has increased over the last, I
2579 don't know, 10 years or so?

This is an unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker.

2580 *Mr. Goffman. There are significant opportunities to
2581 reduce methane more, reduce other pollutants more, and
2582 increase investment in efficient operations. Those reduction
2583 opportunities, which Congress clearly wants us to be taking
2584 advantage of, will provide significant economic, energy,
2585 security, climate, and public health benefits.

2586 *Mr. Pfluger. As you will hear from the second panel _
2587 thank you for committing to listen to it _ nobody wants to
2588 have dirty air, dirty water. And they have, in fact, over
2589 the past 5 years in my district alone, had a 32 percent
2590 reduction in methane intensity.

2591 So I am not sure that the lack of dealing with industry
2592 _ and I am looking forward to seeing the list of exactly
2593 which companies you dealt with _ I am not sure that the
2594 problem is being met with the right answer, and I am not sure
2595 that the problem actually is not that the United States of
2596 America is the world leader in clean production, and we
2597 should continue that, and these rules absolutely threaten our
2598 energy security.

2599 With that, Mr. Chairman, I yield back.

2600 *Mr. Johnson. The gentleman's time has expired. He
2601 yields back. The chair now recognizes the gentleman from

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2602 Texas, Mr. Crenshaw, for five minutes.

2603 *Mr. Crenshaw. Thank you, Mr. Chairman. Thank you for
2604 your service to this committee. We will miss you. And I am
2605 sure you will have a much happier life.

2606 Thank you for being here today. You know, civics 101,
2607 the backdrop of all of this is a fundamental philosophical
2608 disagreement between the left side of the spectrum and the
2609 right side of the spectrum on how far we should go on
2610 regulatory frameworks. That is fundamental to our debates in
2611 Congress. And that is okay.

2612 Our side believes that, well, there is a set of limiting
2613 principles that must be applied when you are thinking about
2614 regulations. There are certain questions that must be asked
2615 about cost versus benefits, side effects you weren't thinking
2616 of, and infringement on personal liberty, right? These are
2617 questions that must be asked.

2618 My problem, and the reason I am a conservative and not
2619 on the left side of the aisle, is because that kind of
2620 thinking usually goes like this: If one piece of regulation
2621 is good for the environment and doesn't have too much costs
2622 on human prosperity, well then, 10 more must be better, maybe
2623 100 more. But of course, that is not true. There is a

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2624 diminishing return on the benefit of regulations. And I
2625 think we are at that point in our history, where we are
2626 arguing over whether we have reached that peak or not. I
2627 think we would argue that we have.

2628 And we have some decent evidence for that. It has been
2629 said here before we have watched our emissions decrease more
2630 than any other country. We have decreased our methane
2631 emissions, despite having increased use of natural gas,
2632 increased energy demand. We have decreased our air
2633 pollutants by 70 percent. That is just _ I am just going off
2634 EPA's website here. We have done some amazing things. And
2635 so there is a real question as to whether, if we keep going,
2636 what is the marginal benefit here? And so that is what we
2637 are all getting at.

2638 One of the things I noted when you guys do your
2639 calculations at EPA _ and you do a cost benefit analysis, but
2640 somehow you came up thinking that this is going to have _
2641 that these _ the methane regulations are going to have more
2642 benefit than costs. So the costs are about \$30 billion a
2643 year. That is just according to EPA. But industry would
2644 probably disagree with that. We could debate what the costs
2645 are, but there is certainly costs.

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2646 So what about the benefits? How do you come up with
2647 those benefits? I noticed that the social cost of carbon,
2648 which is a key ingredient in assessing the benefit of
2649 something _ because you want to make the externality as
2650 costly as possible, right, to make eliminating it as
2651 beneficial as possible _ so you made your social cost of
2652 carbon \$190. The Obama Administration's social cost of
2653 carbon was \$42. So how do we explain that discrepancy?

2654 *Mr. Goffman. Well, thanks for that question. That has
2655 certainly gotten a lot of attention.

2656 Just to be clear, these rules were based on the Clean
2657 Air Act and its provisions, as well as the Inflation
2658 Reduction Act, not based on a social cost of carbon
2659 calculation.

2660 *Mr. Crenshaw. Sure. But when _ as you go through the
2661 rulemaking process, I assume there is a cost benefit, and
2662 then you sell it, right? You sell it saying, hey, there is a
2663 benefit here, there is a cost. But _

2664 *Mr. Goffman. And every _

2665 *Mr. Crenshaw. But let's go to the social cost of
2666 carbon. How do you come up with that?

2667 *Mr. Goffman. After we have applied our legal standards

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2668 to the record, we come up with a result, and then we look at
2669 the benefits using that.

2670 Now, what we did as an agency and as part of an
2671 administration was we did an exhaustive review of state-of-
2672 the-art, peer-reviewed economics and other science to revise
2673 the _

2674 *Mr. Crenshaw. Which ones?

2675 *Mr. Goffman. _ calculation. In 2017 I think the
2676 national economy _ sorry National Academy of Sciences laid
2677 out a sort of blueprint for how best to improve the
2678 calculation.

2679 *Mr. Crenshaw. Does the _ coming up with that
2680 calculation of the social cost of carbon, are you including
2681 the RCP 8.5 model scenario for climate change?

2682 *Mr. Goffman. I will have to get back to you.

2683 *Mr. Crenshaw. I think you are.

2684 *Mr. Goffman. _ with an answer.

2685 *Mr. Crenshaw. I think we know the answer.

2686 *Mr. Goffman. Okay.

2687 *Mr. Crenshaw. I don't ask questions I don't already
2688 know the answer to. So you are.

2689 That entire scenario has been debunked. The UN

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2690 Intergovernmental Report on Climate Change doesn't _ Panel on
2691 Climate Change does not use that scenario. They say it is
2692 wildly unrealistic. For that scenario to be true, the _
2693 globally we would have to increase our coal consumption by
2694 eight times. That means building another coal plant every
2695 single day. We are obviously not on track to do that.

2696 There is no other way that you can almost quintuple the
2697 Obama Administration's social cost of carbon without relying
2698 on these wildly unrealistic scenarios.

2699 *Mr. Goffman. I am sorry, I may have misheard. Did you
2700 say RCP 8.5?

2701 *Mr. Crenshaw. Eight point five.

2702 *Mr. Goffman. I would like to check on that and get
2703 back to you, if that is okay.

2704 *Mr. Crenshaw. I would love to hear it. I mean, that
2705 kind of thing should be very public. We should know what
2706 kind of scenarios you are relying on to make your assumptions
2707 on very, very important things like the social cost of
2708 carbon, which inform very important things like a cost
2709 benefit analysis of a regulation. You know, there is no
2710 perfect solutions in policy. There are only trade-offs. And
2711 so that cost benefit analysis is everything.

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2712 And I yield back.

2713 *Mr. Johnson. The gentleman yields back. The chair now
2714 recognizes the gentleman from Virginia, the chair of the
2715 Oversight Subcommittee, Mr. Griffith, for five minutes.

2716 *Mr. Griffith. Thank you very much, Mr. Chairman. And
2717 I too, although I am not a regular member of this committee,
2718 will miss your leadership on our full committee and on other
2719 subcommittees, and really appreciate your service as we have
2720 overlapped since our first day here. But I appreciate you
2721 very, very much. Thank you.

2722 All right, now to the questions. EPA decided to give
2723 third-party organizations a mandate to monitor and publish
2724 emissions data that can later be used for enforcement
2725 proceedings in the Methane Emissions Reduction Program. Now,
2726 Congress has created quasi-governmental monitoring
2727 organizations in the past, but I am not sure where the EPA
2728 gets that power or whether or not Congress has ever given
2729 them that power. So I am asking you, can you give me a site
2730 for the authority for the EPA to create these third-party
2731 monitors out of the Clean Air Act?

2732 *Mr. Goffman. We based our _ or identify our legal
2733 authority in both section 111 and section 114 of the Clean

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2734 Air Act.

2735 *Mr. Griffith. But neither of those references third-
2736 party organizations, if I remember having read them
2737 correctly. They don't reference third-party organizations
2738 doing the monitoring.

2739 So let me ask you this. Let's assume, for the sake of
2740 argument, that you actually have the authority to create it
2741 for the time being. How will these third-party emissions
2742 reports interact with the methane emissions on tax
2743 computations?

2744 *Mr. Goffman. Let me answer the question _ it is a two-
2745 part answer.

2746 What we finalized for the super-emitter program puts EPA
2747 back in a very important role, while third parties, who have
2748 to be certified, collect information. Now they submit the
2749 information, in what we finalized, to us. We review the
2750 information and the data, and then we provide the information
2751 and data to the operator before we make anything public.

2752 So this is back in the sort of EPA envelope or in _
2753 envelope of _

2754 *Mr. Griffith. They give you the information.

2755 *Mr. Goffman. Yes, we get the information.

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2756 *Mr. Griffith. Then you do whatever you are going to do
2757 with it, and then you tell the company before anything is
2758 ever made public.

2759 But what do you do with the tax _ you are using that
2760 data then, ultimately, to create the tax computation. Is
2761 that correct?

2762 *Mr. Goffman. Well no, that is a _

2763 *Mr. Griffith. So you are not going to use that data at
2764 all for the tax computation?

2765 *Mr. Goffman. Well, we have a _

2766 *Mr. Griffith. Either you are using it some, you are
2767 using it none, or you are using it exclusively. Pick you one
2768 of the three. It is real simple. Are you using it at all,
2769 yes or no?

2770 *Mr. Goffman. We have a proposal out that addresses
2771 this issue and asks for comment. And we will soon have a
2772 second proposal out under the waste emissions charge that
2773 will address this, as well. So we are in the middle of
2774 engaging with stakeholders _

2775 *Mr. Griffith. Okay.

2776 *Mr. Goffman. _ and the industry around these
2777 questions.

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2778 *Mr. Griffith. So after whatever the process is comes
2779 up, what is the standard of proof to change that result?

2780 *Mr. Goffman. It will be what we hear from _ what we
2781 see in the record, what we have gotten from stakeholders, the
2782 information _

2783 *Mr. Griffith. So they get to decide if the standard is
2784 preponderance, or clear and convincing?

2785 *Mr. Goffman. I am sorry.

2786 *Mr. Griffith. I am asking you for the evidentiary
2787 level to change the finding of this organization, or of this
2788 process that you have got. What is the evidentiary standing
2789 for a company to come in and say we challenge it? Is it
2790 going to be preponderance of the evidence? Is it going to be
2791 clear and convincing? Or is it some other standard?

2792 I mean, clearly, you are not leaving that up to
2793 stakeholders to decide, are you, because they _

2794 *Mr. Goffman. Not at all, and that _

2795 *Mr. Griffith. Yes, of course not. So _ but that is
2796 what you told me just now, so I think you misunderstood my
2797 question.

2798 So the question is what is the standard of proof going
2799 to be to change the collection _ after you collected the data

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2800 in whatever process you come up with, what is going to be the
2801 standard of proof to challenge that?

2802 *Mr. Goffman. Well, again, we are going to be looking
2803 at the quality of the information that is _

2804 *Mr. Griffith. I am asking you the standard of proof.
2805 Clear and convincing evidence? Preponderance of the
2806 evidence? What is your standard? If you don't know, it is
2807 fine.

2808 *Mr. Goffman. I am sorry to be dense, but we usually
2809 don't think in those terms. We think of what really is
2810 supportable by the information that is submitted _

2811 *Mr. Griffith. Okay.

2812 *Mr. Goffman. _ to us.

2813 *Mr. Griffith. And will the company _ will each _
2814 because my time is running out _ will each gas and oil well
2815 operator have to come before the EPA and dispute the data
2816 that is collected and the process that it has gone through
2817 each year as to how much methane actually escaped, or will
2818 that be something that you do over a period of years?

2819 *Mr. Goffman. I _

2820 *Mr. Griffith. Is it going to be an annual review, or
2821 are you going to have a review every several years?

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2822 *Mr. Goffman. What is required, in the context of
2823 reporting and the context of the waste emissions charge, this
2824 is an annual system.

2825 *Mr. Griffith. It is an annual system. Okay, that was
2826 what I was looking for.

2827 So you have still got _ some of this stuff still has to
2828 be baked, and hopefully it will be a little bit better.

2829 I have only got a couple of seconds left. I will tell
2830 you, without being compelled to do so by government in any
2831 form or manner, a company that is operating in my district is
2832 now pulling methane out of active coal mines because it makes
2833 sense to do it not only from an environmental standpoint, but
2834 because they can then mix it with natural gas and make money
2835 off of it. And this helps the environment and helps create
2836 dollars in the United States.

2837 I yield back, Mr. Chairman.

2838 *Mr. Johnson. The gentleman yields back. The chair now
2839 recognizes the gentlelady from Florida, Ms. Castor, for five
2840 minutes.

2841 *Ms. Castor. Well, thank you, Mr. Chairman, for
2842 allowing me to waive on to the committee today, and I wish
2843 you all the best in your future endeavors as you depart the

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2844 Congress.

2845 Mr. Goffman, thank you very much for being here today,
2846 and it is a very important time for us to be discussing how
2847 we reduce methane pollution. Methane pollution _ methane is
2848 a potent and dangerous greenhouse gas, and EPA has a critical
2849 role in reducing it.

2850 Just last month a large number of members, Democrats and
2851 Republicans from this Energy and Commerce Committee, attended
2852 and represented the United States at the International
2853 Climate Change Conference. One of the most important
2854 accomplishments, climate wins to come out of the COP 28
2855 conference was the international consensus to reduce methane
2856 pollution from the oil and gas sector.

2857 It was largely due to the leadership of the United
2858 States of America and our negotiators that over 150 countries
2859 joined together in the Global Methane Pledge. They announced
2860 key steps to reduce methane pollution by at least 30 percent
2861 by the year 2030.

2862 And moreover, around 50 of the world's largest oil and
2863 gas producers pledged to end methane flaring and make badly-
2864 needed investments in methane leak detection. This consensus
2865 emerged because tackling methane pollution is about the

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2866 lowest hanging fruit we have in the fight against the rising
2867 cost and the growing impacts of the climate crisis. Curbing
2868 methane is one of the most effective ways to reduce warming
2869 in the near term. And it was just confirmed that last year,
2870 the calendar 2023 year, 2023, was the hottest year on record
2871 globally.

