

Regulatory Uncertainty The New Normal?

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Agenda

- Introduction
- Federal Regulatory Activity
- State Regulatory Activity
- Questions

Federal Regulatory Activity



Recent Regulatory History

- Under Obama Administration
 - NSPS Subpart OOOO.
 - Climate Change Policy Documents.
 - NSPS Subpart OOOOa.
 - Control Technique Guidelines.
 - Information Collection Request.

- Administration Change
 - Shift in Approach to Regulating O&G Industry.
 - Presidential Executive Order on Promoting Energy Independence and Economic Growth.
 - NSPS Subpart OOOOa Regulatory Stays and Litigation.

NSPS Subpart 0000

- ❑ Originally promulgated in July 2012.
- ❑ Regulates different affected oil and gas equipment and activities if constructed, modified, or reconstructed between 8/23/2011 and 9/18/2015.
- ❑ Standards for emissions of VOC and SO₂.
- ❑ First time emissions from many of these activities were regulated at the federal level.

Policy Documents

- ❑ Obama Administration policies that triggered further regulatory initiatives for O&G industry
- ❑ June 2013 – Climate Action Plan.
 - March 2014 – Strategy to Reduce CH₄ Emissions.
 - April 2014 – Technical White Papers.
 - January 2015 – Strategy for Reducing Methane and Ozone Forming Pollution from the Oil and Gas Industry.
- ❑ Overall goal of reducing GHG emissions with emphasis on O&G industry

NSPS Subpart 0000a

- ❑ Key regulation driven by new policies.
- ❑ Proposed September 2015 and finalized June 2016.
- ❑ First time that reduction of CH₄ emissions was required.
- ❑ Similar in structure and content to NSPS Subpart 0000 but with additional/more stringent requirements for certain sources.

CTGs and ICR

- ❑ Final Control Technique Guidelines (CTGs) for O&G sources issued October 2016.
 - Not a regulation but establishes expectations for control of O&G emissions by States.
 - For existing oil and gas sources in non-attainment areas.
 - U.S. EPA proposed withdrawal of the CTG on March 9, 2018.
- ❑ Shortly after, EPA issued Information Collection Request (ICR) in November 2016.
 - Driven by EPA's need to better understand emissions from existing O&G operations.
 - Could have ultimately led to development of new regulations for existing O&G operations regardless of attainment status under CAA §111(d).
 - Ultimately withdrawn by Trump administration.

Trump Administration Policy Shift

- ❑ March 28th Presidential Executive Order Promoting Energy Independence and Economic Growth
- ❑ Required EPA to review NSPS Subpart OOOOa to ensure consistency with President Trump's policy for energy independence and economic growth
- ❑ Triggered regulatory actions and litigation around NSPS Subpart OOOOa

NSPS Subpart 0000a Stays and Subsequent Litigation

- EPA granted 90-day stay of certain NSPS Subpart 0000a requirements on 6/5/2017
- Also proposed to extend the stay by an additional 2 years and 90 days
- Initial EPA stay challenged in court by environmental groups
- U.S. Court of Appeals for the D.C. Circuit rule in favor of environmental groups on 7/3/2017 and vacated EPA's stay
- The provisions of Subpart 0000a remain in place for most affected facilities
 - March 12, 2018 amendments to Subpart 0000a

ICR Withdrawal

- ❑ Final ICR issued 11/10/2016 but later withdrawn on 3/2/2017
- ❑ Withdrawal based on EPA wanting to assess the need for the information being requested and reduce burden on oil and gas industry
- ❑ Notices of intent to sue sent to EPA by certain states and environmental groups in June and August 2017
 - Provide 180-day notice to EPA.
 - Intend to push EPA to promulgated §111(d) regulations for existing O&G operations.
 - Justified in part by EPA's withdrawal of the ICR.

Where Do We Stand Now?

- ❑ Obama-era regulations still in effect
- ❑ Trump administration and EPA expected to continue working to lessen regulatory obligations for O&G industry
 - However, rolling back existing regulations will be a slow-going process due to litigation from environmental groups and some states.
- ❑ ICR withdrawn and no indication of EPA working to develop §111(d) regulations
 - However, 180-day notices of intent to sue may mean we will see litigation on this issue by late 2017 or early 2018.
- ❑ States are developing their own regulations

State Regulatory Activity



One Size Does Not Fit All

- ❑ State Specific Requirements Vary Significantly
 - Several examples to follow reflecting stringent state provisions based on limited survey.
- ❑ Differing Regulatory Circumstances
 - State specific minor source permitting requirements.
 - State specific technology - based requirements.
 - Prevalence of ozone non-attainment.
- ❑ Oil and Gas Industry “Footprint”
 - Exploration and production.
 - Transmission.
- ❑ Political Climate
 - “Red versus blue”.
 - Urban versus rural.

