

Midland Reporter-Telegram

WEEKEND EDITION

Methane intensity tax still on track for 2024 start

By Mella McEwen OIL EDITOR

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Courtesy OTA Environmental

The gas being vented by this flare is undetectable without an infrared camera.

A new year is rapidly approaching, and with it oil and gas producers could see a new tax — a methane intensity tax that takes effect in 2024, with tax collections starting in 2025.

“The Methane Intensity Tax is still coming at us,” Grant Swartzwelder, president of OTA Environmental Solutions, told the Reporter-Telegram by email.

Swartzwelder noted that there have been efforts to eliminate the tax, including the “Protecting the Permian Basin” act submitted by Congressman August Pfluger, the Republican whose District 11 includes much of the Permian Basin, that would repeal the methane intensity fee. Those efforts, Swartzwelder, have not met with much success.

His real concern is that the tax “targets the independents who can least pay this additional tax.”

The tax builds on the Environmental Protection Agency’s Greenhouse Gas Reporting Program, an annual emissions report required of oil and gas facilities that emit 25,000 metric tons of carbon dioxide or more per year. The emissions inventory is calculated from measured data and standard emissions factors for each equipment component at the facility.

The tax, included in the 2022 Inflation Reduction Act, applies to emissions reported under the EPA program that exceed a methane intensity threshold. According to OTA, the rate begins in 2024 at \$900 per metric ton of methane emissions. For oil and gas production facilities, that's 0.2% of natural gas sold based on a 2021 sector average. For gathering and boosting facilities, it's 0.05% of natural gas sold, and for gas transmission facilities, 0.11% of natural gas sold.

The fee rises to \$1,200 per metric ton in 2026 and \$1,500 thereafter. OTA said the fee apparently applies to most categories of oil and gas facilities emitting at least 25,000 metric tons of carbon dioxide equivalent per year, though there is an exemption for facilities in compliance with Clean Air Act OOOOa, b and c regulations.

Bloomberg reported this week that the record-breaking heat experienced this summer resulted in the release of hundreds of tons of natural gas into the air as the heat forced equipment to slow down, releasing methane into the atmosphere above the Permian Basin. The releases were captured a new telescope, EMIT, attached to the International Space Station and scanned the Permian Basin five different days during the heat wave. Scientists studying the EMIT data identified 22 methane plumes during the heat wave, estimating they were gushing a total of more than 79 metric tons an hour, the same short-term global warming impact as 2.8 million idling cars.

While this increase wouldn't be subject to the methane intensity tax this year, "(They) could really hurt companies in 2024 when an actual tax will be levied," Swartzwelder wrote. "Now, they are just items on a report. In 2024, there will be money involved."