2872 And I know in the committee we have heard a lot of
2873 discussion on the _ about the economic impacts to the oil and
2874 gas companies, but there is a very significant economic
2875 impact of the heating planet on the folks I represent back in
2876 the State of Florida and all across the country. Let me just
2877 _ let's list a few: rising property insurance; rising the
2878 cost of flood insurance; hotter summers now, we have to run
2879 our air conditioners longer; certainly, these hotter
2880 temperatures impact the ability of people to work outside.
2881 So let's not forget that there is a larger cost, economic
2882 cost, if we do not tackle the low-hanging fruit that methane
2883 pollution presents us with.

2884 Likewise, if you are a consumer, you want your
2885 policymakers addressing the incentives that right now often
2886 encourage producers to waste gas that is produced, rather _
2887 we should be looking _ and that is what I hope your

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2888 rulemaking will do, encouraging the plugging of leaks,
2889 delivering more product to end users. So I think curbing
2890 methane pollution is a win-win.

2891 Can you talk about, in addition to the Clean Air Act and
2892 the new direction in the Inflation Reduction Act, how do the
2893 EPA's various rulemakings to reduce methane pollution augment
2894 or complement this Global Methane Pledge?

2895 *Mr. Goffman. Well, thank you for that question, and
2896 the _ this Administration has been working very hard in a
2897 variety of international forums to, first, establish the
2898 Global Methane Pledge, and then expand its reach to well over
2899 100 countries. Here is how it looks to us like these rules
2900 support that.

2901 First of all, it is leadership not just by talk, but by
2902 demonstrated action.

2903 In addition, these rules are based on the technological
2904 innovation and leadership of our industry over the last
2905 several years. And along with the Clean Air Act standards
2906 and the provisions of the Inflation Reduction Act, we
2907 anticipate that industry will continue to invest in improving
2908 operations, increasing their efficiency, and innovating in
2909 technologies that not only are used here to further

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2910 strengthen our industry, but technologies that will be
2911 available to industry on a worldwide basis.

2912 And so that continuing supply of innovative technologies
2913 and practices will be responsive to the pledges that
2914 companies most recently at COP 28 and countries back in 2021
2915 and 2022 made to the Global Methane Pledge.

2916 *Ms. Castor. Thank you. I am proud of America's
2917 leadership in the world to reduce pollution, and I think you
2918 have highlighted an outstanding opportunity to again provide
2919 that technology to other companies and other countries. So
2920 thank you very much.

2921 And I yield back, Mr. Chair.

2922 *Mr. Johnson. The gentlelady yields back. Mr. Goffman,
2923 thank you so much. You have been very patient with us today.
2924 Thanks for _ again, for being here. I look forward to
2925 chatting with you again soon, and have a great rest of your
2926 day.

2927 We will now transition to the second panel for today's
2928 hearing, and I ask the witnesses to take their seats, please.

2929 [Pause.]

2930 *Mr. Johnson. Well, thank you to our witnesses for
2931 being here today.

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2932 By way of quick introduction, Mr. Michael Oestmann,
2933 president and CEO of Tall City Exploration.

2934 Mr. Patrick Montalban, have I got that right, Montalban?

2935 *Mr. Montalban. Excuse me, Mr. Chairman. Mr.
2936 Montalban.

2937 *Mr. Johnson. Chairman and CEO of Montalban Oil and Gas
2938 Operations. Am I still saying it wrong?

2939 *Mr. Montalban. Good enough for me.

2940 *Mr. Johnson. Okay. Mr. Jon Goldstein _ that is an
2941 easy one _ senior director of regulatory and legislative
2942 affairs with the Environmental Defense Fund.

2943 And Mr. Drew Miller, managing partner at Miller Energy
2944 Company.

2945 Mr. Oestmann, you are recognized for five minutes.

2946 *Mr. Oestmann. Thank you, sir.

2947

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2948 STATEMENT OF MIKE OESTMANN, PRESIDENT AND CEO, TALL CITY
2949 ENERGY; PATRICK MONTALBAN, CHAIRMAN AND CEO, MONTALBAN OIL
2950 AND GAS OPERATIONS; JON GOLDSTEIN, SENIOR DIRECTOR,
2951 REGULATORY AND LEGISLATIVE AFFAIRS, ENVIRONMENTAL DEFENSE
2952 FUND; AND DREW MARTIN, MANAGING MEMBER AND DIRECTOR OF
2953 FINANCE, MILLER ENERGY

2954

2955 STATEMENT OF MIKE OESTMANN

2956

2957 *Mr. Oestmann. Chairman Johnson, Ranking Member Tonko,
2958 and members of the subcommittee, thank you for holding this
2959 important hearing today, and for the privilege of expressing
2960 my views from the perspective of a small, independent
2961 operating company.

2962 My name is Michael Oestmann, president and CEO of Tall
2963 City Exploration. I live in Midland, Texas, located in the
2964 center of the largest oil production region in the country,
2965 the Permian Basin. I am a geologist with 41 years of
2966 experience in the industry. I have worked in various
2967 capacities, including building oil and gas companies. For
2968 the past 12 years I have managed a small oil and gas company
2969 which grew from 3 employees with no production to having 35

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2970 employees and 25,000 BOE per day.

2971 I know we can all agree that addressing air emissions in
2972 ways that make the air safe and clean for all of us to
2973 breathe is the right thing to do. I spent most of my life in
2974 Midland. I have raised our children there, plan to continue
2975 to live there and enjoy the good weather, breathe the clean
2976 air, and drink the clean water. As almost all operators do,
2977 Tall City prides itself on producing oil and gas cleanly, and
2978 making sure our company complies with a wide range of laws
2979 and regulations currently in place. It is the right thing to
2980 do.

2981 When Tall City purchased its most recent assets, the
2982 greenhouse gas intensity was 59.2. In 2022, even after
2983 significantly increasing production, we reduced that measure
2984 by two-thirds to 20.1. We did this by reducing flaring,
2985 spending additional capital on new facility designs,
2986 installing vapor recovery units, converting to air-actuated
2987 pneumatics, moving away from trucking, taking additional risk
2988 by building facilities before wells were tested, and
2989 proactively conducting leak detection surveys to identify and
2990 repair any leaks. So I get it.

2991 But there is a right way and a wrong way to approach the

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2992 issue. Leveraging company and government resources in ways
2993 that make sense and actually create results is something we
2994 all support. Today's hearing is extremely important, putting
2995 a spotlight on the regulatory overreach of the EPA as it
2996 relates to methane regulation and the adverse impact on small
2997 producers without measurable environmental benefit.

2998 There are three major EPA actions coming down the pike
2999 that concern me: the Subpart W proposed rule; the just-
3000 finalized OOOB and OOOOC rules and guidance; and the IRA's
3001 MERP charge intended as a tax on methane, but measured by CO2
3002 equivalent emissions. While I have a number of specific
3003 concerns with these rules which are outlined in my written
3004 testimony, the fundamental concern with this regulatory
3005 bundle is that the EPA is attempting to implement rules that
3006 go beyond the charges given them by Congress.

3007 For instance, a much larger number of small operators
3008 will be subject to the taxes under the MREP [sic] than
3009 Congress intended. The IRA targeted large operations
3010 emitting 25,000 metric tons of CO2 equivalent. But now,
3011 because of a combination of changes to two separate
3012 rulemakings for Subpart W and OOOOB and OOOOC, a typical
3013 producing well that emits much smaller quantities will now be

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3014 required to pay the tax.

3015 While I am still trying to figure out if Tall City can
3016 continue to economically exist under this framework, one
3017 thing is certain: If these rules are implemented as is, oil
3018 and gas development will be curtailed. If operators are not
3019 able to economically produce, we will be forced to shut down
3020 operations, which decreases domestic production and
3021 ultimately increases the cost of oil-based products like
3022 gasoline.

3023 While oil demand is still strong and will be for
3024 decades, a direct result of implementation of these rules
3025 would be to move jobs, wealth, and power to our adversaries
3026 who produce without regulation or conscience.

3027 Incredibly, the United States has just achieved a
3028 production record of 13.3 million barrels per day, while at
3029 the same time significantly reducing emissions. This proves
3030 American operators can safely produce the oil and gas the
3031 world desperately needs, strategically strengthening our
3032 allies and weakening freedom's enemies. And we can develop
3033 these God-given resources cleanly and with an environmental
3034 sensitivity unparalleled by any other operators in the world.

3035 In view of these benefits, I believe the EPA should

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3036 reconsider both rules, withdraw them, and start over.
3037 Congress's intent in the IRA is clear, but the EPA has
3038 largely missed the mark, and changes _ and the changes
3039 recommended go to great lengths to burden the industry
3040 without actual environmental benefit. Instead, I urge
3041 Congress and the EPA to consider incentive-based partnership
3042 approaches that will more likely lead to real and
3043 quantifiable environmental benefits, preserve American jobs,
3044 and move the world toward a secure energy future.

3045 My thanks to all of you for participating in this
3046 hearing, bringing these important issues to light. I would
3047 also like to thank my lovely wife, Kathy, and my business
3048 partner, Angela Staples, also Tall City Senior VP of land,
3049 for joining us here today and supporting our efforts here.
3050 Thank you.

3051 [The prepared statement of Mr. Oestmann follows:]

3052

3053 *****COMMITTEE INSERT*****

3054

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3055 *Mr. Johnson. Thank you, Mr. Oestmann.

3056 Mr. Montalban, I can't hear very well, and apparently I
3057 can't read very well, either. But I just figured out I left
3058 out the B. Mr. Patrick Montalban, you are now recognized for
3059 five minutes. Thank you.

3060

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3061 STATEMENT OF PATRICK MONTALBAN

3062

3063 *Mr. Montalban. Thank you, Chairman Johnson, Ranking
3064 Member Tonko, members of the subcommittee. Thank you for
3065 holding this important meeting and hearing allowing me to
3066 have this honor in testifying before you.

3067 My name is Patrick Montalban. I am CEO of Montalban Oil
3068 and Gas Operations. My background, I was born in Billings,
3069 Montana and had got my secondary education in geology from
3070 the University of Montana. My history, I worked with my
3071 father as a first generation in Montana in the oil and gas
3072 business for 30 to 40 years, building a number of different
3073 companies.

3074 In the last 20 years I have taken over our private
3075 company, and I am now proud to report that my son is a third
3076 generation in building this small, independent company. We
3077 have 15 full-time employees. We provide a good benefit
3078 package. We provide 35 to \$40, a full health insurance plan,
3079 paying for the family and the wives 100 percent, paid
3080 vacations and sick.

3081 We operate over 500 wells, 350 stripper gas wells and
3082 150 stripper oil wells. These are wells that produce 1 and 2

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3083 barrels a day, 500 wells, natural gas, that produce 5,000 or
3084 10,000 MCF per day.

3085 If there is one thing we could make clear to the
3086 committee today is we are representing the small independent
3087 here, the very small independent. And that is very important
3088 because we are going to be affected the most by this
3089 egregious proposal by the EPA.

3090 We generate through production taxes and property taxes
3091 in the State of Montana. We provide scholarships. We are
3092 the largest operator in the Blackfeet Nation in northwest
3093 Montana, and we work very closely with Chairman Scott Kipp,
3094 Sr., as the tribal chairman in the Blackfeet Tribal Council.
3095 An important source of royalties paid by the small
3096 independents to the Blackfeet Nation is also important around
3097 the whole country.

3098 I might add that in New York there is 191,205 royalty
3099 owners. In Ohio, 45,900 royalty owners, and 178,500 in
3100 Pennsylvania. These will all be lost if we plug and abandon
3101 these stripper wells that are so prominent around our country
3102 not only in Montana, but in every state that we operate.

3103 I have worked in the state legislature for 30 years. I
3104 have worked on the regulatory side of taxation. I have

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3105 worked on both sides of the aisles. We worked together to
3106 try to solve problems. We ask all of you to work together on
3107 this, and make this so we don't put small independents out of
3108 business.

3109 The effects of the current Administration's new
3110 regulations literally will put small independents out of
3111 business. These stripper wells only produce small amounts,
3112 as I mentioned earlier. We will close the doors. We do not
3113 need to go back to the 1970s, which many of you might not
3114 remember, but we have an unbelievable oil and gas renaissance
3115 that was created by the independents in this fine country.
3116 We are not a part of that, unfortunately, we produce stripper
3117 wells. But we are proud to be part of the oil and gas
3118 business in America.

3119 We are concerned with the greenhouse gas reporting, the
3120 recent finalized methane rule, and the Inflation Reduction
3121 Act. The IRS's tax is going to be based on emissions of
3122 25,000 pounds of CO2. We think in MCFs in our business. We
3123 think in barrels of oil. This is very difficult for us to
3124 really try to wrap our hands around. And as you heard from
3125 the testimony today, they are not very clear either on what
3126 they are doing. They can't even provide us the information

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3127 for us to follow the rules and do what is right. We are
3128 willing to do what is right. We think it is important to
3129 protect the environment in our state, and we will continue to
3130 do so.

3131 The requirements are vague. One of the things I would
3132 like to mention is the plug and abandonment requirements in
3133 these rules. We already have to go through the Board of Oil
3134 and Gas in Montana and the BLM, and provide a procedure on
3135 how to plug and abandon a well efficiently. They have people
3136 and staff on site, and this is done very efficiently, and
3137 doesn't bring any issues to the environment.

3138 We are regulated by a number of regulatory bodies, the
3139 EPA and the BLM.

3140 We ask that the support _ the Subpart W proposed rule
3141 should be withdrawn, and the testing inspection rule should
3142 be reconsidered and work more with the small independents.

3143 We believe in a clean and a healthy environment. I am a
3144 fisherman, skier, and hunter. We love the environment and
3145 protect the environment in the State of Montana.

3146 The one thing that we have seen very quickly is that it
3147 is not only this EPA rules that is affecting us, but it is
3148 the BLM rules by taking up higher bonding issues.

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3149 I will say one thing, Mr. Chairman, in closing. They
3150 are trying to put us out of business as small independents.
3151 And who is next? Is it the farmers? Is it the ranchers of
3152 our country? There shouldn't be not a choice in this fine
3153 country of who they should choose to take out of business.
3154 Thank you for your time.

3155 [The prepared statement of Mr. Montalban follows:]

3156

3157 *****COMMITTEE INSERT*****

3158

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3159 *Mr. Johnson. Thank you, Mr. Montalban.

3160 And Mr. Goldstein, you are now recognized for your five
3161 minutes.

3162 *Mr. Goldstein. Thank you, Mr. Chair.

3163

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3164 STATEMENT OF JON GOLDSTEIN

3165

3166 *Mr. Goldstein. Chair Johnson, Ranking Member Tonko,
3167 and members of the committee, I am Jon Goldstein, senior
3168 director of regulatory and legislative affairs at
3169 Environmental Defense Fund. With more than three million
3170 members, EDF is working across the U.S. to create
3171 transformational solutions to our most serious environmental
3172 problems. Thank you for the opportunity to testify today.

