

Submitted via Regulations.gov

January 2022

U.S. Environmental Protection Agency
Docket No. EPA-HQ-OAR-2021-0317

Re: Comments on Proposed Rule: Standards of Performance for New, Reconstructed, and Modified Sources and Emissions Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review

Dear Administrator Regan,

EOS at Federated Hermes¹ writes to express support for strong methane emission performance standards and to encourage the Environmental Protection Agency (“EPA”) to work with industry to develop final methane emission performance standards that are workable and level the playing field for standards across industry.

EOS at Federated Hermes is a leading stewardship service provider advising on \$1.71tn² assets. Our engagement activities enable long-term institutional investors to be more active owners of their assets, through dialogue with companies on environmental, social and governance issues. We believe this is essential to build a global financial system that delivers improved long-term returns for investors, as well as better, more sustainable outcomes for society.

The views expressed in this communication are those of EOS at Federated Hermes and do not necessarily represent the views of all of our clients or our affiliates. Our response to this proposed rule is explicitly supported by EOS client PNO Media (the Netherlands).

Our reasons are outlined below:

- We believe methane emissions are an investment risk that has been both under and inconsistently reported by US companies. Strong EPA methane emission performance standards are critical to creating visibility and reducing methane emissions and associated investment risk.
- Methane is a potent near-term heat absorber with Global Warming Potential that is over 80 times higher than that of carbon dioxide over a 20-year period³. Reductions in methane limit temperature increase faster than carbon dioxide reductions in the short term⁴. The UNEP and much of the scientific community has highlighted the need to take immediate action to reduce methane emissions by 2030 in order to

¹ EOS at Federated Hermes is a tradename used by Hermes Equity Ownership Services Limited, which is a subsidiary of Hermes Fund Managers Limited, which, in turn, is a subsidiary of Federated Hermes, Inc. The views of EOS at Federated Hermes’ are its own and do not necessarily represent the views of its affiliated companies

² As at 30 September 2021.

³ UNEP Emissions Gap Report 2021 – Methane Fact Sheet: [EGR21_MREN.p3df \(unep.org\)](#)

⁴ UNEP Emissions Gap Report 2021 – The Heat Is On: [EGR21_HOEN.pdf \(unep.org\)](#)

limit temperature rise to 1.5-degrees C and avoid the worst consequences of climate change⁵.

- The rule would progress the United States' renewed climate leadership at COP26 in Glasgow and commitment to continue to push for action beyond Glasgow and keep 1.5-degrees C goal alive⁶, including via the Global Methane Pledge⁷. Specifically, the rule would target the 35% of anthropogenic methane emissions that are from fossil fuels⁸, and contribute materially to achieving the goals of the Paris Agreement.
- Many oil and gas companies have already demonstrated the feasibility of substantially reducing methane emissions using existing technologies at reasonable cost. Members of the Oil and Gas Climate Initiative and others have voluntarily committed to reducing the collective average methane intensity of aggregated upstream oil and gas operations to well below 0.20% by 2025⁹. However, methane emissions of many companies are much higher than 0.20%¹⁰ and strong regulations are needed to level the playing field and accelerate industry-wide methane reduction and the energy transition. While some disagree, we believe this benefits the economy, the country, and the financial system.
- Reducing methane to reduce climate change has important environmental justice benefits that are conducive to long term financial returns. We note that poor and marginalized communities are expected to incur disproportionately high negative impacts of climate change that they are least equipped to absorb, which could exacerbate existing inequities and add another layer of investment risk. In addition, methane leaks and flaring can be accompanied by toxic and particulate matter with deleterious local health impacts.

Our position on the proposed rule is that it should be principles based, including:

- Enhances reporting transparency, credibility, and comparability:
 - Establishes a transparent, credible, and empirically based methane emissions reporting framework to improve the accuracy and credibility of reported methane emissions data. We endorse the Oil & Gas Methane Partnership 2.0 ("OGMP 2.0")¹¹ disclosure framework, which has been adopted by over 70 companies representing 30% of the world's oil and gas production. Reporting in alignment with the OGMP 2.0 disclosure framework would enable comparative investment analysis among enterprises and facilitate investment risks associated with greenhouse gas emissions to be more accessible to the broader investment community.

⁵ UNEP Emissions Gap Report 2021 – The Heat Is On: [EGR21_HOEN.pdf \(unep.org\)](#)

⁶ [FACT SHEET: Renewed U.S. Leadership in Glasgow Raises Ambition to Tackle Climate Crisis | The White House](#)

⁷ [United States, European Union, and Partners Formally Launch Global Methane Pledge to Keep 1.5C Within Reach - United States Department of State](#)

⁸ UNEP Global Methane Assessment [GMA \(3\).pdf](#)

⁹ See methane intensity commitment in [About OGCI | Collaborating for climate change | Our members](#) and [OGCI Action & Engagement | Reducing methane emissions](#)

¹⁰ See methane intensity commitment in [About OGCI | Collaborating for climate change | Our members](#) and [OGCI Action & Engagement | Reducing methane emissions](#)

¹¹ [Home | OGM Partnership](#)

- Promotes best operating practices:
 - o Reduces the wasteful practice of routine flaring at oil and gas facilities.
 - o Maintains or expands strong leak monitoring and repair standards, including through expanded use of advanced leak detection technologies.
 - o Maintains strong provisions for the deployment of zero-emitting pneumatic controllers.
- Improves public health and safety and environmental justice:
 - o Limits orphan and abandoned wells, as this is a significant problem for public health and safety as well as for methane emissions.
 - o Requires states to engage with the public and industry.

We believe this letter in support of strong methane emissions performance standards is broadly consistent with the perspectives of many other investors, such as others who like ourselves have made commitments to The Net Zero Asset Managers Initiative, One Planet Asset Manager Initiative Principles, Partnership for Carbon Accounting Principles, Statement from Business Leaders for Renewed Global Cooperation, Investor Statement on the Just Transition, Task Force on Climate-related Financial Disclosures and the Climate Action 100+. We also encourage the Environmental Protection Agency (“EPA”) to work with industry to develop final methane emission performance standards that are workable and level the playing field for standards across industry.

Thank you for your consideration.

Respectfully,

Diana Glassman, Director – Engagement
EOS at Federated Hermes