

July 14, 2022

The Honorable Joe Manchin  
United States Senate  
306 Hart Senate Office Building  
Washington, DC 20510

Re: Potential Methane Fee in Reconciliation Bill

Dear Senator Manchin:

GPA Midstream Association respectfully writes to express our concerns regarding reported energy legislation under consideration that would unduly burden the midstream energy sector that gathers and processes of natural gas that powers a significant portion of the U.S. economy.

Recent reports indicate an amended reconciliation bill being negotiated may include a methane fee, which is deeply troubling considering the geopolitical, economic, and energy security issues facing the American people. Given your prominent role in negotiations over reconciliation and as the Chairman of the U.S. Senate Committee on Energy and Natural Resources, we respectfully request that you oppose any proposal that includes a methane fee. A methane fee was a bad idea last year when it was included in the House-passed Build Back Better (BBB) Act and, in light of changed circumstances over the last seven months, is an even worse idea now.

GPA Midstream Association serves as the collective voice and advocate for the U.S. midstream oil and natural gas sector, including gas gathering and processing. We have been a leader in this space for more than a century, representing members that operate across the country including those with important operations and workers in West Virginia. GPA's more than 60 corporate members directly employ more than 56,000 employees that are engaged in a wide variety of services that move vital energy products such as natural gas, natural gas liquids (NGLs), refined products, and crude oil from production areas to markets across the country. The work of our members indirectly creates or impacts an additional 396,000 jobs and contributes \$75.3 billion in economic value across the U.S. economy. GPA Midstream members recover more than 80% of the NGLs such as ethane, propane, butane, and natural gasoline produced in the U.S. from more than 380 natural gas processing facilities.

Abundant low-cost natural gas is critically important to American businesses and households, especially those in disadvantaged communities. GPA Midstream members have made considerable investments to serve the country's needs for reliable and affordable energy, spending over \$100 billion in capital improvements between 2019 and 2021. Indeed, natural gas now accounts for 40% of U.S. electricity generation. Over the years, our members have made significant emissions reductions while substantially increasing access to affordable, reliable domestic energy for the American people. A methane fee, however formulated, would only impede this progress.

Our industry is already under significant regulatory controls, which are becoming more burdensome, complex and difficult to navigate under the Biden administration—including actions advanced by the administration since the House released its last proposed iteration of the methane fee. For example, late last fall, the U.S. Environmental Protection Agency (EPA) issued a proposal to impose extensive regulatory controls on methane from new *and* existing production, gathering, and processing of natural gas. In parallel, various producing states are actively promulgating and implementing expansive rules directed toward achieving ever-more aggressive emissions reduction targets. GPA member companies are proactively engaged in these regulatory actions and are investing in their assets and their people to achieve ongoing compliance. Enactment of an arbitrary methane fee at the federal level presents the substantial risk of undermining these efforts by diverting resources away from the investments that are necessary to meet these numerous regulatory requirements.

Further, we also know from your Committee's recent oversight of the Federal Energy Regulatory Commission (FERC), that there have been major permitting delays and several significant greenhouse gas (GHG) emissions policies pending before FERC that would impose unprecedented restrictions on essential pipelines that would further impact the midstream business. Earlier this year EPA also issued a novel proposal to regulate—for the first time—the interstate transport of emissions from industrial sources, including from our sector. These are just some of the many actions underway that will add to the regulatory burdens imposed by the federal government on our industry. It will take considerable time, capital expenditures, manpower, and technology to meet the increasing number of new requirements, and a new methane fee should not be imposed on top of these growing burdens.

It would be unsound policy in the best of times to impose a methane fee. But these are not the best of times. The war in Ukraine has increased demand for U.S. energy and led to significant supply chain disruptions that have affected our industry. At the same time, inflation is the highest it has been in four decades, which has translated into higher costs of goods and services for the American people. The last thing we need now is an added tax on American energy. Moreover, as crafted in the BBB Act, the methane fee would negatively impact smaller operators, many of which are GPA Midstream members. Adding more burden on American small business, particularly during an economic downturn, is just wrongheaded. Some press reports have suggested Senate negotiators are considering an extended timeline for the methane fee under the mistaken impression that would mitigate the impact on our sector. A longer runway, however, would not mitigate the effect. Even a deferred fee would impact operations and capital investments today that are critical to ensuring the essential supply for tomorrow.

We are especially troubled by reports that a methane fee is once again under consideration when months have gone by without any Senate hearings or legislative text shared with the public. In September 2021, we wrote Congressional leadership expressing concerns with the rushed process for the then-House Energy and Commerce Committee-passed version of the methane fee (a copy of our letter is attached). While the House proceeded to pass its bill with a methane fee without full consideration or input from the public, we had hoped that the Senate would hold hearings to consider the extensive impact on our economy and allow entities subject to the fee to

provide meaningful feedback on draft legislation. It is not too late to follow the regular order and allow for the open and thorough consideration of any methane fee, and we strongly urge you to provide that opportunity.

Should you ultimately decide to consider a methane fee, we would reinforce our very strong objection to the disparate and unfair treatment of the midstream sector in the BBB Act, which had proposed a higher fee on our businesses. The BBB Act applied a substantially lower intensity threshold for triggering the fee on the midstream sector (taxing emissions above 0.05 percent of natural gas for sale) as compared to the production sector (only taxing emissions above 0.20 percent of natural gas for sale). Absent a revision to the intensity threshold, we estimate that a single midstream company could face a methane fee upwards of \$50 million annually. This disparity between segments not only lacked any technical basis, but it diverged from EPA's GHG subpart W reporting regulations that treat midstream and production the same. As a practical matter, such inconsistencies make it all the more complicated for companies with operations across segments or multiple facilities that should be afforded flexibilities to measure intensity on a company-wide basis or across multiple facilities as other legislative and regulatory controls on emissions have allowed. Accordingly, should the Senate decide to proceed with a methane fee we urge you provide parity with production and flexibilities for those with multiple facilities.

We also understand some have incorrectly described the methane grant program that was included in the BBB Act as a relief mechanism for industry that would mitigate the impact of a methane fee; we want to correct that misconception. As crafted in the BBB Act, the grant funding would be made available to a broad set of stakeholders and entities beyond industry. Moreover, there is considerable uncertainty with how EPA would choose to design and implement a grant program and whether a program could be established and funds awarded ahead of the deadline imposed on industry. We have no objection to such funding; however, the grant program as set up in the BBB Act should not be considered as an offset for industry subject to the methane fee. Quite to the contrary, a methane fee on the midstream sector should be seen for what it would be: a tax on the processing of American natural gas that will lead to cost increases for consumers with ripple effects across our economy.

The budget reconciliation process is an ill-fitting mechanism to draft and enact sound energy and tax legislation. We respectfully urge that any legislation that proposes a methane fee be given a full Committee hearing and openly debated in a transparent, thoughtful bipartisan process. GPA Midstream and its members would welcome an opportunity to discuss these issues with you and your staff. Thank you for your consideration.

Respectfully,

A handwritten signature in black ink, appearing to read "Matthew Hte". The signature is written in a cursive, flowing style.