3173 I will focus my testimony on the vital benefits of the
3174 Environmental Protection Agency's recently finalized methane
3175 standards, as well as the Methane Emissions Reduction Program
3176 and Greenhouse Gas Reporting Program update provisions in the
3177 recently-passed Inflation Reduction Act.

3178 Reducing methane emissions from oil and gas operations
3179 is a triple win for the climate, public health, and our
3180 energy security. Reducing methane emissions is the fastest,
3181 most cost-effective way to immediately slow our rate of
3182 global warming. Oil and gas companies are the largest
3183 industrial source of methane. In the United States they emit
3184 at least 13 million metric tons of methane annually, an
3185 amount that has a greater near-term climate impact than 200

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3186 million cars driven for a year. And cutting methane and the
3187 other dangerous air pollutants emitted alongside it are
3188 important to protect the health of the roughly 10 million
3189 Americans living near an active oil or gas site.

3190 Methane is the main component of natural gas. U.S.
3191 companies currently waste enough methane to meet the annual
3192 energy needs of more than 12 million households. Put another
3193 way, they waste roughly a third of the gas Europe was
3194 importing from Russia before the invasion of Ukraine, gas
3195 that could be brought to our allies.

3196 Efforts to cut methane pollution also support job
3197 creation in the growing methane mitigation industry. This
3198 industry has nearly doubled in size since 2017, and is made
3199 up of more than 200 companies across the U.S. More than 75
3200 percent of these firms have reported that they expect to
3201 create additional jobs, with strong methane policies in
3202 place, Made in America jobs that are high paying and cannot
3203 be offshored.

3204 Beginning in Colorado in 2014, states under both
3205 Republican and Democratic leadership have established
3206 requirements to reduce the oil and gas pollution and the
3207 waste of domestic energy resources. Since then many leading

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3208 operators have gone beyond regulatory requirements to phase
3209 out polluting equipment and quickly find and fix leaks.

3210 EPA's three-year rulemaking process received historic
3211 levels of support from oil and gas producers, and originated
3212 in the bipartisan passage of a Congressional Review Act
3213 resolution in 2021. EPA estimates that these requirements,
3214 when fully implemented, will cut pollution from covered
3215 sources by 80 percent, reducing tens of millions of tons of
3216 climate-damaging methane and other toxic smog-forming
3217 pollution from oil and gas, resulting in up to \$7.6 billion
3218 in net economic benefits per year. And these requirements
3219 are extremely cost effective, resulting in a de minimis price
3220 impact per barrel of crude of less than 0.4 percent.
3221 Compliance costs represent less than one percent of annual
3222 revenue for producers.

3223 The IRA's Methane Emissions Reduction Program, or MERP,
3224 complements and reinforces EPA's methane standards. Each
3225 tool plays an important and reinforcing role in tackling
3226 methane pollution. MERP recognizes the importance of EPA
3227 methane regulations and contains an exemption from the charge
3228 for companies in compliance with protective methane
3229 standards, and leading companies have already pledged to

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3230 limit emissions below MERP's thresholds, meaning they would
3231 not need to pay the charge at all.

3232 MERP also includes more than \$1.5 billion in funding to
3233 reduce methane emissions, funding to state and tribal
3234 agencies, communities, and producers themselves. EPA and the
3235 Department of Energy have already announced the commitment of
3236 \$350 million in funding to 14 states: Texas, Pennsylvania,
3237 West Virginia, California, Ohio, Illinois, Louisiana, New
3238 Mexico, Kentucky, Colorado, New York, Michigan, Utah, and
3239 Virginia to help companies mitigate methane emissions at end-
3240 of-life wells.

3241 And because the charge only applies to operators of
3242 large facilities with major emissions, smaller companies will
3243 not be subject to the charge, and MERP sets aside \$700
3244 million specifically to assist owners of marginal
3245 conventional wells with making emissions reductions.

3246 Finally, MERP's directive to EPA to update the
3247 Greenhouse Gas Reporting Program to incorporate empirical
3248 data is critical to ensure emissions estimates and MERP's
3249 waste charge accurately reflect total methane emissions from
3250 oil and gas facilities. Studies have found that methane
3251 emissions are, on average, 60 percent higher than EPA

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3252 estimates. To fix the problem we must improve reporting to
3253 accurately reflect emissions from facilities and as they
3254 change over time.

3255 Thank you for the opportunity to testify today.

3256 [The prepared statement of Mr. Goldstein follows:]

3257

3258 *****COMMITTEE INSERT*****

3259

This is an unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker.

3260 *Mr. Johnson. The gentleman yields back. The chair now
3261 recognizes our next panelist, Mr. Miller, managing partner at
3262 Miller Energy Company.

3263 You are recognized for five minutes.

3264

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3265 STATEMENT OF DREW MARTIN

3266

3267 *Mr. Martin. Thank you, Chairman Johnson, Ranking
3268 Member Tonko, and the esteemed members of the committee for
3269 having me here today. My name is Drew Martin. I am the
3270 managing partner of Miller Energy Company. We are a small
3271 producer in the State of Michigan. We produce 670 barrels a
3272 day. We have 56 employees, and we distribute revenue _
3273 royalty checks to over 2,000 people on a regular basis.

3274 Quite simply, this one-size-fits-all approach to the
3275 methane tax and the performance standards, 0000 subparts B
3276 and C, do not work for marginal well producers like me. And
3277 I would like to explain to you how.

3278 The first problem with the methane tax for my business
3279 is that the way that you find out if you are above or below
3280 the 25,000 metric tons is not representative of my type of
3281 well. The EPA has taken a single kind of well and imputed
3282 that across all wells. So my types of facilities, my gas-to-
3283 oil ratios, my reservoir pressures are being treated the same
3284 way whether I am in Texas, North Dakota, Oklahoma, or Kansas.
3285 And so it makes it so a marginal well producer has simply
3286 been left out of the conversation.

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3287 The 0000c standards are how I would get out of the
3288 methane tax if I was above the 25,000. Right now we are
3289 below, but we are concerned that the Subpart W changes could
3290 bump us into that, and then we don't have a way to get out of
3291 it because the subpart C is so cost prohibitive I will not
3292 survive it. So let's talk about the subpart C regulatory
3293 requirements.

3294 I have 263 facilities; 231 of them are being categorized
3295 as the central production category, the super-emitter
3296 category, the largest emitting category, 231 of my 263. They
3297 produce, on average, 1.5 barrels per day. That leaves 31
3298 wells _ excuse me, facilities _ actually categorized in the
3299 small well category. That cost is \$2.1 million to my
3300 business in the first year. Last year, 2023, my business
3301 spent \$11.1 million total in operating expenses, and we just
3302 added 2.1.

3303 The second problem with 0000c is that I will no longer
3304 be able to vent any gas. My wells produce two days a week,
3305 five days a week, very inconsistent, and the gas that we
3306 produce is absolutely minimal. I only sell gas in one of my
3307 52 fields. We use as much of the gas as we can. I am
3308 actually a net gas buyer. I buy propane to run my

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3309 facilities. The cost for me to go buy 150 flares using
3310 \$40,000 per flare is \$6 million. Therefore, next year _ or
3311 excuse me, when the OOOOc is implemented by the states, I
3312 will have \$8.2 million of additional expense. Again, we
3313 spent 11.1 last year. That is over 70 percent cost to my
3314 bottom line. I can't survive that. I don't believe many of
3315 my peers in Michigan producing marginal wells can survive
3316 that.

3317 The last piece that I will say real quickly is that
3318 there is the subpart B standard, which essentially makes it
3319 so that in Michigan there will be no investment in additional
3320 oil and gas production. If we make a major modification or
3321 we drill a new well, we have to find a sales point for the
3322 gas. And again, my wells don't produce much gas, and a new
3323 drill for me won't produce much gas. So therefore, I am
3324 spending an inordinate amount of money to put in pipelines to
3325 find a sales point. Our utility won't even give us a sales
3326 point. I mean, the last estimate I saw was over \$700,000 to
3327 connect in. The numbers don't make sense for marginal well
3328 producers.

3329 The last quick thing I would like to say is there is a
3330 timing problem with the methane tax. So if subpart B is

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3331 adjusted and I am in the 25,000 metric tons, and I do have to
3332 pay the tax, that will go into place with data from 2024,
3333 with the tax due in 2025. But my state and the tribes that
3334 we produce from have two years to come up with the plan, and
3335 another three years for implementation. So I could be in a
3336 scenario where I am actually paying a tax on a guesstimate an
3337 imputed data estimate of my methane and my carbon footprint
3338 before I even have the compliance standards that allow me to
3339 show I am the good actor that was talked about this morning.

3340 Ladies and gentleman, this plan just does not work for
3341 Miller Energy, it doesn't work for my peers in Michigan, and
3342 it doesn't work for marginal well producers across the
3343 country.

3344 I really appreciate the opportunity to be here, and I
3345 look forward to your questions. Thank you.

3346 [The prepared statement of Mr. Martin follows:]

3347

3348 *****COMMITTEE INSERT*****

3349

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3350 *Mr. Johnson. Thank you very much to our panelists for
3351 coming today to share your stories. They are important
3352 stories.

3353 You know, inside the D.C. Beltway, the world of
3354 hearings, debates, emails, memos, policy, it is important to
3355 recognize folks who actually produce something useful for a
3356 living, something tangible that we can all use and that we
3357 must rely on. So thank you for what you do in your
3358 businesses.

3359 So the Greenhouse Gas Reporting Program, also known as
3360 the Subpart W Proposed Rule issued this August, the just-
3361 finalized methane rule, and the IRA's Methane Emission
3362 Reduction Program are all regulatory actions you will have to
3363 comply with, in addition to existing state methane
3364 regulations.

3365 Mr. Oestmann, the President has recently been touting
3366 lower energy prices as if his Administration's policies had
3367 something to do with that. This Administration has waged an
3368 all-out war on American energy, issuing hundreds of actions
3369 that make American production more difficult. This suite of
3370 methane regulations is just the latest on the list. How will
3371 the Methane Emission Reduction Program or the national gas

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3372 tax and their final regulations on methane impact energy
3373 production and, in turn, energy prices?

3374 *Mr. Oestmann. Well, it is going to do _ it is going to
3375 reduce it, as I said in my testimony, it is going to harm it.

3376 And it also makes operators like me question what the
3377 future holds for us. Do we want to keep being an operator
3378 and try to figure these things out?

3379 These rules are complicated. They are difficult to
3380 understand, we have to hire additional staff. And the
3381 penalties are severe. From my understanding, some could even
3382 be criminal. We want to do the right thing, but it is hard,
3383 and it is _ makes us question the way forward.

3384 Ultimately, it is going to cause a disruption in supply,
3385 or less supply, in my opinion.

3386 *Mr. Johnson. Okay. For Mr. Martin, Mr. Montalban, and
3387 Mr. Oestmann, each of you can take a shot at this: How does
3388 this uncertainty contribute to your existing operations and
3389 decisions about future investment?

3390 And please keep your answers brief, if you can, because
3391 I have got a lot to get through. Let's _ Mr. Oestmann, you
3392 just went.

3393 Mr. Montalban, let's start with you.

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3394 *Mr. Montalban. Thank you, Mr. Chairman. Very quickly,
3395 this will reduce our income. We are _ create and pay for all
3396 our bills through internally-generated cashflow. What
3397 financing we get through is [sic] community banks. And the
3398 government is even trying to get between the funding and
3399 financing of community banks for our small business. This
3400 will be detrimental to our business.

3401 *Mr. Johnson. Okay. Mr. Martin?

3402 *Mr. Martin. Being uncertain of a \$900,000 minimum tax
3403 plays a huge role in our budgeting process, and could prevent
3404 us from doing a handful of operations in the field that would
3405 actually add cash flow to our bottom line.

3406 *Mr. Johnson. Okay. Mr. Oestmann?

3407 *Mr. Oestmann. Uncertainty makes it difficult to plan
3408 ahead. We have many uncertainties that we face in the
3409 business, like the price of product. This adds to that
3410 uncertainty, and it makes it difficult to plan. It will cost
3411 us money. We know that.

3412 *Mr. Johnson. Okay. And for the three of you again,
3413 you know, it is clear a much larger number of small and mid-
3414 sized operators will be subject to taxes under the IRA
3415 methane program that Congress originally intended, a larger

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3416 number of those will be subject to that. This law was passed
3417 strictly on partisan lines, and this provision was passed
3418 without any committee hearings, the IRA was, without any
3419 expert analysis on the impacts, including prices to consumers
3420 or domestic production. It is clearly flawed, and the EPA is
3421 implementing it well beyond the scope of what Congress
3422 intended.

3423 So for the three of you, once again, it appears the EPA
3424 is looking forward on this _ or moving forward on this tax
3425 that will hit small businesses the hardest, even though the
3426 agency has provided little to no guidance on how these
3427 businesses are supposed to prepare for such a tax.

3428 The rules for the IRA tax are due out in the next few
3429 weeks, although there is no guarantee of that. How are you
3430 dealing with this compliance uncertainty? And please keep
3431 your answers short.

3432 Mr. Martin, you get to go first.

3433 *Mr. Martin. Very quickly, my team has spent over 100
3434 hours studying how we could operate and survive under this
3435 environment.

3436 *Mr. Johnson. Okay. Mr. Oestmann?

3437 *Mr. Oestmann. We have done everything we can in our

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3438 operations for the last year to reduce our methane emissions,
3439 and so that is how we prepare for it.

3440 *Mr. Johnson. Okay. Mr. Montalban?

3441 *Mr. Montalban. I take care of the engineering geologic
3442 work for our company, and my son takes care of the financing,
3443 and we don't have the staff to do this. We will have to
3444 contract that out.

3445 *Mr. Johnson. Okay, all right. With that I yield back,
3446 and I go to the sit-in ranking member here, my good friend,
3447 Mr. Peters, for five minutes.

3448 *Mr. Peters. Thank you, Mr. Chairman.

3449 So I am going to dispense with my talking points for a
3450 second, and I would like to ask you some questions, but the
3451 conundrum is this, that even though the small wells _ I have
3452 it here _ low-producing oil and gas wells are responsible for
3453 approximately half of the methane emitted from all well sites
3454 in the United States, while accounting for only six percent
3455 of the nation's oil and gas production.

