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Methane Emissions Tax: Wrong Path to Manage Methane in Kansas and Beyond

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The Biden Administration announced that it will be revising and expanding federal regulation of methane emissions. States are actively implementing their own regulations. And yet, now, Congress is considering an inappropriate and unworkable methane emissions tax.

The *Methane Emissions Reduction Act* is unnecessary in light of the regulations in place and anticipated. The fee would be difficult to implement, duplicative, punitive, and will be costly.

This tax is inequitable, unworkable and the wrong path to manage methane. Here's why:

Reducing methane emissions is a top priority for the oil and natural gas industry. As a result of technology and efficiency measures, emissions relative to oil and natural gas production were down nearly 70% between 2011 and 2019 and are expected to continue to trend downward. The U.S. EPA already directly regulates methane emissions from the oil and natural gas sector, and the EPA is planning additional regulations.

The Biden Administration and Democrat Leadership committed to not increasing taxes on small businesses. Most businesses that would be subjected to this tax are small businesses.

The tax is based on ambient methane emissions measurements. The measurements would have to distinguish between oil and natural gas production, agricultural emissions – about a third of U.S. methane emissions – and landfill emissions – about a third of U.S. methane emissions. And the measurements would have to be continuous – 24 hours/day every day. No such system exists and cannot be created in the foreseeable future.

The tax only targets emissions from the oil and natural gas industry, ignoring methane emissions from agriculture (the #1 total source of methane emissions in the U.S.), waste management (the #3 source), and coal (the #4 source). Because oil and natural gas account for nearly 70% of energy consumption in the U.S., new fees could have a ripple effect across the U.S. economy at a time when inflation is already on the rise. This could reduce the number of jobs supported throughout the economy by 155,000, with the largest jobs impact concentrated in the services industries.

The Biden Administration has announced it will revise and expand oil and natural gas industry methane emissions regulations. Compliance with these regulations will be costly. Congress has demanded expanded regulation; it should not then impose burdensome taxes on these regulated industries.

The increased product costs for natural gas created by the tax will reduce its demand as users shift to cheaper fuels, like coal.

Finally, industry segments would be taxed multiple times. For example, pipelines that cross multiple AAPG geological provinces would pay the tax multiple times. A natural gas pipeline beginning in western Kansas could pass through five geological provinces before reaching its market and would have to pay five different times.

Congressional Democrats are proposing to include a methane fee in the \$3.5 trillion reconciliation package to raise revenues. The methane fee measure has never been the subject of a Congressional hearing, and therefore has not been appropriately analyzed or debated among lawmakers. The proposal has not been vetted to assess the economic hardship it could impose on lower income Americans. Congressional lawmakers should oppose the methane fee proposal and any effort to drive this bad policy into reconciliation.

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