Proposed Methane Fees May Become A Regulatory Requirement.

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How the CH_4 Fee Works:

EFFECTIVE DATE: A CH_4 fee will be imposed and collected for emissions reported per EPA's Greenhouse Gas Reporting Program (GHGRP) for **calendar 2024 methane emissions**.

APPLICABILITY: Applies to operators who reported ≥ **25,000 mtCO2e** in 2024.

COST: For calendar year 2024, a fee of **$900 per mt$CH_4$** will be assessed. The fee **increases** to $1,200 in 2025 and increases again to $1,500 in 2026.

FEE SCOPE: The fee will be assessed for each **mtCH_4** that **exceeds 0.2%** of the **natural gas** the operator sent to **sales**.

EXEMPTION:** The IRA has a fee **exemption** for operators in compliance with New Source Performance Standard (NSPS) OOOOb and Emission Guidelines (EG) OOOOc.

Exemption Caveat – The exemption will **only be **available if** final EPA regulations addressing methane emissions:

- Are in effect in all states with applicable facilities; **AND**
- Would result in equivalent or greater emissions reductions than EPA's November 2021 NSPS OOOOb and EG OOOOc proposals.

No one likes a mandatory regulation that taps your bottom line and impacts ROI. ESE Partners highly-qualified engineers can help. The tax will be based on emissions for this year. How the proposed methane fee works is below.

TABLE 2—SUMMARY OF PROPOSED BSER & PROPOSED STANDARDS OF PERFORMANCE FOR GHGs AND VOCs [NSPS OOOOb]

AFFECTED SOURCE	CATEGORY	PROPOSED STANDARDS OF PERFORMANCE FOR GHGs AND VOCs
Super-Emitters	Super-Emitters	Root cause analysis and corrective action following notification of super-emitter emissions event.
Single Wellhead Only Well Sites and Small Well Sites	Fugitive Emissions	**Quarterly AVO inspections.** Repair for indications of potential leaks within 15 days of inspection.
Multi-wellhead Only Well Sites (2 or more wellheads)	Fugitive Emissions	**Quarterly AVO inspections.** Repair for indications of potential leaks within 15 days of inspection. AND **Semiannual OGI monitoring** First attempt at repair within 30 days of finding fugitive emissions. Final repair within 30 days of first attempt.
Well Sites with Major Production and Processing Equipment and Centralized Production Facilities	Fugitive Emissions	**Bimonthly AVO inspections.** Repair for indications of potential leaks within 15 days of inspection. AND **Quarterly OGI monitoring.** First attempt at repair within 30 days of finding fugitive emissions. Final repair within 30 days of first attempt.
Compressor Stations	Fugitive Emissions	**Monthly AVO monitoring.** Repair for indications of potential leaks within 15 days of inspection. AND **Quarterly OGI monitoring.** First attempt at repair within 30 days of finding fugitive emissions. Final repair within 30 days of first attempt.
Storage Vessels or Tank Battery with PTE of 6 tpy or more of VOC and PTE of 20 tpy or more of methane	Storage Vessels	**95% reduction** of VOC and methane.
Natural gas-driven that Vent to the Atmosphere	Pneumatic Controllers	VOC and methane **emission rate of zero**.
Well Liquids Unloading	Liquids Unloading	Perform liquids unloading with **zero methane or VOC emissions**. If this is not feasible for safety or technical reasons, employ best management practices to minimize venting of emissions to the maximum extent possible.
Wet Seal Centrifugal Compressors (except for those located at well sites)	Centrifugal Compressors	**95% reduction of methane** and VOC emissions.
Dry Seal Centrifugal Compressors (except for those located at well sites)	Centrifugal Compressors	Volumetric flow rate of **3 scfm**.
Reciprocating Compressors (except for those located at well sites)	Reciprocating Compressors	Volumetric flow rate of **2 scfm**.
Pneumatic Pumps	Pneumatic Pumps	Methane and VOC **emission rate of zero**
Subcategory 1 (non-wildcat and non-delineation wells) with hydraulic fracturing	Well Completions	REC in combination with a completion combustion device; venting in lieu of combustion where combustion would present demonstrable safety hazards. **Initial flowback stage:** Route to a storage vessel or completion vessel (frac tank, lined pit, or other vessel) and separator. **Separation flowback stage:** Route all salable gas from the separator to a flow line or collection system, re-inject the gas into the well or another well, use the gas as an onsite fuel source or use for another useful purpose that a purchased fuel or raw material would serve. If technically infeasible to route recovered gas as specified, recovered gas must be combusted. All liquids must be routed to a storage vessel or well completion vessel, collection system, or be re-injected into the well or another well. The operator is required to have (and use) a separator onsite during the entire flowback period.
Subcategory 2 (exploratory, wildcat, and delineation wells and low-pressure wells) with hydraulic fracturing	Well Completions	The operator is not required to have a separator onsite. Either: (1) Route all flowback to a completion combustion device with a continuous pilot flame; or (2) Route all flowback into one or more well completion vessels and commence operation of a separator unless it is technically infeasible for a separator to function. Any gas present in the flowback before the separator can function is not subject to control under this section. Capture and direct recovered gas to a completion combustion device with a continuous pilot flame. Combustion is not required in conditions that may result in a fire hazard or explosion, or where high heat emissions from a completion combustion device may negatively impact tundra, permafrost, or waterways.
Equipment Leaks at Natural Gas Processing Plants	Fugitive Emissions	LDAR with OGI following procedures in appendix K.
Oil Wells with Associated Gas	Associated Gas	Route associated gas to a sales line. If access to a sales line is not available, the gas can be used as an onsite fuel source or used for another useful purpose that a purchased fuel or raw material would serve. If demonstrated that a sales line and beneficial uses are not technically feasible, the gas can be routed to a flare or other control device that achieves at least 95 percent reduction in methane and VOC emissions.
Sweetening Units	Sweetening Units	Achieve required minimum SO 2 emission reduction efficiency.

*Fugitive monitoring continues for all well sites until the site has been closed, including plugging the wells at the site and submitting a well closure report.

NSPS OOOOb & Methane Tax Response

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esepartners.com

CORPORATE HEADQUARTERS:
2002 WEST GRAND PARKWAY NORTH, SUITE 140
KATY, TEXAS 77449

281.501.6100