3456 And my challenge has always been this. Like, I know
3457 that when I introduced legislation back in 2001 with Ranking
3458 Member DeGette to strengthen rules on methane emissions from
3459 the oil and gas industry, those eventually signed into law by

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3460 President Biden, that resolution was supported by the big
3461 guys: BP, Cheniere, Occidental Petroleum. And we were very
3462 encouraged by that. But my friends from Texas continue to
3463 tell me that it is not about them, it is about the small
3464 operators, and that that is where the difficulty is. So I
3465 want to address you.

3466 I am going to address you, Mr. Oestmann, because I have
3467 been to Midland twice. I met people in the field. I was
3468 very impressed with the commitment to doing good work of the
3469 people out there. I mean no slight to Montana, where I
3470 enjoyed vacation, or Michigan, where I spent my childhood,
3471 but I did want to talk to you.

3472 So my challenge has always been how do you get everybody
3473 to play? I take you all at your word that you are all good
3474 actors, you are trying to do the right thing. But so many
3475 people out there may not be, and that is why I want to get
3476 everyone under some set of rules that we can all play by _ by
3477 the way, to be fair to everyone _ and I hear this notion we
3478 should go back to the beginning.

3479 Would you tell me kind of a reflection on _ if you have
3480 a reflection on _ how I would enforce rules for everyone to
3481 play by?

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3482 I am interested in whether you thought the 25,000
3483 minimum _ does that mean anything to you?

3484 And there is a promise to provide money through the IRA
3485 for _ to help you with compliance. Does that mean anything
3486 to you?

3487 What can we do to get this right from your perspective
3488 and have everybody in the game, not voluntary but mandatory?

3489 *Mr. Oestmann. I appreciate, first of all, your earlier
3490 statements and _ that I heard, and your willingness to come
3491 to Midland and Lubbock and the places you have been. It
3492 demonstrates your interest in really solving the problem. So
3493 thank you for coming out there.

3494 And you are right. When you meet these guys in the
3495 field, you see the incredible effort that is being made to do
3496 the right thing.

3497 *Mr. Peters. Right.

3498 *Mr. Oestmann. And so that is my experience with people
3499 out there. We are already _ I think the answer to your
3500 question is we already are under a lot of regulation from the
3501 state about our emissions. And companies like mine are doing
3502 everything we can to reduce emissions. So I think the
3503 regulations are in place already to do that.

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3504 And I am not experienced with rogue players out there
3505 that aren't doing the right thing, that is just not my
3506 experience. I think almost all operators are trying to
3507 comply with these regulations.

3508 *Mr. Peters. Does the 25,000 minimum mean anything to
3509 you? Is that helpful or is that irrelevant? How does that
3510 play into your _

3511 *Mr. Oestmann. It is a number. We calculate it. That
3512 is how we got our greenhouse gas emissions. We exceed that
3513 amount when we are drilling wells and fracking. A lot of
3514 ours comes from burning diesels, not emissions from our well
3515 site. We capture, I think, almost all of that gas. But when
3516 you have operations, I think there is probably _

3517 *Mr. Peters. Don't tell everybody in this room you are
3518 burning diesel.

3519 *Mr. Oestmann. What?

3520 *Mr. Peters. Don't tell anybody in the room you are
3521 burning diesel.

3522 *Mr. Oestmann. Sorry.

3523 [Laughter.]

3524 *Mr. Oestmann. We are pumping fracks, and we _

3525 *Mr. Peters. Sorry.

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3526 *Mr. Oestmann. I mean, that _ but we reported that. I
3527 think it is a self-reporting thing right now, actually. And
3528 so we were proud of the fact that we significantly reduced
3529 the greenhouse gas intensity from our operations. But it
3530 comes from other things besides leaks.

3531 The other thing I would say is we need to figure out how
3532 to really quantify methane. From what I understand, you have
3533 a certain valve that counts X, whether it is leaking or not _
3534 or leaking or not. You have a certain pneumatic device, it
3535 counts a certain amount. That is not the right way to really
3536 reduce emissions, in my view.

3537 *Mr. Peters. Well, let me just say to you I _ you know,
3538 back in 2016 we had the first cut at methane rules that were
3539 very technology focused. Today we have technologies in
3540 satellites and on the ground that can detect the presence and
3541 concentrations of methane. It is a huge advance of
3542 technology. It has been driven, by the way, by customer
3543 demand, because folks in Europe and Japan and South Korea
3544 want clean gas. So there has been a way _ there has been a
3545 reason to develop that. I think that is a great innovation.

3546 My preference would be to regulate based on emissions,
3547 not on what pump you put in or what compressor you use. That

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3548 would, I think, be more efficient for you all. You would all
3549 decide kind of how we meet the standard. It would be better
3550 for the environment, too, because we are not regulating a
3551 proxy for emissions, we are actually regulating the actual
3552 emissions.

3553 *Mr. Oestmann. That sounds reasonable to me, and I
3554 would support that.

3555 *Mr. Peters. So let me just say this to you, and I have
3556 said it to Mr. Pfluger, as well, who is a friend, and came up
3557 and yelled at me after, you know, because he is frustrated.
3558 We don't _ we are not seeing eye to eye on this.

3559 I want to make it work, and I _ but the thing I think
3560 everyone has to understand is we have to have rules that
3561 apply to everyone. And even as much as I trust you and Mr.
3562 Montalban and Mr. Martin to do the right thing, you know,
3563 just _ it is just fair to have everyone subject to rules. I
3564 would like to have rules that make sense. And I express to
3565 my Republican colleagues the willingness to see if we can get
3566 there. But I can't be opposed to what we have if it is all
3567 we have.

3568 And I yield back.

3569 *Mr. Joyce. [Presiding] The gentleman's time has

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3570 expired. The chair now recognizes the gentleman from Georgia
3571 for his five minutes.

3572 *Mr. Carter. Thank you all for being here, and I am
3573 down here. I am struggling a little bit, so bear with me.

3574 I really do appreciate you all being here. I was a
3575 small businessman, and small businesses are extremely
3576 important, and they are the backbone of our economy here in
3577 America. And I want you to know we appreciate it.

3578 And it is good for us to hear from you, because too
3579 often I think that we want to hear _ or not that we want to
3580 hear, but we only hear from the bigger companies, and we need
3581 to hear from the smaller guys. And certainly, this is a
3582 great example of it, your perspective on our natural gas
3583 industry, especially on the smaller producer side.

3584 It is my understanding that this rule would _ if they
3585 finalize these methane rules, the EPA's methane rules, that
3586 it will lead to the shutdown of 300,000 of the 750,000, low-
3587 production wells. That is almost a 40 percent closure. That
3588 is amazing. And, you know, there is _ I don't think there is
3589 any secret as to what is going on here. I think it is
3590 obviously the Administration using the regulatory process to
3591 do away with oil and gas. I think that is exactly what it

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3592 is. It is being used as a tool, as a weapon, if you will.

3593 We don't produce oil or gas in Georgia, but we depend on
3594 it. For 11 years in a row we have been the number-one state
3595 in which to do business. We have available energy, and we
3596 need to make sure that we have that in order to get the
3597 businesses to come. We just opened up the two nuclear
3598 reactors. I started up two nuclear reactors, the first in
3599 over 30 years here in this country, and I am very proud of
3600 that. That helps us with the baseload. But we need to have
3601 energy in order to attract these businesses.

3602 I have got an LNG export plant in my district, one that
3603 was initially _ or formerly, I should say _ an import
3604 facility, and was converted to an export facility. We are
3605 exporting clean _ cleaner natural gas out of this country
3606 that is helping all of the world globally to decrease carbon
3607 emissions, and that is important to decrease emissions,
3608 period.

3609 But, you know, the other side is touting the methane
3610 rule as a climate win, when in reality all it is doing is
3611 keeping production in the ground. So that is something that
3612 we need to be concerned about.

3613 Let me ask you _ and I don't have any particular reason

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3614 _ or any particular person, I will just ask everyone _ can
3615 you discuss how the Administration's actions would impact our
3616 ability here in America to produce natural gas and be
3617 globally competitive years down the road?

3618 I will start with you. Yes, sir, down at the left.

3619 *Mr. Montalban. Mr. Chairman _ oh, did you want to
3620 speak?

3621 *Mr. Carter. No, no. You go ahead, go ahead.

3622 *Mr. Montalban. Mr. Carter, Patrick Montalban. Again,
3623 what we are trying to represent here is that we represent the
3624 very small, independent operators. You know, there is so
3625 many different levels of production in America.

3626 What amazes me is when you talk about lost emissions in
3627 the natural gas business, if we produce 5 or 10 MCF out of a
3628 well, we have to get that to market through our gathering
3629 system and our compressors, and we have emissions reports
3630 that we turn into the DEQ in Montana, and we are already
3631 regulated. So the bottom line is, for the smaller producer,
3632 these are going to be devastating repetitive regulations and
3633 rules, and they will literally put us out of business.

3634 As you mentioned, those are 350,000 companies that
3635 affect rural Montana, rural America.

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3636 *Mr. Carter. Right. Anyone else?

3637 *Mr. Goldstein. Representative Carter, to offer a
3638 contrasting thought there, when it comes to global
3639 competitiveness, American energy needs access to foreign
3640 markets.

3641 And it is not just the United States that is moving on
3642 this issue. It is also our big markets overseas. The
3643 European Union is in the process of putting requirements in
3644 place on imported energy. China is in the process of putting
3645 requirements in place on imported energy. And so, in my
3646 view, this is _ I think you are right that it is an important
3647 issue, but it is one where these sorts of requirements in the
3648 U.S. are helping ensure that our producers have access to
3649 these markets.

3650 *Mr. Carter. Okay.

3651 *Mr. Martin. I would just make a quick statement from a
3652 crude oil producer, not so much a natural gas producer.
3653 These rules actually make us buy more propane, burn more
3654 propane and flares, increase emissions just to meet the
3655 requirements in 0000c, so _

3656 *Mr. Carter. So essentially, they are doing the
3657 opposite of what they are intended to do.

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3658 *Mr. Martin. In my specific case, yes.

3659 *Mr. Carter. Right, right. Okay. Well, I am about out
3660 of time, but again I want to thank you all for being here.
3661 Small businesses are extremely important to me, having been a
3662 small businessman for over 32 years. And your role is
3663 extremely important, and we need to keep that in mind. And I
3664 applaud the chair for setting this up, because this is the
3665 kind of information we need in order to make an educated
3666 decision. So thank you all.

3667 And I yield back.

3668 *Mr. Joyce. The gentleman yields. I now yield myself
3669 five minutes for questioning. I thank Chairman Johnson and I
3670 thank the witnesses for being here today.

3671 As I said in the first panel, America is currently
3672 lowering our greenhouse emissions by harnessing the natural
3673 gas resources that are under the feet of my constituents.
3674 Pennsylvania is now the second largest energy-producing state
3675 in the nation. The investment that this industry has brought
3676 to rural areas like the one that I represent is helping to
3677 breathe economic life back into small towns across
3678 Pennsylvania.

3679 This is a success story. It is a success story for

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3680 hard-working men and women that should be recognized by the
3681 Biden Administration. But instead, President Biden's EPA
3682 seeks to attack and stifle the industry. The undermining of
3683 energy innovation, it has to stop. We need to focus on
3684 helping the natural gas industry innovate so that it can
3685 continue to produce clean, reliable, and affordable power,
3686 the power that my constituents need.

3687 My first question is for you, Mr. Martin. It is clear
3688 that this regulation will have a significant effect on
3689 businesses like yours. What steps would you like to see the
3690 EPA take to work with companies like yours, who might find
3691 compliance to onerous and detrimental to the operations that
3692 you face [sic]?

3693 *Mr. Martin. Thank you, Congressman. I think the most
3694 important thing is something I hit on in my first five
3695 minutes, and that is my base in _ Michigan producers are very
3696 different than producers in other parts of the country. So
3697 really, having a strong state regulator, I think, is
3698 important for us, someone that understands our geology, our
3699 gas-to-oil ratios, our specifics to our wells.

3700 And then, as the congressman, Mr. Peters, mentioned
3701 earlier, having regulation that matches our actual emissions,

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3702 rather than estimates that are based on equipment and just
3703 pieces of metal on the ground, truly looking at what we are
3704 doing, our amount of gas production is so minimal and
3705 infrequent that we are just missed in the regulation.

3706 *Mr. Joyce. Let me tie that together, because I
3707 listened closely to your opening testimony, and the one-size-
3708 fits-all regulatory approach that the EPA is taking clearly
3709 cannot accurately be applied to different types of production
3710 _ and you mentioned that in your testimony _ in different
3711 basins, in different geographic areas.

3712 Can you explain _ and you touched on that briefly _ why
3713 state management of methane emissions is the most effective
3714 way to ensure reliable production while also managing those
3715 emissions?

3716 *Mr. Martin. Sure. So essentially, we have area
3717 geologists from the state regulator that are in the fields
3718 with our employees. And mind you, the way that I manage my
3719 assets, I have an employee that sees every single well on
3720 every single day. And when they are off on a weekend, they
3721 have a substitute. So we manage each of these wells very
3722 intensively, it is not phoned in from somewhere else. We are
3723 they are looking. They are seeing things, they are smelling

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3724 things, they are hearing things. And our area geologists are
3725 actually there with them from the state regulator to
3726 experience that with them. I don't know how you can do that
3727 from a national perspective.

3728 *Mr. Joyce. Mr. Oestmann, methane is already regulated
3729 at a state level. How do you expect these new Federal
3730 methane regulations to work with your existing state
3731 regulations?

3732 *Mr. Oestmann. I suspect they will conflict in some
3733 ways. And we have got _ our challenge is to take 1,700 pages
3734 of rules and try to decipher what it means and how they do
3735 impact it. And so that is going to cost us money, time, and
3736 probably cause less development, ultimately.

3737 *Mr. Joyce. Mr. Montalban, this new final rule leans on
3738 states to enforce new standards on hundreds of thousands of
3739 fossil fuel wells, pipelines, casings, and other pieces of
3740 infrastructure. Given your incredible experience with the
3741 state legislature and regulatory agencies in Montana, do you
3742 think that the states are equipped to implement these new
3743 regulations?

3744 *Mr. Oestmann. I can only speak, Mr. Chairman _ excuse
3745 me, I can only speak for Montana. And at this time we are

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3746 not set up to handle these regulations and these new
3747 regulations.

3748 And again, I would like to make sure that it is clear
3749 that we are currently regulated by the Department of
3750 Environmental Quality, the Board of Oil and Gas, the Bureau
3751 of Land Management, and the Department of the Interior on all
3752 of these discussions that we are currently having. It is a
3753 repetitive amount of jurisdiction, and it is more
3754 bureaucracy.

