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# United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

WASHINGTON, DC 20510-6175

BETTINA POIRIER, MAJORITY STAFF DIRECTOR  
RUTH VAN MARK, MINORITY STAFF DIRECTOR

April 16, 2012

The Honorable Lisa Jackson  
Administrator  
U.S. Environmental Protection Agency  
Ariel Rios Building  
1200 Pennsylvania Avenue, NW  
Washington, DC 20460

Dear Administrator Jackson:

I write to inform you of my significant concerns with the EPA proposed revisions to the New Source Performance Standards (NSPSs) and National Emission Standards for Hazardous Air Pollutants (NESHAPs) for Oil and Gas Production and Natural Gas Transmission. As you know, the public comment period for these rules closed on November 30, 2011. EPA's proposal, as documented extensively in the submitted comments, is critically flawed and requires substantive correction to avoid placing costly and counterproductive restrictions on the development of our nation's domestic oil and gas resources.

EPA's proposed rules would expand regulations for oil and natural gas production, processing, transmission, and storage, while simultaneously imposing the first-ever federal air standards for wells that are hydraulically fractured. Due to the expansive nature of these rules, hundreds of thousands of natural gas development operations could be affected, and we are concerned that the agency's proposals are predicated on faulty and inaccurate data and analysis and require serious reevaluation.

My foremost concern is with the foundational data EPA has used to calculate emission estimates from natural gas producing wells. These estimates are based on producer-reported data via the EPA Natural Gas Star program, which compiled information on the volume of gas recovered by the practice of "green completions" from a very limited number of wells. This information has been misused and led EPA to erroneously conclude that when "green completions" are not performed, or when flaring is not legally required, methane is otherwise vented into the atmosphere.

From an economics perspective, these emissions estimates simply do not make sense. Producers have an obligation to their shareholders to maintain the highest levels of efficiency and operational integrity, and on these grounds alone, would never allow hundreds of millions of dollars' worth of natural gas to vent into the atmosphere. Producers capture as much methane as possible throughout the well completion and production process.

EPA's reliance on inaccurate emissions estimates has led to a serious distortion of its cost-effectiveness projections. Benefits are inappropriately overvalued, while costs and burdens are inappropriately trivialized. Reports have shown that, in some cases, EPA may have overstated emissions estimates by over 1,400 percent. When these numbers are corrected, EPA's proposed requirements grossly fail their own cost-effectiveness standards. Low-VOC tank controls, for example, would cost more than \$1 million per ton of VOC reduced, far exceeding EPA's NSPS cost-effectiveness benchmark of \$5,000 per ton.

Moreover, according to a study by Advanced Resource International, without significant phase-in periods and greater flexibility for EPA's detailed tank, pneumatic and reduced emissions completion (REC) requirements, unconventional gas well drilling through 2015 is estimated to decline by up to a half and overall unconventional natural gas production is estimated to decline compared to projected levels. In addition, billions of dollars of losses in royalties and severance taxes are expected as well as tens of thousands of "direct," "indirect," and "induced" job losses from reduced drilling and operations.

EPA's faulty measurements also have broad negative implications for regulators, legislators and other government agencies tasked with determining appropriate regulation of natural gas production. This is evidenced in numerous studies that have utilized EPA's flawed assessments in their underlying assumptions, and in turn became the basis of misguided conclusions and policy recommendations.

Another major concern is that these rules appear to be a thinly-veiled attempt to improperly regulate greenhouse gases released during hydraulic fracturing. Under the Clean Air Act (CAA), NSPS and NESHAP regulations are generally created for the purposes of regulating criteria and hazardous air pollutants (HAP); however, the environmental benefits EPA uses to justify the rules are largely related to the capture of methane – which is neither a criteria pollutant nor a HAP.

While EPA states that the proposed rules do not "include standards for regulating GHG emissions," the preamble notes that they would reduce VOC emissions by 540,000 tons while also reducing methane emissions by 3.4 million tons. I find this discrepancy troubling and am

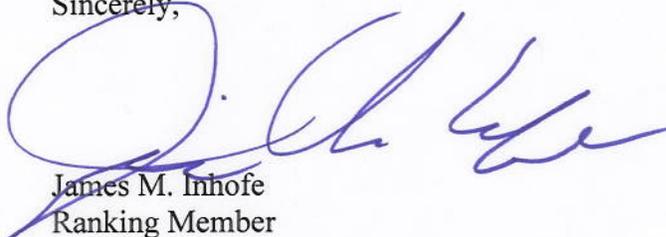
concerned that these rules establish standards for operations regardless of whether they result in significant VOC emissions, which would be contrary to the stated purpose.

Furthermore, EPA rationalized its proposed expansion of the NSPS rules to sources beyond processing plants by referring to the “significant VOC emissions from oil and natural gas operations that are not covered by the two existing NSPS.” If true, EPA should limit the new rules to measures actually aimed at reducing VOC emissions instead of endeavoring to impose controls over methane, natural gas, or other greenhouse gases.

EPA’s 2011 recalculation of methane, VOC and HAP emission estimates from natural gas wells are considerably overstated. This has and will continue to undermine essential policy considerations, including the formulation of new regulations being issued by your agency. To prevent further unintended consequences, I request that EPA reevaluate and correct its emissions data to bring it into compliance with the Information Quality Act, as implemented under the Office of Management and Budget guidelines for ensuring and maximizing the quality, objectivity, utility and integrity of information disseminated by Federal Agencies.

I appreciate your consideration of this letter and request – and look forward to working with you to ensure that EPA’s proposed regulations do not harm or restrict domestic energy production.

Sincerely,



James M. Inhofe  
Ranking Member  
United States Senate  
Committee on Environment and Public Works