

August 16, 2023

U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration

1200 New Jersey Avenue SE

Washington, DC 20590

Attn: Docket No. PHMSA-2021-0039

RE: Comments on Proposed Rule: Pipeline Safety: Gas Pipeline Leak Detection and Repair (proposed rule)

Dear Deputy Administrator Tristan Brown,

EOS at Federated Hermes Limited¹ writes to support the Pipeline and Hazardous Materials Safety Administration's (PHMSA) proposed rule to enhance gas pipeline leak detection and repair. EOS at Federated Hermes Limited (EOS) is a leading stewardship service provider advising on \$1.4tn² assets on behalf of global international institutional investors. Our purpose is to support clients to be active and responsible owners, seeking alignment between their investee companies and the long-term fiduciary interests of their investors. The views expressed in this communication are those of EOS and do not necessarily represent the views of all our clients or our affiliates.

We commend your agency's efforts to enhance public safety and reduce methane emissions through improved pipeline operations and leak management practices. We believe these practices will help investors reduce material financial risks, enhance the US oil and gas sector's global competitiveness, create economic and geopolitical benefits, and help mitigate health, safety and environmental concerns. We express support for PHMSA to continue to work with the oil and gas sector, the largest industrial source of methane emissions, and to develop a final rule that is workable, levels the playing field, and enhances the US industry's ability to meet customer demand, particularly as customers in Europe and Asia seek alternatives to Russian supply following its invasion of Ukraine.

Our reasons are outlined below:

- We believe methane emissions across the oil and gas value chain is an investment risk that has been both under and inconsistently reported by companies. Improved practices are critical to creating visibility and reducing safety, emissions and reputation 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, and environmentally conscious energy. However, uneven methane emissions performance taints the reputation of the entire industry and create customer concerns about US suppliers. As a result, PHMSA 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.
 - Customers in friendly nations increasingly prefer low methane emission suppliers.³

¹ EOS at Federated Hermes Limited 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 Limited are its own and do not necessarily represent the views of its affiliated companies.

² As of June 30, 2023

³ [Most recently, the EU, Australia, Japan and South Korea, who are all large liquified natural gas \(LNG\) customers, participated in a joint statement affirming the importance of transparency for methane emissions data in the fossil energy sector and supporting accelerated methane reduction in the LNG value chain](#)

- Some leading operators have already taken technically-viable and cost effective actions to improve methane performance⁴.
- However, greater regulatory oversight is needed to raise the bar on midstream methane performance and to help customers to evaluate their suppliers' performance. Research shows that emissions from pipeline infrastructure is, in certain basins, concerningly high and can be significantly underestimated. For example, in the Permian Basin, research indicates 50% of methane emissions are from midstream sources⁵. Other research shows that Permian Basin gas gathering pipelines leak at least 213,000 metric tons of methane per year, which is 14 times greater than the EPA's inventory estimates and, had it not been wasted, could have met the needs of 2.1 million homes⁶. The Permian Basin's methane intensity is 3.5-3.7%⁷ compared to US average methane intensity at 2.3%⁸ but its negative methane reputation coupled with the US's position as the third largest absolute emitter of methane from an oil and gas perspective, only slightly behind Russia,⁹ taints customer perceptions of US suppliers. This unfairly harms upstream producers and midstream providers who are reducing their methane emissions including in the Marcellus Shale.
- The rule would also progress the US's position going into the upcoming COP28 in Dubai, whose agenda will in large part focus global attention on reducing methane across the supply chain. It would also progress the US's climate leadership at COP27 in Sharm El-Sheikh, Egypt including via the Joint Declaration from Energy Importers and Exporters¹⁰, Egypt, that built upon The Global Methane Pledge launched at COP 26 in Glasgow, a collective effort to reduce global methane emissions at least 30% by 2030¹¹, which is supportive of the goal of capping global temperature rise to 1.5°C.
- Methane is a short-term climate force with a global warming potential 86 times more potent than carbon dioxide over a 20-year period¹², and responsible for at least a quarter of today's global warming from human sources¹³. 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 report¹⁴ points to potentially catastrophically high economic and societal costs of unmitigated warming, identifies methane emissions 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 a human rights perspective. We note that poor and marginalized, 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. Furthermore, in addition to being a safety hazard, methane leaks can be accompanied by toxic and particulate matter with deleterious local health impacts.

⁴ For example, to identify leaks more efficiently, Williams, Pacific Gas & Electric (PG&E) and National Grid NY conduct surveys using advanced leak detection technologies such as aerial surveys. Consolidated Edison (ConEd) has proposed to use advanced leak detection technologies and the company repairs leaks much more quickly than minimum federal requirements. As noted in the proposal, aerial surveys can be highly cost-effective on a variety of different facility types, including long-distance transmission and gathering lines. Additionally, to stop product loss and reduce emissions from blowdowns, Williams implements capture and recompression measures while PG&E uses cross compression. Reducing product loss results in cost savings for natural gas suppliers and consumers and improves the efficiency and reliability of U.S. energy infrastructure.