3755 *Mr. Joyce. I thank all of the witnesses for
3756 testifying, and now I yield to the gentleman from _ Mr.
3757 Palmer from Alabama.

3758 *Mr. Palmer. Thanks, Chairman. I thank the witnesses
3759 for being here.

3760 In our previous panel with Mr. Goffman I had the
3761 opportunity to point out that if China were to convert to
3762 natural gas and away from coal for producing their
3763 electricity, it would reduce their emissions by 50 percent,
3764 the equivalent of taking 500 million cars, gasoline cars, off
3765 the road. It would be a reduction tantamount to the entire
3766 emissions of India.

3767 In that context, would _ is it extremely important in

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3768 terms of reducing emissions for the U.S. natural gas industry
3769 to expand and perhaps become an exporter of natural gas to
3770 China, and even India?

3771 Mr. Oestmann?

3772 *Mr. Oestmann. Yes, sir. I think that is absolutely
3773 correct. I think the best thing we could do to reduce
3774 worldwide emissions is to emphasize the development of
3775 domestic oil and gas, which is produced cleanly and under
3776 regulation, and mostly by gentlemen like this that are
3777 conscionable. And that is the best way to drive emissions
3778 down.

3779 We are going to _ using oil and gas into the future is a
3780 reality _

3781 *Mr. Palmer. Well, that is how we have driven our
3782 emissions down here is we have converted predominantly from
3783 coal to natural gas.

3784 *Mr. Oestmann. Right.

3785 *Mr. Palmer. It is projected that by 2030 China will be
3786 importing about 60 percent of the natural gas that they need.
3787 and they are already importing coal, even though they have
3788 the third _ world's third-largest coal reserves. So China is
3789 not going to back off on energy production. India is not

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3790 going to. Emerging economies in sub-Saharan Africa and other
3791 _ and Latin America are not going to. It puts us in a
3792 position where we could sell natural gas to these emerging
3793 economies, reduce emissions, reduce our trade deficit, and
3794 maybe even generate revenues to help pay down our national
3795 debt.

3796 Does that make sense, Mr. Montalban?

3797 *Mr. Montalban. It makes very good sense and, you know,
3798 even though we are not involved in the export of natural gas,
3799 we provide a needed, valuable natural gas to our local
3800 communities in Montana.

3801 I would like to recognize the tremendous success that we
3802 have seen in the industry in the last 10 years with this new
3803 renaissance with horizontal drilling and fracking. We have
3804 changed the world, and we have changed our country to be
3805 energy independent.

3806 *Mr. Palmer. Well, it is interesting that we have done
3807 this. China doesn't have the technology to extract natural
3808 gas because _ and they are _ they have one of the largest
3809 reserves, maybe the largest reserves of natural gas in the
3810 world. But because of the geologic structures and the depth
3811 of the reserves, they don't have the technology yet to get

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3812 there.

3813 The other thing that I want to _ point I want to make,
3814 Mr. Martin, is that the previous witness, Mr. Goffman, made
3815 the point that this increase would only amount to about two
3816 percent. What he fails to also recognize is that that is two
3817 percent compounded because energy cost is the most
3818 inflationary component in the entire economy.

3819 Everything that you use, everything that you consume,
3820 every service you use has an energy cost compounded many
3821 times over. And if it is just compounded 10 times, an item
3822 that would cost \$100 would cost you \$120. That is 20 percent
3823 inflation. We are already suffering through, over a 17
3824 percent reduction in buying power for households since Biden
3825 took office.

3826 So doesn't it make sense _ does it make sense for the
3827 Administration to add to the burden that American families
3828 are suffering under right now?

3829 *Mr. Martin. Thank you, Congressman.

3830 First of all, I don't subscribe to the numbers that were
3831 shared this morning. As I clearly illustrated, we are seeing
3832 a 70 percent estimated cost of implementing OOOOc.

3833 I think the other piece of it is that _ that is really

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3834 important for people to understand is, as a producer of crude
3835 oil, I have no control over the price of crude oil. I don't
3836 get to change what I charge people for, you know, producing
3837 my product. So I am stuck with a fixed amount of income, and
3838 I have to adjust with those inflationary items. So it is _

3839 *Mr. Palmer. So what China does to address that is they
3840 _ the Chinese communist government put price controls on
3841 their energy producers to the degree that when the price of
3842 coal doubled between March and September 2021, they just quit
3843 producing energy and resulted in blackouts. It kind of
3844 reminds you of California.

3845 But I want to speak to something else, and it is the law
3846 of unintended consequences. Imposing this new rule on these
3847 smaller energy producers, I think, is going to put tremendous
3848 pressure on their ability to survive. And you are going to
3849 wind up with some mergers going into the bigger companies,
3850 and that is going to have a cost impact on the American
3851 consumer.

3852 Mr. Oestmann, Mr. Montalban, I would like for you all to
3853 respond to that.

3854 *Mr. Oestmann. That is absolutely correct. It will hit
3855 _ it will also hit all the subcontractors that work on these

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3856 projects, as well, and it will be devastating to them because
3857 they rely on small companies to work for.

3858 *Mr. Palmer. Mr. Montalban?

3859 *Mr. Montalban. Yes, Mr. Chairman and Mr. Palmer, it is
3860 going to affect the small independents, because, quite
3861 frankly, we just can't afford these things. People just
3862 don't understand that we are driven _ exactly what Mr. Martin
3863 mentioned.

3864 Currently in Cut Bank, Montana we have a \$16
3865 differential. In Cushing it is \$3. So we don't _ as small
3866 independents, we don't get to choose or have an option of,
3867 you know, what we are paid for our crude oil or natural gas.

3868 And the bottom line is that everything we are talking
3869 about here is going to take jobs away from rural America.

3870 *Mr. Palmer. Mr. Chairman _

3871 *Mr. Montalban. These are good-paying jobs.

3872 *Mr. Palmer. Not only can these small operators not
3873 afford it, the American people can't afford it.

3874 I yield back.

3875 *Mr. Johnson. [Presiding] The gentleman yields back,
3876 and the chair now recognizes the ranking member, Mr. Tonko,
3877 for five minutes.

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3878 *Mr. Tonko. Thank you, Mr. Chair.

3879 Mr. Goldstein, we have already heard a lot about how
3880 EPA's final New Source Performance Standards rule is going to
3881 impact jobs, but I do not believe we have heard the entire
3882 story. America has a long track record of being the global
3883 leader in developing pollution control technologies, and I do
3884 expect that will be no different, certainly in this effort to
3885 address methane pollution.

3886 Your testimony mentioned that the methane mitigation
3887 industry has nearly doubled in size since 2017. These
3888 companies expect considerable growth in the years ahead.
3889 This is corroborated by a recent report from the BlueGreen
3890 Alliance, which found EPA's rule may result in a net annual
3891 increase of over 10,000 direct and indirect jobs, including
3892 in manufacturing, construction, and operations and
3893 maintenance.

3894 So is there significant job creation potential from
3895 efforts to reduce methane pollution from the oil and gas
3896 industry?

3897 *Mr. Goldstein. Thank you for that question, Ranking
3898 Member. I believe that there absolutely is. And you don't
3899 have to take my word for it, you can talk to this industry

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3900 itself.

3901 So an economic consulting firm called Datu Research did
3902 a survey where they went out and talked to these companies,
3903 and they found that 75 percent of them reported that they
3904 intended to increase their employment with strong
3905 requirements in place. And we have already seen that play
3906 out at the state level in states like Colorado and New Mexico
3907 that have acted on this issue at the state level, and the job
3908 creation that is resulted as a result of that.

3909 *Mr. Tonko. Thank you. And in addition to jobs,
3910 members of this subcommittee are often discussing innovation.
3911 And methane mitigation has a really great story. I mean, the
3912 development of these technologies alone. So how have the
3913 technologies to detect and fix and prevent methane leaks _
3914 how have they improved in recent years?

3915 *Mr. Goldstein. Thank you for the question. The
3916 technologies are in a very exciting state of improvement and
3917 development.

3918 You know, the state of the art just a few years ago was
3919 using infrared cameras to go out and find and fix leaks, and
3920 those are still very effective. But with the state action
3921 and now the Federal action on this important issue, we are

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3922 seeing newer, better technologies, satellites, airplane-based
3923 technologies and ground-based technologies that are coming to
3924 market rapidly. And they are lower cost in many cases, and
3925 very exciting.

3926 One example, EDF is actually in the process of launching
3927 a satellite, MethaneSAT, which will be able to detect these
3928 emissions from space, all around the globe at a very
3929 effective basis. And so that is just one example of the
3930 technology development that is going on.

3931 *Mr. Tonko. So you mentioned the cost impact. So are
3932 these technologies generally cost effective, especially when
3933 considering the value of recovered methane gas which will
3934 then be sold to consumers?

3935 *Mr. Goldstein. Absolutely. What EPA has found in
3936 their analysis of this issue is that these requirements are
3937 extremely cost effective.

3938 And you are absolutely right, it is because methane is
3939 natural gas. And so efforts to limit the waste of it,
3940 whether through flaring or leaks or venting, means more
3941 energy product. That is one of the chief products of this
3942 industry to sell.

3943 *Mr. Tonko. So this seems like a very positive story of

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3944 American innovation solving yet another environmental
3945 problem. We know methane emissions have been underreported
3946 for many years. And now these technologies to monitor and
3947 mitigate these emissions are catching up, allowing both the
3948 private sector and regulators to more effectively identify
3949 and respond to a climate super-pollutant.

3950 American companies and workers are in a strong position
3951 to be the beneficiaries of this innovation. I think it is
3952 again tapping into the pioneer spirit of this nation that is
3953 truly part of our DNA to really think outside the ordinary
3954 and get things done where it is an across-the-board win. So
3955 with that, I thank you.

3956 And Mr. Chair, I yield back.

3957 *Mr. Johnson. The gentleman yields back. The chair now
3958 recognizes Mr. Allen for five minutes.

3959 *Mr. Allen. Thank you, Chairman Johnson, for holding
3960 this second important panel of witnesses to hear from
3961 stakeholders on how methane regulations actually impact their
3962 operations.

3963 Earlier in the first panel I highlighted how aggressive
3964 methane regulations will hurt our energy production here in
3965 the United States.

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3966 I would also like to note that last year I was able to
3967 go to Midland and saw operations in the Permian Basin, and
3968 let me say that it was eye opening. It is the small and
3969 medium-sized oil and gas producers that fuel our nation and
3970 provides so many benefits to their local communities.

3971 The small business in this country creates 70 percent of
3972 all new jobs. The government should enhance what our
3973 producers and operators do, not bog them down with burdensome
3974 regulations that stifle innovations.

3975 Not only that, these methane regulations will have high
3976 compliance costs. Mr. Montalban, as you mentioned in your
3977 testimony, you are a small business owner and work with
3978 community banks for financial backing. Often times, over-
3979 burdensome compliance requirements can make it difficult for
3980 small businesses to operate due to high compliance costs.
3981 Can you walk through some of the difficulties of costs
3982 associated with the methane rule that you must take into
3983 account when making operational decisions?

3984 *Mr. Montalban. Mr. Chairman, Mr. Allen, thank you for
3985 the question.

3986 I would like to start out with I know we are here for
3987 the methane rules, but we are getting hit doubly by the

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3988 Federal Government as a small independent. We are getting
3989 hit with the BLM to take _ on state, Federal lands _ to take
3990 our bonding from 25,000 to a half a million dollars. And
3991 when you ask about the funding of this, we can currently use
3992 a surety bond or a letter of credit from our bank. The BLM
3993 is going to take that opportunity away from us. That will
3994 devastate the industry and the small independents, and the
3995 sale of many properties in the BLM, and the Federal lands.

3996 As far as the methane rules, once again, these wells are
3997 very small producers and we can't absorb these costs. I have
3998 also heard today's testimony that we will receive some money
3999 back from the EPA on some of this. I have yet to see that.
4000 I would bet my bottom dollar I won't ever see those dollars.

4001 And I will also mention that we have never been asked _
4002 from any of my people or fellow producers in Montana _ about
4003 this process. I am part _ vice chair of the National
4004 Stripper Well Association, communicated with a number of
4005 people in other states, and none of them had any input with
4006 the EPA in these methane rules.

4007 *Mr. Allen. Yes, it is interesting you mention that
4008 bonding issue. I had the same problem with a letter of
4009 credit in the 1992 recession. I mean, I was in the

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4010 construction business for 40 years, so I know a little bit
4011 about what you are dealing with there.

4012 You mentioned that your business has positively impacted
4013 your local community by providing good-paying jobs and
4014 benefits for employees. And of course, one of the greatest
4015 privileges that I had in my life was to give folks a good
4016 job, and empower them to do what God created them to do. And
4017 these were good-paying jobs, and it allowed them to provide
4018 for their families, their communities, and, yes, their
4019 church.

4020 So if this finalized rule is implemented, how will that
4021 impact the surrounding community and your employees?

4022 *Mr. Montalban. Mr. Chairman, Mr. Allen, again, thank
4023 you for the question.

4024 I always like to say and tell people when we testify
4025 that it takes as many people to operate a 3-barrel-a-day well
4026 as it does a 300-barrel-a-day well. And those jobs will be
4027 lost. Those monies that go back _ that money that is taken
4028 back to the Main Street, to the schools, as you mentioned _
4029 my wife was a special ed teacher for 35 years in our
4030 community _ we will lose those incomes, and our schools will
4031 go down. Our local residential hospitals will go away

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4032 without these funds.

4033 *Mr. Allen. Right.

4034 *Mr. Montalban. This will be devastating to the rural
4035 communities.

4036 *Mr. Allen. Well, thank you. Thank you for what you
4037 are doing in your community there, and we are going to do our
4038 best to keep you in business.

4039 Mr. Martin, I would like to discuss the methane tax.
4040 You expressed concerns with the enforcement body like the EPA
4041 becoming a taxing authority. In your opinion, does this
4042 exceed the scope of EPA's authority?

4043 *Mr. Martin. Thank you, Congressman. Yes I do, I
4044 believe, one, this has now taken what used to be under
4045 Subpart W, a simple reporting structure, and now given the
4046 power to be a taxing structure, which is a problem.

4047 Essentially, the EPA is the judge, the juror, and the
4048 executioner in the situation. And when you couple that with
4049 using imputed data that doesn't represent my business, I am
4050 essentially paying a tax on a guess.

4051 *Mr. Allen. Yes.

4052 *Mr. Martin. And that is just not appropriate. Thank
4053 you.

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4054 *Mr. Allen. Yes, not exactly jurisprudence in our
4055 nation. You are guilty until you _ and you have to prove
4056 yourself innocent.