Pennsylvania

- ❑ Where Does Pennsylvania Fit?
 - (a) Differing regulatory circumstances.
 - (b) Oil and gas industry footprint.
 - (c) Political climate.
 - (d) All of the above.

- ❑ Pennsylvania Circumstances
 - A purple state, located in the Ozone Transport Region, technology-based permitting requirements, Appalachian basin underlain with Marcellus and Utica shale, with both urban and rural oil and gas operations.
 - Answer: (d) all of the above.

Pennsylvania

- ❑ January 2016 State Methane Plan
 - Reduce leaks at “unconventional” well pads.
 - Reduce leaks at new compressor stations and processing plants.
 - Reduce leaks at “existing” oil and gas sources.
 - Reduce leaks “along” production, gathering, transmission, and distribution line.
- ❑ Plan Components
 - Proposed new General Permit (GP-5A) and revised GP-5 for new unconventional production (GP-5A), midstream, and transmission (GP-5) operations.
 - Control technique guideline (CTG) based rule for existing operations.

Pennsylvania

- Proposed GP-5/GP-5A Address:
 - Affected units including drilling/fracking, completions, combustion, dehydration units, RICE units, compressors, tanks, fugitive emissions, controllers, pumps, emission controls, pigging, combustion turbines, and wellbore liquids unloading.
 - Applicable federal requirements
 - State - specific Best Available Technology (BAT) for affected units
 - Typically more stringent than NSPS requirements
 - Quarterly LDAR for well pads.
 - Monitoring, testing, recordkeeping, and reporting requirement.
 - Pennsylvania SIP regulations (e.g., PM, SO₂, fugitive emissions, etc.).

- Final GPs Expected Summer 2018

Pennsylvania

- ❑ Control Technique Guideline (CTG) Rule
 - Pennsylvania managed as ozone nonattainment area.
 - CTG will apply to affected existing oil and gas operations in the State.
 - Proposed Rule Expected Q2 2018.
 - Rule will largely mirror Subpar 0000a requirements.
- ❑ Limited Exemption No. 38 for “conventional” operations

Colorado

- Revisions to Regulation No. 7 to Address the CTG Provisions
 - Current Regulation No. 7:
 - Addresses storage vessels, reciprocating and centrifugal, compressors, pneumatic controllers, pneumatic pumps, equipment leaks at processing plants, fugitive emissions at well sites/compressor stations and other sources not addressed by the CTG rule.
 - Includes several state-only provisions that are more stringent than the CTG but are not part of the ozone SIP.
 - The proposed revisions will incorporate provisions of the CTG that are not currently addressed in Regulation No. 7.
 - Provisions more stringent than the CTG will be retained and made part of the ozone SIP.
 - The SIP submittal deadline is October 27, 2018.

California

- ❑ Subchapter 13: Greenhouse Gas Emissions for Crude Oil and Natural Gas Facilities
 - Final Rule July 17, 2017, effective date October 1, 2017
 - Applies to the following facilities, including facilities located in California waters:
 - Onshore and offshore crude and natural gas production.
 - Crude oil, condensate, and produced water separation/storage.
 - Natural gas underground storage.
 - Natural gas processing plants.
 - Natural gas transmission stations.

California

- Requirements
 - Separator/tank systems – flash analysis, vapor collection/control if > 10 metric ton methane/yr.
 - Stimulation circulation tanks – best practice plan (BPP) to minimize emissions, with written control technology assessment report, with eventual control requirement if possible.
 - Reciprocating Compressors – Production facilities: LDAR, control of rod packing seal emissions or measurement/repair. Gathering and Boosting: LDAR, annual vent stack measurement, control of rod packing seal emissions.
 - Centrifugal Compressors – LDAR, direct measurement of emissions annually, control by vapor collection system or measurement/repair.

California

- Requirements (continued)
 - Pneumatic Controllers - January 1, 2019 no venting of continuous bleed devices, existing devices shall not exceed six scfh when idle, identification tags, annual testing and repair, annual reporting.
 - Pneumatic Pumps - January 1, 2019 no venting of continuous bleed devices, replace/retrofit with devices vented to a control system.
 - Liquids unloading – collection of gases, measurement of volume, or calculation of volume, and record volume vented, record and report results annually.
 - Well Case Venting - measurement and record volume vented, record and report results annually.
 - Underground Natural Gas Storage – prepare and submit monitoring plan, gain approval of monitoring plan by CARB, monitor facility, plan must include ambient monitoring upwind/downwind with alarm trigger, and daily or continuous leak screening, and alarm set point.

Other Oil & Gas States

- ❑ Texas, North Dakota, West Virginia, Oklahoma, etc.
- ❑ Existing oil and gas-specific air permitting mechanisms and other air quality regulations
- ❑ No known active oil and gas rulemaking for air quality
- ❑ Not expected to regulate industry with more stringency than existing federal requirements

Questions

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