



POLICY BRIEF: METHANE TAX – REPEAL AND CONGRESSIONAL REVIEW ACT (CRA) RESOLUTION

Overview

The Methane Emissions Reduction Program (MERP) – Methane Tax – was enacted in 2022 as a part of the Inflation Reduction Act (IRA). The MERP includes two broad components – an array of spending provisions and a tax on methane emissions from oil and natural gas operations. Regulations implementing the Methane Tax have been promulgated in two packages. The first includes revisions to the Subpart W Greenhouse Gases Reporting Program (GHGRP); these regulations were posted on May 6, 2024. The second includes provisions creating the Waste Emissions Charge (WEC) – the Methane Tax; these regulations were finalized November 18, 2024.

IPAA opposed enactment of the Methane Tax. After its enactment, IPAA filed comments on both regulatory proposals and has now filed litigation challenging both regulatory packages.

Potential Congressional Actions

With the opening of the 119th Congress, potential legislative actions could repeal or modify the Methane Tax.

► Repeal

Several oil state members of Congress have introduced or cosponsored legislation to repeal the Methane Tax. However, the likelihood of such bills passing through the normal legislative process is almost nonexistent, particularly in the Senate where 60 votes would be needed. Consequently, the most likely legislative pathway under discussion would be their inclusion in a Budget Reconciliation bill. The House and Senate are actively discussing the creation of budget reconciliation bills. These bills provide a pathway in the Senate because only a simple majority vote is needed. (The Inflation Reduction Act was passed as a budget reconciliation bill where Senator Joe Manchin provided the critical vote.) However, the budget reconciliation process also contains some considerable constraints. Most notably, these bills must relate to budget issues – revenue raising or spending. Clearly, the Methane Tax meets these criteria. The more problematic issue is whether, in the overall negotiations on the revenue and spending amounts, the Methane Tax repeal is included.

If the Budget Reconciliation bill includes a repeal of the Methane Tax, the WEC regulations would be eliminated. **IPAA continues to actively press for a Methane Tax repeal.**

► CRA Resolution

A second legislative option would reject the WEC regulations but not eliminate them. When major regulations are finalized, Congress has the option to nullify the regulations and force the agency to revise them, but the revised regulations must be different from the original regulations. This action takes place when a new President takes office from a different party and the President's party controls both houses of Congress. It also requires that the regulations are finalized late in the prior year. (For example, in 2021, the Democrat Congress revoked the Trump Administration oil and natural gas Subpart OOOOa New Source Performance Standards and directed EPA to develop methane regulations for oil and natural gas operations that became Subparts OOOOb and OOOOc.)

The WEC regulations meet the tests for a CRA Resolution. Several oil state members of Congress have indicated that they intend to file a CRA Resolution. There are limits to the impact of a CRA Resolution.

While it rejects the current regulations and requires that future ones differ, it does not eliminate the underlying requirements that regulations must be written. Moreover, the actual text of a CRA Resolution is very limited. Consequently, the information developed in the debate over the Resolution can be critical in shaping the direction that the agency takes and the legal standing of the future regulations.

When Congress rejected the Trump Administration Subpart OOOOa regulations, the House Energy and Commerce Committee produced a lengthy report on what EPA should do next that addressed key policy issues, such as directing the regulation of methane. A critical issue in any CRA Resolution will be whether this Congress directs EPA to alter a future WEC to address several adverse provisions.

IPAA endorses the efforts to pass a CRA Resolution because of the uncertainty of the budget reconciliation process regarding its timing and ultimate success.