4057 Thank you, and I yield back.

4058 *Mr. Johnson. The gentleman yields back. The chair now
4059 recognizes the gentleman from Ohio, Mr. Balderson, for five
4060 minutes.

4061 *Mr. Balderson. Thank you, Mr. Chairman, and thank you,
4062 panelists all, for being here today.

4063 My home state of Ohio is the seventh largest natural gas
4064 producer in the nation. I have been very vocal in my support
4065 for natural gas as a clean energy source not only for its
4066 role in reducing carbon dioxide emissions, but for also
4067 providing the necessary baseload electricity generation,
4068 given this Administration's aggressive push for intermittent
4069 resources such as wind and solar. More innovation and less
4070 regulation is needed to monitor methane emissions. If we
4071 don't get this right, we may lose our competitive advantage
4072 to foreign producers.

4073 My first questions are for Mr. Martin, Mr. Montalban,
4074 and Mr. Oestmann. Gentlemen, and you can go in any
4075 particular order you would like to go in, do your companies

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4076 currently monitor methane emissions?

4077 If so, who is doing the monitoring, and how is it used?

4078 Mr. Martin, why don't you go ahead, since you are right
4079 there in front?

4080 *Mr. Martin. Thank you Congressman. Again, my business
4081 produces infrequent and very small volumes of gas. We
4082 actually use 50 percent of the gas we produce in the 1 field
4083 that we actually sell gas in. We use that to fund our
4084 operations. So our team is actually hands-on monitoring our
4085 production levels for that.

4086 In the other areas where we don't produce much gas,
4087 there is really no monitoring. Thank you.

4088 *Mr. Balderson. Thank you.

4089 Sir, go ahead.

4090 *Mr. Montalban. Mr. Chairman _ Mr. Balderson, is that
4091 _

4092 *Mr. Balderson. Yes, sir.

4093 *Mr. Montalban. Thank you, sir. We monitor our wells
4094 daily. We have to take and turn in our emissions each month
4095 to the regulatory bodies at the year end. We have to turn
4096 into the DEQ for the State of Montana the emission of every
4097 one of our compressors and gas plants that we operate. So we

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4098 are self-regulated and self-monitored, and we do an excellent
4099 job, and we are honest.

4100 *Mr. Balderson. Thank you.

4101 *Mr. Oestmann. We also do daily AVO inspections on all
4102 of our wells. But we have designed all of our facilities and
4103 spent a lot of money trying to make them with vapor recovery
4104 units and so forth, and not to leak methane. We run our own
4105 leak and detection surveys periodically to make sure that we
4106 are not, and we repair any leaks. That is how we monitor.

4107 We also have two full-time employees that calculate
4108 emissions based on the models that we have been given.

4109 *Mr. Balderson. Okay, thank you. Can you all discuss
4110 the public input process and comment period as it relates to
4111 these methane regulations?

4112 Do you believe the EPA staff that wrote these rules
4113 actually listened to the concerns of small business and mid-
4114 sized producers? We will start at the other end, please.

4115 *Mr. Oestmann. We had no input into it.

4116 *Mr. Montalban. Mr. Chairman, Mr. Balderson, we had no
4117 input at all.

4118 *Mr. Martin. Thank you, Congressman. We did submit
4119 comments where we could, but we did have no meaningful input.

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4120 *Mr. Balderson. Okay, thank you.

4121 In early December many of the world's biggest oil
4122 companies announced they would slash methane emissions by
4123 more than 80 percent by 2030. Instead of imposing more
4124 government control, how can we make sure that any Federal
4125 action can protect and incentivize the private market,
4126 especially small producers like yourselves, to monitor
4127 emissions?

4128 In past hearings I have referenced the importance of the
4129 local benefits your industry brings to the communities where
4130 you operate. For example, Utica Shale leases both in the
4131 chairman and my district have significantly bolstered the
4132 economy in Appalachia, Ohio, providing for upgraded
4133 conservation programs, improved water quality, and new
4134 recreational opportunities. Can you discuss how your
4135 companies invest back into your local communities?

4136 Go ahead, Mr. Martin.

4137 *Mr. Martin. Yes, thank you for the question.

4138 So we have, in the State of Michigan, over 65,000
4139 royalty owners. My business distributes royalty checks to
4140 more than 2,000 on a routine basis. And more importantly, we
4141 contribute to the Michigan Natural Resources Trust Fund,

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4142 where royalty payments from oil and gas production on state
4143 lands actually goes back to the state, and is distributed out
4144 for grants for parks and different areas.

4145 *Mr. Montalban. We also pay _ well, excuse me, Mr.
4146 Chairman, Representative Balderson, we also pay 2,500 royalty
4147 owners each month. We will continue to do so. That is what
4148 we do in our business.

4149 And the bottom line is that this is going to take away
4150 production of the small stripper natural gas producer.

4151 *Mr. Balderson. Thank you.

4152 *Mr. Oestmann. As a result of our investments, we paid
4153 millions of dollars in ad val and severance taxes. Royalty
4154 owners received millions of dollars. Each well that we drill
4155 requires approximately 100 vendors. That is a lot of jobs
4156 and a lot of families that are dependent and drive the
4157 economy. We employ 35 people. All of that, and then we
4158 match their charitable contributions on top of that.

4159 *Mr. Balderson. Thank you.

4160 Mr. Chairman, I yield back.

4161 *Mr. Johnson. The gentleman yields back. The chair now
4162 recognizes the gentleman from Texas, Mr. Weber, for five
4163 minutes.

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4164 *Mr. Weber. Thank you, Mr. Chairman. I am going to go
4165 a little bit different tact.

4166 Mr. _ is it Montalban, is that how we say that?

4167 *Mr. Montalban. Mr. Chairman, that is correct, Mr.
4168 Montalban.

4169 *Mr. Weber. Mr. Montalban.

4170 *Mr. Montalban. We are Italians.

4171 *Mr. Weber. I can do this. And that live in Billings,
4172 Montana.

4173 *Mr. Montalban. That is correct, sir.

4174 *Mr. Weber. Not Montania or Montanya, okay.

4175 *Mr. Montalban. Some of my friends call me Montana.

4176 *Mr. Weber. Well, I have been called some things, too,
4177 and I understand, recently.

4178 So in your _ and you said your wife, I think, taught
4179 school 35 years?

4180 *Mr. Montalban. Mr. Chairman, that is correct, Mr.
4181 Weber. My wife is an absolute angel. She taught special ed
4182 for 35 years.

4183 *Mr. Weber. I heard that. My beautiful bride of almost
4184 47 years taught fourth grade for 27 years. I lived,
4185 breathed, and ate, drank education when I was in the Texas

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4186 House of Reps on the Education Committee. So my heart goes
4187 out to her, and congratulations to you, too.

4188 *Mr. Montalban. Mr. Chairman _

4189 *Mr. Weber. But you live in the community _

4190 *Mr. Montalban. _ Mr. Weber, thank you, because my wife
4191 is listening, so I _

4192 *Mr. Weber. Oh, she is?

4193 *Mr. Montalban. I am going to go home to a very happy
4194 wife this evening.

4195 *Mr. Weber. All right, I will send you an invoice.

4196 [Laughter.]

4197 *Mr. Weber. So in your community, because of what you
4198 do _ and obviously, supported by her _ because of what you
4199 and your family do and your oil energy business, you get to
4200 give back to that community, don't you?

4201 *Mr. Montalban. Mr. Chairman, Mr. Weber, it is a
4202 pleasure and an honor to give back scholarships to our
4203 students that go to college.

4204 *Mr. Weber. Yes.

4205 *Mr. Montalban. We provide needed dollars to the high
4206 schools and to the athletic departments of all the high
4207 schools in our area that we operate in four different

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4208 counties.

4209 *Mr. Weber. Yes. Mr. Martin, how about you? You are
4210 from Michigan. You live in a town, I guess, where you are
4211 able to give back, as well?

4212 *Mr. Martin. Thank you, Congressman. Yes, absolutely.

4213 We have 56 amazing employees. Our wells are in rural
4214 areas covering 15 counties, and we give back on a daily
4215 basis. As a matter of fact, one of the most fun things I get
4216 to do every summer is bid at the 4-H auction. And all the
4217 oil and gas guys kind of get together. This has been passed
4218 down a couple generations now. And if you are an oil and gas
4219 kid, your cow or pig is going to go for a lot more money. So
4220 we definitely like to do things like that.

4221 *Mr. Weber. I have been to those 4-H auctions. They
4222 sound like a lot of bull to me.

4223 [Laughter.]

4224 *Mr. Weber. And so how about you, Mr. _ is it Oestmann?
4225 How do you say that?

4226 *Mr. Oestmann. Oestmann, sir.

4227 *Mr. Weber. That was my next guess. How about you, Mr.
4228 Oestmann?

4229 *Mr. Oestmann. We certainly give back and consider it a

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4230 privilege to do so.

4231 Also, our employees are generous. They have a matching
4232 program that _ we match up to \$1,000 of any charitable
4233 contribution they make outside of religious contributions.
4234 The company matches that. And then Kathy and I match it
4235 again.

4236 *Mr. Weber. Okay.

4237 *Mr. Oestmann. So they give back all over the
4238 community, and we are _

4239 *Mr. Weber. Of course, it is safe to say _ and you know
4240 who Tipro is? You know, I was in the Texas House of
4241 Representatives for four years before I got demoted to
4242 Congress. And so we paid close attention to the energy Texas
4243 was producing. You know, Tipro is _ and a lot of those
4244 royalty owners and _ it is safe to say that some of the
4245 people who you all get to send royalty checks to probably
4246 would not have that money if it weren't for you all. Would
4247 you all agree?

4248 *Mr. Oestmann. That is absolutely correct.

4249 *Mr. Montalban. Yes, I would agree. And Mr. Chairman
4250 and Mr. Weber, since you allowed me to open the door about my
4251 wife, I want to make sure I say to you _ because she made

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4252 sure to _ that she said to _ this to me walking out the door
4253 _ that it is our company, and our son is building this
4254 company. Thank you for the time, Mr. _

4255 *Mr. Weber. Okay. Well, I don't know Billings,
4256 Montana, the area, very well, but I am sure there is a
4257 jewelry store you can stop by on the way home. You can fix
4258 anything.

4259 [Laughter.]

4260 *Mr. Weber. So it is just a pleasure to have that kind
4261 of energy industry, and to be able to be that part of an
4262 economy and a country that really does produce energy. And
4263 it benefits _ as John F. Kennedy said, a rising tide raises
4264 all boats.

4265 How about you, Mr. Goldstein? In your job _ actually,
4266 you are in Colorado, right? Boulder, Colorado?

4267 *Mr. Goldstein. That is correct.

4268 *Mr. Weber. Do you get to see that same kind of effect
4269 in that local community?

4270 *Mr. Goldstein. You know, I, as _ on a personal basis,
4271 do volunteer and try and participate in my community as much
4272 as I can. I actually live in a small town just north of
4273 Boulder called Lyons, Colorado. It is about 2,000 people.

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4274 *Mr. Weber. But do you get to see the energy industry
4275 that absolutely support the different families and the
4276 churches and the 4-H clubs, and all of those local things,
4277 what in Texas we call the local yokels? Do you get to see
4278 that up front, up close and personal?

4279 *Mr. Goldstein. Thank you for the question,
4280 Congressman. We see a great deal of philanthropic effort
4281 from a number of industries in Colorado.

4282 *Mr. Weber. Yes.

4283 *Mr. Goldstein. We have a pretty diverse economy.

4284 *Mr. Weber. Right.

4285 *Mr. Goldstein. Energy is certainly a part of it, but
4286 not the only part.

4287 *Mr. Weber. Well, I think we would all agree that, if
4288 we are not careful, the EPA and some of those government
4289 regulations is going to impact that, and not in a good way.

4290 Thank you for what you all do. Thank you for being
4291 willing here to testify and take time from your family and
4292 your business to be up here.

4293 Mr. Montalban, we will get you the address of that
4294 jewelry store.

4295 I yield back.

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4296 *Mr. Johnson. The gentleman yields back. The chair now
4297 recognizes the chair of the full committee, Chair Rodgers,
4298 for five minutes.

4299 *The Chair. Thank you, Mr. Chairman, and I too want to
4300 thank everyone for traveling here today, being here.

4301 Your voices are very important to this debate. What you
4302 do as small and independent companies is so important to
4303 producing the energy that we need to power our economy and
4304 our way of life. So your testimony is important.

4305 And I wanted to start with three yes-or-no questions,
4306 and I wanted to start with Mr. Martin, Mr. Montalban, and Mr.
4307 Oestmann. So I will start with you, Mr. _ we will _ yes, so
4308 we will just go down.

4309 Yes or no, so it is estimated that EPA's recently
4310 finalized methane rules will lead to shut down 300,000 of the
4311 nation's 750,000 low-production wells. Could more methane
4312 regulations in the new natural gas tax force you to shut in
4313 existing wells, or cancel investments in new production?

4314 And I would just like a yes-or-no question [sic].

4315 *Mr. Oestmann. Yes.

4316 *The Chair. Yes.

4317 *Mr. Montalban. Yes.

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4318 *The Chair. Yes.

4319 *Mr. Martin. Yes.

4320 *The Chair. Do you believe that EPA understands the
4321 impact that these new methane regulations and taxes will have
4322 on your businesses and jobs?

4323 *Mr. Oestmann. No.

4324 *Mr. Montalban. Mr. Chairman, Mrs. Rodgers, no.

4325 *Mr. Martin. No.

4326 *The Chair. Thank you. Did EPA do adequate public
4327 outreach to understand the impact of these rules on local
4328 economies and small businesses?

4329 *Mr. Oestmann. I don't think so.

4330 *Mr. Montalban. Mr. Chairman, Mrs. Rodgers, no.

4331 *Mr. Martin. Absolutely not.

4332 *The Chair. Thank you. As a follow-up, as you all
4333 know, the natural gas and oil produced in the United States
4334 is already among the cleanest in the world. And we are
4335 getting more efficient every day.

4336 For example, a recent report found that Texas methane
4337 emissions hit a record low in 2022. I am concerned that
4338 EPA's methane rule will threaten the progress we have been
4339 making and have unintended consequences on the environment.

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4340 So I have a couple more questions.

4341 First to you, Mr. Oestmann, and I would like the others
4342 to also address this: Can you briefly explain how this rule
4343 may discourage innovation and investments in environmental
4344 health and safety?

4345 *Mr. Oestmann. In my case it may cause us to just get
4346 out of the industry. We are not _ we are at a crossroads in
4347 our company of where we are going to go next, and we are
4348 trying to figure out what this means and do we even want to
4349 operate going forward.

