Taxes/Methane Emissions: American Petroleum Institute Letter to U.S. Committee on Environment and Public Works Stating Opposition

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The American Petroleum Institute ("API") and a number of other natural resources and business organizations authored a September 7th letter to the Chairman and Ranking Member of the United States Senate Committee on Environment and Public Works ("Committee") opposing a proposed tax on methane emissions.

The letter was addressed to Senator Carper as Chairman and Senator Shelley Moore Capito as Ranking Member of the Committee.

Arkansas organizations signing the letter included:

- Arkansas Independent Producers & Royalty Owners
- Arkansas State Chamber of Commerce

API notes its opposition to the Methane Emissions Reduction Act of 2021 ("Act"). It is described as proposing to place a fee on methane emissions from oil and natural gas facilities at a default rate of $1,800 per ton which would increase 5% above inflation annually.

The Actl is also stated to include an import fee levied on each company that imports crude oil, natural gas, or natural gas liquids into the United States.

The possibility of the Act being included in the pending reconciliation bill as a pay-for is a particular focus of the letter.

The concentration of methane in the atmosphere has, and continues to be, a concern in terms of its contribution to global warming. Oil and gas operations may be the largest source in the energy sector.

The API letter to the Committee argues in part:

- Reducing methane emissions is a priority for the oil and natural gas industry
- Emissions relative to production in five of the seven largest producing basins decreased nearly 70% between 2011 and 2019
- Producers are incentivized to reduce methane emissions as this is a product
- The U.S. Environmental Protection Agency and several states already directly regulate methane emissions from the oil and natural gas sector
- Direct regulation of methane is a better method to implement as a government policy
- A methane tax will be difficult to implement

- Placing a fee on this commodity could lead to increased costs resulting in a switch from natural gas to higher emitting sources
- The direct cost to the economy could initially be as high as $14.4 billion with 155,000 jobs impacted
- A significant impact on certain states' balance sheet could be substantial

A copy of the letter can be downloaded here.