

May 9, 2014

Air and Radiation Docket and Information Center
U.S. Environmental Protection Agency
Mail Code: 2822T
1200 Pennsylvania Ave., NW
Washington DC, 20460
ATTN: Docket ID No. EPA-HQ-OAR-2013-0495

RE: Comments on EPA’s “Standards of Performance for Greenhouse Gas Emissions from Stationary Sources: Electric Generating Units; Proposed Rule”

These comments are filed on behalf of the Independent Petroleum Association of America (IPAA). IPAA represents the thousands of independent oil and natural gas explorers and producers, as well as the service and supply industries that support their efforts, that will be the most significantly affected by the proposed regulatory action. Independent producers drill about 95 percent of American oil and natural gas wells, produce about 54 percent of American oil, and more than 85 percent of American natural gas.

Additionally, a component of IPAA’s membership includes those companies that use enhanced oil recovery (EOR) techniques – such as the use of carbon dioxide (CO₂) – to extract oil and natural gas from American oil and natural gas fields to produce additional resources that were not extracted during initial production activities. In addition to producing American oil and natural gas from existing fields in the United States, CO₂-EOR provides the dual benefit of acting as a commercial process that mitigates greenhouse gas (GHG) emissions through Carbon Capture and Sequestration (CCS) and incidental storage. IPAA opposes any efforts that would make CO₂-EOR a more costly undertaking or an unworkable regulatory framework that would result in the premature shut-in of American resources.

Moreover, IPAA opposes any efforts by EPA that would increase the costs of using natural gas in electric generating units. The combination of horizontal drilling and hydraulic fracturing has allowed independent producers to lead the way in unlocking America’s shale resources. The picture with respect to natural gas production in the United States is bright. The Potential Gas Committee (PGC) determined, in the PGC’s 2012 year-end biennial report, that the United States possesses a technically recoverable natural gas resource potential of 2,384 trillion cubic feet (Tcf). The 2012 year-end report was the highest resource evaluation in the PGC’s 48 year history—exceeding by 486 Tcf the previous record-high assessment from year-end 2010. The PGC’s resource evaluation shows that the United States, at current consumption levels, has a 100-year supply of natural gas.

The natural gas renaissance in the United States will result in America having the lowest long-term natural gas prices of any industrial nation. The United States, for example, could have natural gas at half the cost of European natural gas and at one-third of the cost in Asia. As a result, the United States

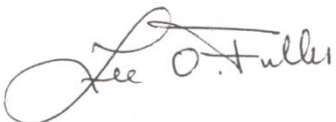
has a built-in price advantage, for individual and commercial energy costs, compared to our competitors. The abundance of affordable natural gas in the United States also allows the opportunity for the American economy to utilize natural gas for greater electricity generation. In addition to the economic benefits of affordable electricity, power generation from natural gas has fewer environmental emissions than other fuel sources.

“U.S. CO₂ emissions from energy use (which account for 97% of total U.S. emissions) declined by around 9% between 2008 and 2012, largely due to a shift from coal to less CO₂-intensive natural gas for electricity production”. Despite such good news, EPA’s proposed rulemaking for New Source Performance Standard for Greenhouse Gas Emissions from Stationary Sources: Electric Generating Units threatens to make electric generation from natural gas an overly costly endeavor. IPAA would encourage EPA to contemplate the long-term impacts of its regulation on the need for affordable power generation.

In addition, IPAA strongly encourages EPA to adopt a holistic approach to ensuring that CCS and the use of CO₂ in EOR operations will be a viable option for controlling GHG emissions. If CO₂ is to be a viable commercial product for use in EOR, EPA must be mindful of the consequences of other significant regulations. EPA’s Underground Injection Control (UIC) Class VI rule will mandate a conversion from the Class II wells currently used for CO₂ injection, which will create additional costs with a number of regulatory and legal uncertainties and challenges. Separately, EPA is proposing to require that the entity purchasing and then injecting the CO₂ for storage must report the CO₂ storage to EPA under Subpart RR of the GHG reporting rules. The requirement to report under Subpart RR carries a number of pitfalls, such as conflicting goals of “waste disposal” versus resource maximization, and obtaining approval of a monitoring, reporting and verification (MRV) plan. IPAA also warns that NSPS should not be based on unrealistic commercial expectations. As proposed, the NSPS is premised on the assumption that CO₂ will be marketable at any price. In fact, CO₂ for EOR operations will be limited by demand, available pipeline infrastructure, and cost. These concerns are described in greater detail in the comments submitted by the North American Carbon Capture and Storage Association and the Partnership for a Better Energy Future, which IPAA endorses.

If we can provide further information, please contact Lee Fuller (at lfuller@ipaa.org) or Matt Kellogg (at mkellogg@ipaa.org) or by phone at 202-857-4722.

Sincerely,

A handwritten signature in black ink that reads "Lee O. Fuller". The signature is written in a cursive style with a large, looping initial "L".

Lee O. Fuller
Vice President of Government Relations
Independent Petroleum Association of America