4350 *The Chair. Thank you.

4351 Mr. Montalban?

4352 *Mr. Montalban. Mr. Chairman, Mrs. Rodgers, thank you
4353 for the question.

4354 The difficult part of this is that my son is third
4355 generation, our son is third generation, and this _ these
4356 type of regulations are going to make it very difficult for
4357 him to continue to build the company and sell our assets
4358 because we are the last people operating these assets in the
4359 oil and gas business and, therefore, we are the last stand
4360 for them before they are plugged and abandoned.

4361 And unfortunately, all this is going to do is make us

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4362 plug and abandon these assets prior to their economic life.

4363 *The Chair. Well, thanks for what you do, and thanks
4364 for being here today to share.

4365 Mr. Martin?

4366 *Mr. Martin. Thank you, Congresswoman. Similarly, if
4367 we are not there to monitor and manage these wells on a
4368 consistent basis because we no longer have revenues, I think
4369 it will drastically increase the number of wells that are
4370 abandoned in the state, and it will actually create a larger
4371 environmental risk for unmanaged, abandoned wells. Thank
4372 you.

4373 *The Chair. Again, Mr. Oestmann, would you recommend
4374 that EPA _ or what would you recommend, what would you
4375 recommend that EPA do to improve the methane rules? Or
4376 should they be rescinded?

4377 *Mr. Oestmann. I recommended in my testimony a moment
4378 ago that they withdraw them and start over and go to
4379 incentive-based, partnership-type solutions.

4380 We are also heavily regulated already in the State of
4381 Texas, where we operate, by the state regulations. And so we
4382 _ I think we are doing a pretty good job of reducing
4383 emissions, as evidenced by the fact that emissions have come

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4384 down while production has significantly increased.

4385 *The Chair. Thank you.

4386 *Mr. Montalban. Mr. Chairman, Mrs. Rodgers, I agree
4387 with that statement. We would _ I can't answer it any better
4388 than _ I think that _ I don't want to be repetitive, but that
4389 is exactly correct.

4390 *The Chair. Thank you.

4391 *Mr. Martin. I would actually ask the EPA to stay the
4392 rule for now, go back and look at how the OOOOc definitions
4393 are created, have them take a look at other basins like
4394 Michigan, and come up with a categorization structure that I
4395 could actually operate in. Thank you.

4396 *The Chair. Mr. Martin, would you just speak to what
4397 the response has been from EPA when you have shared your
4398 comments?

4399 *Mr. Martin. It has been non-existent.

4400 *The Chair. Okay. Again, I just want to thank you all
4401 for being here. This is very important. It is one of _ this
4402 methane rule is one of 120 rules right now that is under
4403 consideration with EPA, but it has an absolutely real-world
4404 impact, and you all are expressing that well. So thank you.

4405 I yield back.

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4406 *Mr. Johnson. The gentlelady yields back, and thank you
4407 to our panelists. Please indulge us. Votes have been
4408 called, we have to go vote.

4409 So the committee stands in recess. We will reconvene
4410 five minutes after the last vote. These are two procedural
4411 votes, so I don't think it will take that long. So we will
4412 try and expedite the process, but we will reconvene five
4413 minutes after the last vote.

4414 [Recess.]

4415 *Mr. Pfluger. [Presiding] The committee will come to
4416 order.

4417 The gentlelady from Illinois, Ms. Schakowsky, is now
4418 recognized.

4419 *Ms. Schakowsky. Well, thank you, Mr. Chairman.

4420 I wanted to ask, Mr. Goldstein, I know that we have had
4421 a _ quite a discussion about what the consequence has been of
4422 the EPA ruling on methane, and I was just wondering if you
4423 could talk a little bit and discuss a little bit how _ what
4424 the effect would be, and how it is important to hold Big Oil
4425 and _ at least in my view _ Big Oil and Big Gas, and see what
4426 the consequences are for them, as well as for the emissions.

4427 *Mr. Goldstein. Thank you for that question,

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4428 Representative.

4429 According to EPA's estimates, the final regulations will
4430 reduce 16 million tons of smog-forming volatile organic
4431 compounds, and nearly 600,000 tons of air toxics like cancer-
4432 causing benzene over the next 15 years alone in communities
4433 across the U.S. Over that time, the standards will result in
4434 the net climate and ozone reduction health benefits of nearly
4435 \$100 billion, even after accounting for industry's compliance
4436 costs. EPA estimates the standards will prevent 97,000 cases
4437 of asthma symptoms; 35,000 lost school days a year; and
4438 hundreds of premature deaths.

4439 *Ms. Schakowsky. Let me ask. You don't want that
4440 answer?

4441 Okay, let me ask you this. We heard in the earlier
4442 discussion with our person from the EPA from members here
4443 saying that this would have a devastating effect on
4444 employment, that this would be bad for communities, for other
4445 businesses. You just said how much money here in the United
4446 States actually could be saved. But do you see that the rule
4447 that was offered is going to have immediate effects on oil
4448 and gas? It is pretty targeted.

4449 *Mr. Goldstein. It is going to have effects in terms of

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4450 limiting methane pollution, absolutely. So EPA estimates an
4451 80 percent reduction from covered sources.

4452 But in terms of effects on the industry in a negative
4453 way, I do not think so, and I would point to the leading
4454 states that have already acted in this area, states like
4455 Colorado and New Mexico that have over the past decade put
4456 very strong methane rules in place, rules that help form the
4457 foundation for what the EPA has done here. Those states
4458 continue to have strong oil and gas sectors in their economy.

4459 *Ms. Schakowsky. So you are saying that if they were to
4460 follow the certain methane rules, that actually this gloom
4461 and doom, I think, is exaggerated as to what the impact and
4462 the economic impact, at least in the short term, for oil and
4463 gas, that it is overstated. Would you agree with that?

4464 *Mr. Goldstein. I would. I think that the danger here,
4465 to my mind, is more in the area of inaction than action.

4466 As I stated previously, we are part of a global economy,
4467 and producers like the ones here today want access to global
4468 markets. And I think were these rules not to come into
4469 effect, that would have more of a negative impact on our
4470 ability to export energy and our ability to continue to have
4471 an industry in this country that can do that.

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4472 *Ms. Schakowsky. When you calculated what the value
4473 would be by having this rule, did you look into health costs,
4474 as well, that will be saved because of the absence of
4475 methane?

4476 *Mr. Goldstein. Yes, ma'am. I believe that is a
4477 significant part of the EPA's cost benefit analysis, is
4478 looking at the benefit in terms of health care, reduced
4479 health care costs.

4480 *Ms. Schakowsky. Great, thank you, and I yield back.

4481 *Mr. Pfluger. The gentlelady yields. The gentleman
4482 from Idaho, Mr. Fulcher, is recognized.

4483 *Mr. Fulcher. Thank you, Mr. Chairman. And just to
4484 start off, when I had my exchange with Mr. Goffman on panel
4485 one, my concerns from the responses to my questions of him,
4486 the principal deputy assistant administrator, stemmed from
4487 the way in which the EPA revised the Subpart W for greenhouse
4488 gas reporting that appears to change the methodology and
4489 calculated methane emissions to go beyond what Congress
4490 directed in the Inflation Reduction Act. And that exchange
4491 was a little concerning to me.

4492 I had _ I would like to start with a question to Mr.
4493 Oestmann, and just ask you. Tell me about the compliance

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4494 challenges with meeting the EPA's proposed methane emissions
4495 to that Subpart W of the Greenhouse Gas Reporting Program.
4496 It is my understanding that this empirical data, which
4497 becomes the basis of taxes, now changes in a way that could
4498 inflate methane emissions even if a company can demonstrate
4499 it is releasing a lower level of emission.

4500 Now, Congress said _ the intent was that there can be an
4501 average that can lower when the accounting for the mixer of
4502 higher emission _ emitting versus lower-emitting stations,
4503 yet I am not clear at this point what the EPA's thinking is.
4504 Could I ask you to try to put some clarification into that?

4505 *Mr. Oestmann. No, I can't help you much clarify the
4506 EPA's comments. It is very confusing to us, as well.

4507 But my understanding is the way that they can make these
4508 changes is by changing the models of how these things are
4509 calculated, and that gives them tremendous power to
4510 basically _

4511 *Mr. Fulcher. How is this impacting you?

4512 *Mr. Oestmann. We do our best to comply. We have two
4513 full-time staff that spend their time trying to interpret
4514 these regulations.

4515 *Mr. Fulcher. Do you have a clear understanding of what

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4516 you are complying with?

4517 *Mr. Oestmann. No. We are doing our best, but no.

4518 *Mr. Fulcher. I think that says a lot, right there.

4519 Let's go to Mr. Martin.

4520 Under the proposed EPA rule, it appears the emissions
4521 factors used from the IRA increase dramatically, but without
4522 clear evidence that total methane emissions may have also
4523 increased, given the movement to the tougher emissions factor
4524 approach. Is that true? That is what it appears to me.

4525 Mr. Martin?

4526 *Mr. Martin. Thank you for the question, Congressman.
4527 In simplicity, no, it is not clear.

4528 *Mr. Fulcher. So is _ I am trying to figure out if this
4529 is a way for the EPA to boost taxes collected. What is that
4530 going to do to small, independent operators in particular?

4531 *Mr. Martin. Sure, sure. So I think our biggest
4532 concern is when you use imputed data, and it doesn't
4533 represent our actual emission, the tax is simply inflated.
4534 It is simply using what we have reported since 2011 to just
4535 create a revenue source. It is not related to our actual
4536 emission or production at all.

4537 *Mr. Fulcher. Okay. Now, just generally speaking, it

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4538 is not increasing the comfort level here.

4539 Let's _ with my remaining time, Mr. Montalban, from your
4540 vantage point, what will be the impact on public and other
4541 utilities if the taxes and fees are these inflated emissions
4542 due just to changing the math and the prices they pay and the
4543 rates that they must charge, what is the impact likely to be
4544 on public and other utilities?

4545 *Mr. Montalban. Thank you for the question. The only
4546 way I can answer that is that we actually sell our methane to
4547 public utilities, and we are regulated on the price by AECO-C
4548 or NYMEX prices, which are very low the last few years.

4549 So to answer your question, is it _ you know, it will
4550 not really, in my opinion, change the utilities because they
4551 are a very large company, and they have a guaranteed rate of
4552 return with their investors with a utility compared to a
4553 small independent company like ourselves that are using, you
4554 know, generated cash flow to run our operations.

4555 But the most aggravating part with these EPA _ is there
4556 are no direction, there are no set of rules for us to follow.

4557 We have direct permitting requirements with the
4558 Department of Environmental Quality in Montana. We have to
4559 provide emissions every year for every one of our gas plants.

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4560 These are done every year, and we do it annually, and we do
4561 it daily as far as how we record these. And so our biggest
4562 concern is how much of this is going to be repetitive, and
4563 that repetitive recording and reporting of records is very
4564 expensive, and the smaller companies can't absorb those
4565 costs.

4566 *Mr. Fulcher. Okay, that was _ thank you, and that was
4567 my fear, too, on the impact of the smaller operators.

4568 Mr. Chairman, I yield back.

4569 *Mr. Pfluger. The gentleman's time has expired. The
4570 chair now recognize myself for five minutes of questioning.

4571 Mr. Oestmann, thanks for being here. Home district,
4572 Midland, Texas. Thank you for securing America's energy
4573 future.

4574 *Mr. Oestmann. Thank you.

4575 *Mr. Pfluger. We heard from Mr. Goffman.

4576 By the way, is Mr. Goffman present? He made a
4577 commitment to listen to this testimony, and this is a perfect
4578 opportunity for the EPA to partner with industry, so that is
4579 disappointing.

4580 But when we heard from him in panel one earlier today,
4581 he talked about the suit of methane regulations, the 0000

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4582 series, the natural gas tax, the revised Subpart W, and he
4583 said that they were harmonized. It is a harmonized approach.
4584 Would you characterize these promulgated rules as harmonious?

4585 *Mr. Oestmann. Well, as you have heard from most of us,
4586 they are pretty hard to understand.

4587 Let me read a little excerpt from the rule: "The EPA
4588 also proposed revisions that would align GHGRP Subpart W with
4589 other EPA programs and regulations, including revisions to
4590 certain requirements in GHGRP Subpart W relative to the
4591 requirements proposed for NSPS 0000b and the presumptive
4592 standards proposed in EG 0000c, such that, as applicable,
4593 facilities would use a consistent method to demonstrate
4594 compliance with multiple EPA programs once their emission
4595 sources are required to comply with either the final NSPS
4596 0000b, or an approved state plan, or applicable plan in 40
4597 CFR part 62 0000c."

4598 I don't know what that means.

4599 *Mr. Pfluger. Does anybody know what that means? Does
4600 anybody _ first off, let me ask you a yes-or-no question. Is
4601 anybody against the reduction of methane? I will start _
4602 just yes or no.

4603 *Mr. Oestmann. We are obviously not. We have reduced

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4604 it significantly.

4605 *Mr. Pfluger. Mr. Montalban?

4606 *Mr. Montalban. As we have, thank you.

4607 *Mr. Pfluger. Mr. Goldstein, are you against it?

4608 *Mr. Goldstein. No, sir.

4609 *Mr. Pfluger. Mr. Martin?

4610 *Mr. Martin. I am not.

4611 *Mr. Pfluger. We established earlier in the panel that
4612 25,000 metric tons of CO2 equivalents was what the EPA
4613 intended. Now we had a Subpart W issue.

4614 Mr. Martin, you have been considered a super-emitter,
4615 although you have 231 _ you were talking about 231 of your
4616 260 sites, and the wells that you have, and the average being
4617 1.5 barrels a day. Are you a super-emitter?

4618 *Mr. Martin. I am not.

4619 *Mr. Pfluger. Tell me your confidence in what the EPA
4620 has said, that the applicability of these rules will not
4621 apply to those that are less than 25,000 metric tons of CO2
4622 equivalent, and how will you deal with that, and how do you
4623 interpret that?

4624 *Mr. Martin. Thank you, Congressman. Yes, I have
4625 serious concerns that any changes to Subpart W of the

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4626 greenhouse gas reporting structure would actually bump us
4627 into that 25,000.

4628 The problem is the 25,000 doesn't accurately represent
4629 what we are doing. It is an imputed number based on
4630 assumptions made that don't align with our actual production.
4631 The super-emitter question, 231 of my 262 facilities are
4632 treated as super-emitters purely because of how many pieces
4633 of equipment I have on the ground, not related to anything
4634 volume or production. Thank you.

