

Oil and Gas Advisory

From the Buchanan Ingersoll & Rooney Oil and Gas Industry Group

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EPA Proposes New Stringent Regulations for Control of Air Emissions from Oil and Natural Gas Production Facilities

On July 28, 2011, the Environmental Protection Agency (EPA) published proposed rules which will significantly strengthen the regulation of air emissions from the oil and gas industry.¹

The 604-page EPA proposal includes four air regulations for the oil and natural gas industry, a new source performance standard for volatile organic compounds (VOCs), a new source performance standard for sulfur dioxide, an air toxic standard for oil and natural gas production and an air toxic standard for natural gas transmission and storage. EPA is touting what it refers to as a co-benefit of reducing methane emissions from new and modified wells, thereby also reducing green house gas emissions. According to the EPA, oil and natural gas production and processing account for up to 40% of all U.S. methane emissions, making them the nation's largest methane source.

The EPA proposal includes adopting new technologies and best practices for gas production equipment, which the EPA claims will allow operators to capture and market the natural gas that currently escapes into the atmosphere. Part of the package of proposed rules includes New Source Performance Standards Review (NSPS) for production facilities. The existing standards cover only natural gas processing plants. This proposal would add the following sources to NSPS review: well completions, compressors, pneumatic controllers and storage vessels. The term "well completion" refers to the drilling process and all other steps, including hydraulic fracturing, to complete the well and prepare it for production. The new rule would apply to all fracked wells, including new and existing wells that are refracked. EPA claims that the new rule would achieve a 95% VOC reduction and a 90% recovery of saleable natural gas. The new rule would require flaring in some situations where flaring is not hazardous.

EPA asserts that the NSPS will not create new permitting issues. Implementing controls under the NSPS, according to EPA, will reduce the chances that wells will comprise "major sources" under the regulations. Major sources require a more stringent permitting process, including application of Non-Attainment New Source Review (NANSR) and/or Prevention of Significant Deterioration (PSD). Thus to the extent implementation of these proposed standards will reduce emissions, they may tend to keep them below the "major source" criteria.

The proposal also intends to reduce air toxic emissions by identifying unregulated emission points and requiring reduction of emissions from those points, including glycol hydrators and storage tanks.

Public comment on the proposed rules will be accepted for 60 days following publication in the Federal Register. The Agency will hold three public hearings: in Dallas, Denver and Pittsburgh.

¹ EPA is required under a Consent Decree to finalize these rules by February 28, 2012.

For more information, email the author(s) at firmadvisory@bipc.com.

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