

February 13, 2023

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 support the Environmental Protection Agency (“EPA”) improvements upon its standards in the earlier draft rule released in 2021, including strong provisions maintained from the original proposal. The need for methane regulations is especially urgent as customers are seeking near-term alternatives to Russian supply following its invasion of Ukraine. We express support for the EPA to continue to work with the oil and gas sector, the largest industrial source of methane emissions, and to develop final methane emission performance standards that are workable, level the playing field, and enhance the US industry’s ability to meet customer demand.

EOS at Federated Hermes is a leading stewardship service provider advising on \$1.3tn² assets. Our engagement activities enable long-term institutional investors to be 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 our clients or our affiliates.

Our reasons are outlined below:

- We believe methane emissions are an investment risk that has been both under and inconsistently reported by companies. Strong EPA methane emission performance standards are critical to creating visibility and reducing methane emissions and associated investment risk.
- Russia’s invasion of Ukraine created a unique window of opportunity for US-based suppliers to meet demand of countries seeking new sources of reliable, affordable, environmentally and socially responsible energy. However, uneven methane emissions performance taints the reputation and prospects of the entire industry and hinders the ability of US producers to meet demand. As a result, the EPA can play a constructive role enhancing the US oil and gas sector’s global competitiveness by setting standards that elevate average US-wide methane performance.

¹ EOS at Federated Hermes is a tradename used by Hermes Equity Ownership Services Limited, which is a subsidiary of Federated Hermes 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 of December 31, 2022

- Many oil and gas companies have already demonstrated the feasibility of substantially reducing methane emissions using existing technologies at a reasonable cost. Members of the Oil and Gas Climate Initiative (OGCI) 2.0, including a range of large and small, publicly-traded and privately-owned companies such as ConocoPhillips, Occidental Petroleum, EQT, Devon, Pioneer, EOG, Diversified Energy, PDC, Crescent Energy, Civitas, Jonah Energy, TRP, as well as Cheniere³, Shell, BP, Equinor, Total Energies, Repsol, Eni, Petrobras, and non-signatories such as Chevron, Exxon and many others, have voluntarily committed to reducing the collective average methane intensity of aggregated upstream oil and gas operations to well below 0.20% by 2025⁴. However, methane emissions of many US companies are much higher than 0.20% and only one third of all US operators currently have plans to reduce methane and flaring emissions⁵. Strong regulations are needed to provide accessibility to emissions reductions technologies and accelerate industry-wide methane reduction. As discussed above, this will benefit companies, the economy, the country, and the financial system.
- The rule would progress the United States' climate leadership at COP27 in Sharm El-Sheikh, Egypt including via the Joint Declaration from Energy Importers and Exporters⁶, Egypt, that builds on the commitment to push for methane reduction through The Global Methane Pledge which would support the 1.5°C goal in a collective effort to reduce global methane emissions at least 30% by 2030⁷.
- Methane is a short-term climate force with a global warming potential 86 times more potent than carbon dioxide over a 20-year period⁸, and responsible for at least a quarter of today's global warming⁹. Without cutting methane significantly and rapidly, staying under 1.5°C will not be possible, and 2°C is increasingly out of reach. A recent IPCC report¹⁰ points to potentially catastrophically high economic and societal costs of unmitigated warming, identifies methane pollution as one of the key drivers of climate change and underscores the urgent need for protective action to reduce methane emissions significantly. This disruption would pose systemwide threats to company financial performance, investors and their beneficiaries, including retirees from all walks of life.
- Methane reduction is also important from an environmental justice perspective. We note that poor and marginalised including indigenous 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:

³ [Partners | OGM Partnership](#)

⁴ [An Investor's Guide to the Oil and Gas Methane Partnership 2.0](#)

⁵ [Dallas Fed Energy Survey](#)

⁶ [Joint declaration from energy importers and exporters on reducing greenhouse gas emissions from fossil fuels](#)

⁷ [Global Methane Pledge](#)

⁸ [How Potent is Methane?](#)

⁹ UNEP | [Methane emissions are driving climate change. Here's how to reduce them](#)

¹⁰ [IPCC Sixth Assessment Report](#)

- Enhance reporting transparency, credibility, and comparability:
 - Establish a transparent, credible, and empirically based methane emissions reporting framework to improve the accuracy and credibility of reported methane emissions data to enable investors to clearly differentiate between leaders and laggards. We endorse the Oil & Gas Methane Partnership 2.0¹¹ disclosure framework, which has been adopted by over 80 companies involved in oil and gas production. Reporting in alignment with the OGMP 2.0 disclosure framework would enable comparable investment analysis among enterprises and facilitate investment risks associated with methane emissions to be more accessible to the broader investment community.
- Promote best operating practices
 - Maintain strengthened provisions to require leak monitoring of substantially all sites with leak-prone equipment, including high-polluting, smaller wells, while providing flexibility for compliance by allowing a wider selection of advanced technologies to be used if they deliver equal or better reductions.
 - Maintain strong provisions to phase out polluting pneumatics controllers and pumps in favor of zero-emitting alternatives.
 - Substantially reduce the wasteful practice of flaring by ensuring well operators capture associated gas and limit flaring of that gas to instances in which it is necessary for safety or maintenance reasons.
- Improve public health and safety and environmental justice:
 - Monitor abandoned and unplugged wells until all wells have been plugged and equipment removed and require owners to be responsible for all necessary closure plans, financial assurance, and post closure surveying as well as repairs if emissions are detected post closure.
 - Require timely and equitable engagement for stakeholders, and communities most affected by and/or vulnerable to impacts.
 - Ensure Tribal Nations a voice in the development of resources within their territories.

We believe this letter in support of strong methane emissions performance standards is consistent with our fiduciary responsibility to our clients and their beneficiaries. Reducing methane pollution from the US oil and gas industry is a cost-effective and pragmatic way to mitigate risks to oil and gas investments and slow climate change and the risks it poses to companies, investors and society. We encourage the EPA to continue to build on the progress in the supplemental proposal and to move swiftly to finalise comprehensive standards.

Thank you for your consideration.

¹¹ [Oil & Gas Methane Partnership 2.0](#)

Respectfully,

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EOS at Federated Hermes