4635 *Mr. Pfluger. So for low-production wells, for the
4636 types of production that you do, Mr. Montalban, what Tall
4637 City is doing in Midland, do you have any confidence that the
4638 EPA is going to treat you as under the threshold for 25,000,
4639 or are they going to apply the rules therefore costing you,
4640 as you mentioned earlier, \$8.2 million in costs this year
4641 just to comply?

4642 And I will start _ well, we will start with you, Mr.
4643 Martin, and we will go back this way.

4644 *Mr. Martin. I want to make one point of clarity. I
4645 believe that the OOOOc performance standards are in place
4646 regardless of whether I have to report greenhouse gases. I
4647 still have to comply.

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4648 *Mr. Pfluger. Mr. Montalban?

4649 *Mr. Montalban. Thank you, Mr. Chair. We are not a
4650 super-emitter. And what we are concerned about is, once we
4651 start reporting these emissions, that they will lower those
4652 levels and we will be brought in because the bottom line is
4653 the current executive branch wants to put us out of business.

4654 *Mr. Pfluger. I will get to you, Mr. Oestmann.

4655 Mr. Goldstein, can you tell Tall City Exploration how
4656 the EPA is going to enforce this rule, this tax on their
4657 operations?

4658 *Mr. Goldstein. Thank you for the question, Mr.
4659 Chairman. I can't speak on behalf of EPA. I don't work for
4660 the Environmental _

4661 *Mr. Pfluger. But do you understand the rule and how it
4662 is going to be applied?

4663 *Mr. Goldstein. So it is my understanding that, in its
4664 first year, the rule will be applied based upon the existing
4665 reporting structure that has been in place for many years.
4666 So I don't think _

4667 *Mr. Pfluger. But there is a problem with the _

4668 *Mr. Goldstein. _ there will be confusion in the
4669 initial year. In subsequent years EPA is working on its

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4670 proposal about how it intends _

4671 *Mr. Pfluger. I think there is a lot of confusion on
4672 how this is going to be enforced, what it is going to cost
4673 people, what types of facility structures and production will
4674 be applicable.

4675 Mr. Oestmann, last words to you.

4676 *Mr. Oestmann. As I was talking to Mr. Peters earlier,
4677 the _ one of the biggest problems is it is based on a model.
4678 So you have a certain valve, it counts X, whether it is
4679 emitting or not. And that is a big problem.

4680 And so, with a scale operation _ like we produce 25,000
4681 BOE a day _ we are going to be _ pay fines, even though we
4682 have significantly reduced and done everything we can to
4683 reduce emissions.

4684 *Mr. Pfluger. A 32 percent reduction in Midland, Texas,
4685 yet we have increased the amount of production by 500
4686 percent, almost 500 percent. And I think that is the _ let's
4687 work on this in a, you know, productive way, where we can
4688 come together _ and I would be happy to work with you, Mr.
4689 Peters, as we have mentioned before.

4690 My time has expired. The chair now recognizes the
4691 gentleman from Texas, Mr. Crenshaw.

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4692 *Mr. Crenshaw. Thank you, Mr. Chairman. Thank you all
4693 for being here and flying up for this, and I appreciate what
4694 you do.

4695 I guess I will start with Mr. Goldstein, and you have
4696 mentioned a few times that in the aggregate that the overall
4697 cost is not that much. It is something like a two percent
4698 increase in price. So how do you generally calculate those
4699 numbers?

4700 *Mr. Goldstein. Those are based upon EPA's estimates,
4701 Congressman, thank you for the question. So I think it is
4702 less than one percent, I believe.

4703 *Mr. Crenshaw. Okay, but we don't know how they came up
4704 with that number.

4705 I mean, and to our industry folks here, do you dispute
4706 that?

4707 *Mr. Martin. I dispute that, yes.

4708 *Mr. Crenshaw. You think the overall _ in the
4709 aggregate, the prices would go up?

4710 And, you know, there is obviously a disproportionate
4711 share of costs, you know. A big producer that maybe already
4712 has some of these detection capabilities will bear little
4713 cost. Of course, the smaller producers won't. And so _ and

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4714 will bear an excessive cost, as you have mentioned many
4715 times.

4716 Maybe for, you know, for the audience, for the three
4717 people listening on C-SPAN, explain to the public what is the
4718 benefit of the smaller producers, you know, the economic and
4719 societal benefit. You guys do a different kind of
4720 exploration, right, with very few barrels a day. But, you
4721 know, tell us what we are missing out on. If we lose 300,000
4722 of you, or of these wells, at least, what kind of impact does
4723 that have on society?

4724 And we will start with Mr. Oestmann.

4725 *Mr. Oestmann. Well, it is going to very much decrease
4726 supply, and ultimately increase the price at the pump, which
4727 is what everybody is concerned about when oil goes up.

4728 I will tell you this. The independents are the ones
4729 that started the shale boom, as well. It wasn't the big
4730 companies. It was small independents in Midland that started
4731 drilling horizontal wells in the shale, and producing oil
4732 that changed the world and made us less dependent on foreign
4733 supplies. And so when we are having wars all over the world
4734 right now and skirmishes, whatever, we are not seeing price
4735 spikes. And that is because we are producing a record amount

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4736 of oil right here in the United States, in my view.

4737 *Mr. Crenshaw. Yes. Do you want to add to that?

4738 *Mr. Montalban. Thank you for the question, Mr.

4739 Crenshaw.

4740 Well, again, when you are producing one, two, three-
4741 barrel-a-day, wells and very low-volume gas wells, you have a
4742 set amount of income. And the higher your expenses go up,
4743 the lower your bottom line is. And we create all of our
4744 expenditures from internally generated cash flow. We were
4745 taught many years ago in the stripper industry not to borrow
4746 money, it is a good way to lose the company. And therefore,
4747 with these excess costs of having to go through this
4748 application, it is going to put a lot of small operators out
4749 of business, as I mentioned before.

4750 *Mr. Martin. Thank you, Mr. Congressman. One thing I
4751 would add to these two comments is we have an infrastructure
4752 of wells in place, and just merely deciding to abandon them
4753 creates problems. So not only do we contribute all these
4754 wonderful things _ jobs, and revenues, and royalty checks _
4755 but in addition, we are managing what is already there that
4756 doesn't just disappear because we decide we don't like a
4757 fictitious mission.

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4758 *Mr. Crenshaw. Yes.

4759 *Mr. Martin. Thank you.

4760 *Mr. Crenshaw. I mean, one thing that was agreed upon
4761 earlier was everybody actually does have an interest in
4762 reducing methane emissions. It is from a business
4763 perspective and an environmental perspective.

4764 So, again to the industry experts, what would be the
4765 best way for Congress to actually reduce methane waste? It
4766 was noted earlier _ again, I don't know if that figure is
4767 right or not, but 12 million homes could be powered by the
4768 methane that escapes. All of us would rather use that
4769 energy. I don't think we dispute that. So what is the best
4770 way, then, for the regulatory framework to work?

4771 *Mr. Oestmann. I will just say we are heavily regulated
4772 in the State of Texas, and we have a huge economic incentive
4773 to use all the gas we can capture. So I think it is in place
4774 now, and we are regulated by the Railroad Commission and the
4775 air quality groups in Texas, and we comply with that.

4776 *Mr. Montalban. In the same way with Montana, we are
4777 regulated by the Board of Oil and Gas and _ the DEQ is the
4778 big one on this issue, and the DEQ is going to be working
4779 with the EPA in implementing this in Montana with the DNRC,

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4780 the Department of Natural Resources. And we are highly
4781 regulated today.

4782 And our biggest concern, as mentioned before, is the
4783 repetitiveness of this reporting that just _ you know, it is
4784 _ we have no problem taking care and lowering emissions. But
4785 if we are already doing it, and we are already regulated by
4786 these entities, I don't see why we have to do it again for
4787 the EPA.

4788 *Mr. Crenshaw. Yes.

4789 *Mr. Martin. I would simply add looking for incentives
4790 for us to continue to develop technology and produce these
4791 wells as efficiently as possible, I mean, instead of
4792 punishing us with taxes, maybe incentivize us with tax
4793 incentives to apply new technologies. I think there is a lot
4794 of things we could be doing.

4795 *Mr. Crenshaw. Okay. And I am out of time, I yield
4796 back. Thank you.

4797 *Mr. Pfluger. The gentleman yields. The gentleman from
4798 Michigan, Mr. Walberg, is now recognized.

4799 *Mr. Walberg. Well, I thank you, Mr. Chairman. I thank
4800 you for letting me waive on this committee. They wouldn't
4801 let me be on four subcommittees, so I look forward to waiving

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4802 on. And when I have an interest in this because it impacts
4803 people in my community in Michigan, I appreciate the
4804 opportunity.

4805 Mr. Martin, it is good to see you again and your family.
4806 And I am glad to have you here representing the great state
4807 of Michigan. Go Blue.

4808 We all share the goal of reducing emissions and cleaning
4809 up our environment. We said that at COP 28. It is emissions
4810 that we are going for. There are ways to do that. One size
4811 shouldn't have to fit all.

4812 But your testimony identifies that these EPA regulations
4813 could actually increase environmental risks from marginal
4814 wells in states like Michigan. I know you have touched on
4815 it, I would like you to expand on that a bit more. How is
4816 this the case, that capping these wells, taking them out of
4817 production can hurt?

4818 *Mr. Martin. Thank you, Congressman Walberg, and Go
4819 Blue. I totally agree, national champs.

4820 Real quickly, the bigger problem there is _ and I will
4821 try to take my business and then kind of expand it to the
4822 State of Michigan. My business, 670 barrels a day coming out
4823 of 468 wells, if these rules are implemented the way that I

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4824 am reading them and the way that my team has put dollars and
4825 cents to them _ let's say 75 percent of my wells go under.
4826 Well, if you extrapolate that out to the State of Michigan _
4827 because I believe I am representative of the State of
4828 Michigan _ you take roughly 4,000 wells producing crude oil
4829 in the State of Michigan, and you put them uneconomic, that
4830 takes away jobs. There is nobody to manage them.

4831 Those wells will all become what is called abandoned.
4832 And not that we won't be trying to take care of them. We
4833 have talked with our regulator, we have talked with other
4834 operators. I am on the Michigan Oil and Gas Association
4835 board, and we have gotten together and said, okay, how could
4836 we all work together to plug wells, then, if we can't produce
4837 them?

4838 And so you have 3,000 wells become uneconomic, and
4839 essentially become idle. The State of Michigan could maybe,
4840 if we all work together with _ and it is not a dollars and
4841 cents, it is a number of people, pieces of iron, rigs to work
4842 _ we think we could maybe do 300 wells in a year.

4843 So this situation creates a 10-year plugging list. So
4844 that is 10 years where I used to have an employee look at
4845 every single well every single day, and you had an economic

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4846 value, and you had jobs, to simply a well sitting there not
4847 producing for 10 years. I can't think of a bigger
4848 environmental problem than 3,000 wells all across these farm
4849 fields, as you know, rural areas, just abandoned until we can
4850 get to them.

4851 *Mr. Walberg. Yes.

4852 *Mr. Martin. It is a scary thing.

4853 *Mr. Walberg. Yes, the many wells I have seen over in
4854 Hillsdale County in my district that sit underneath now _ and
4855 they have sat idle for at least 15 years as I have been
4856 passing them _ underneath windmills, the impact that that
4857 could be concerns me if someone isn't there, and that pickup
4858 truck doesn't come on site every week and take a look at what
4859 is going on.

4860 *Mr. Montalban. But, Mr. Walberg, if we plug those
4861 3,000 wells, don't forget about our partners, the royalty
4862 owners.

4863 *Mr. Walberg. Yes.

4864 *Mr. Montalban. Everybody forgets about that 12.5 or 20
4865 percent that goes to our farmers, our neighbors, our royalty
4866 owners. Those people are important to the whole process of
4867 producing stripper wells, and they can't be forgotten.

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4868 *Mr. Walberg. And it may only be a few bucks, but it is
4869 a few bucks that they are expecting. I agree with you.

4870 We have heard a lot today about the detrimental
4871 community effects of these rules. Miller Energy is a part of
4872 my community, so can you please speak more to the economic
4873 impact on Michigan?

4874 *Mr. Martin. So just expanding again on my business, we
4875 have 56 employees. I think our payroll is, you know, \$3
4876 million or \$4 million a year. That goes out to the
4877 communities in the area.

4878 Our state as a whole has 15,000 wells. There is a
4879 living, breathing culture of operators there that are all
4880 generational owners.

4881 And then _ I have mentioned it before, and I will say it
4882 again _ the Michigan Natural Resources Trust Fund is a really
4883 interesting thing that happens in Michigan. So royalties
4884 from state lands go back to the state, and grants are
4885 approved to work on parks and recreation areas. All of that
4886 ceases to exist, in addition to the things my colleague
4887 mentioned.

4888 *Mr. Walberg. And that impacts everybody with the
4889 opportunity.

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4890 *Mr. Martin. Correct.

4891 *Mr. Walberg. Especially when you use that fund.

4892 *Mr. Martin. Correct.

4893 *Mr. Walberg. The regulations we have talked about
4894 related to eliminating flaring and venting and the rules that
4895 are put in place, do you feel you have the flexibility you
4896 need to meet the flaring rules?

4897 *Mr. Martin. OOOOc, no, I simply don't know how we can
4898 get that done. And then OOOOb, which is major modifications
4899 or new drilling, the State of Michigan just doesn't offer us
4900 the natural gas sales paths that other basins have. And it
4901 is another example of how the regulation doesn't take into
4902 consideration Michigan and marginal well producers. Thank
4903 you.

4904 *Mr. Walberg. Mr. Chairman, my time has expired.

4905 But the more I have heard today, I just believe that
4906 incentive, the reason for all of this, is to put you guys out
4907 of business, to put fossil fuels out of business. And that
4908 is horrific.

4909 So I yield back.

4910 *Mr. Pfluger. The gentleman's time has expired.

4911 The chair now asks unanimous consent to insert in the

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4912 record documents included on the staff hearing documents

4913 list.

4914 Without objection, so ordered.

4915 [The information follows:]

4916

4917 *****COMMITTEE INSERT*****

4918

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4919 *Mr. Pfluger. I remind members that they have 10
4920 business days to submit questions for the record, and I ask
4921 the witnesses to respond to these questions promptly.
4922 We thank the witnesses for being here today, for taking
4923 your time to testify.
4924 Without objection, the subcommittee is adjourned.
4925 [Whereupon, at 2:47 p.m., the subcommittee was
4926 adjourned.]