⁵ [Permian Methane Analysis Project](#)

⁶ [Methane Emissions from Natural Gas Gathering Pipelines in the Permian Basin](#)

⁷ [Quantifying methane emissions from the largest oil-producing basin in the United States from space](#)

⁸ [Assessment of methane emissions from the U.S. oil and gas supply chain](#)

⁹ [Global Methane Assessment: Benefits and Costs of Mitigating Methane Emissions | UNEP – UN Environment Programme \(see Full Report, pg 33\)](#)

¹⁰ [Joint declaration from energy importers and exporters on reducing greenhouse gas emissions from fossil fuels](#)

¹¹ [Global Methane Pledge](#)

¹² [How Potent is Methane?](#)

¹³ [UNEP | Methane emissions are driving climate change. Here's how to reduce them](#)

¹⁴ [IPCC Sixth Assessment Report](#)

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

- 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 and customers to clearly differentiate between leaders and laggards¹⁵.
 - Require all pipeline mileage to be reported to the National Pipeline Mapping System, including the 300,000 miles of currently unregulated gathering lines¹⁶.
- Promote best operating practices:
 - Add clear and rigorous requirements for deploying advanced leak detection technology and capturing emissions from intentional releases, rather than simply allowing operators to consider options.
 - Tighten the exemption for repairing leaks on pipe segments that are scheduled to be replaced in the next five years.
 - Expand applicability of protective standards to all gas gathering pipelines. Because leaks and operational releases from gathering lines are a notable source of methane and other air pollutants, we encourage PHMSA to expand leak survey repair standards, including the use of advanced leak detection, to all gathering pipelines.
- Improve public health and safety:
 - Consider communities including Tribal Nations when prioritizing leak detection and repair.
 - Require operators to report information on hydrogen mixing to maximize transparency and ensure that communities are aware of these operations as there may be impacts on asset integrity.
- Further value chain regulatory oversight and transparency:
 - We respectfully highlight three potential opportunities for PHMSA to coordinate more closely with other regulatory agencies and stakeholders including investors to mitigate financially material safety, health and methane emissions-related investment risks cost-effectively and efficiently across the value chain.
 - First, we urge PHMSA to use its relationship with the EPA and other agencies to ensure combined oversight encompasses the entirety of the value chain. We urge PHMSA to drive minimization of overlooked methane leaks and safety and health hazards that impact investor returns, including regulatory gaps between the end of the EPA upstream oversight boundary and the beginning of PHMSA midstream oversight boundary. For example, we point to unregulated gathering and processing lines that may carry hydrocarbons with higher concentrations of volatile organic compounds known to negatively impact human health and have high average methane emissions relative to other parts of the midstream.
 - Second, we urge PHMSA to support investor-driven requests that companies disclose the methane intensity of the hydrocarbons they carry (throughput). We note that the American Petroleum Institute already provides guidance to its upstream members¹⁷ that enable midstream companies to provide this metric.
 - Third, we urge PHMSA to coordinate with the EPA to identify methane emissions and safety hazards of companies that flare gas produced alongside oil (associated gas) due to lack of midstream infrastructure. We believe that requiring midstream companies to disclose the throughput metric described immediately above can help investors differentiate which

¹⁵ One mechanism is the Oil & Gas Methane Partnership 2.0 disclosure framework, which has been adopted by leading midstream players such as Cheniere and Williams. Reporting in alignment with the OGMP 2.0 disclosure framework would enable comparable analysis of investment risk and supplier performance.

¹⁶ [Research shows gathering pipelines in the Permian Basin leaking 14 times more methane than officials estimate \(edf.org\)](#) (see second half of the blog)

¹⁷ [API | GHG Reporting](#)

midstream companies have the greatest reputational risk from carrying high methane intensity oil.

We believe this letter in support of PHMSA's efforts to modernize decades-old leak detection rules is consistent with our fiduciary responsibility to our clients and their beneficiaries. We believe that reducing methane emissions from the US oil and gas sector is a cost-effective and pragmatic way to mitigate risks to oil and gas investments, enhance local safety and health, and slow climate change and the risks it poses to companies, investors and society. We encourage PHMSA to build on the progress in its initial proposal and to move swiftly to finalize protective standards.

Thank you for your consideration.

Respectfully,

Dana Barnes, Associate – Engagement
Diana Glassman, Director – Engagement

EOS at Federated Hermes Limited