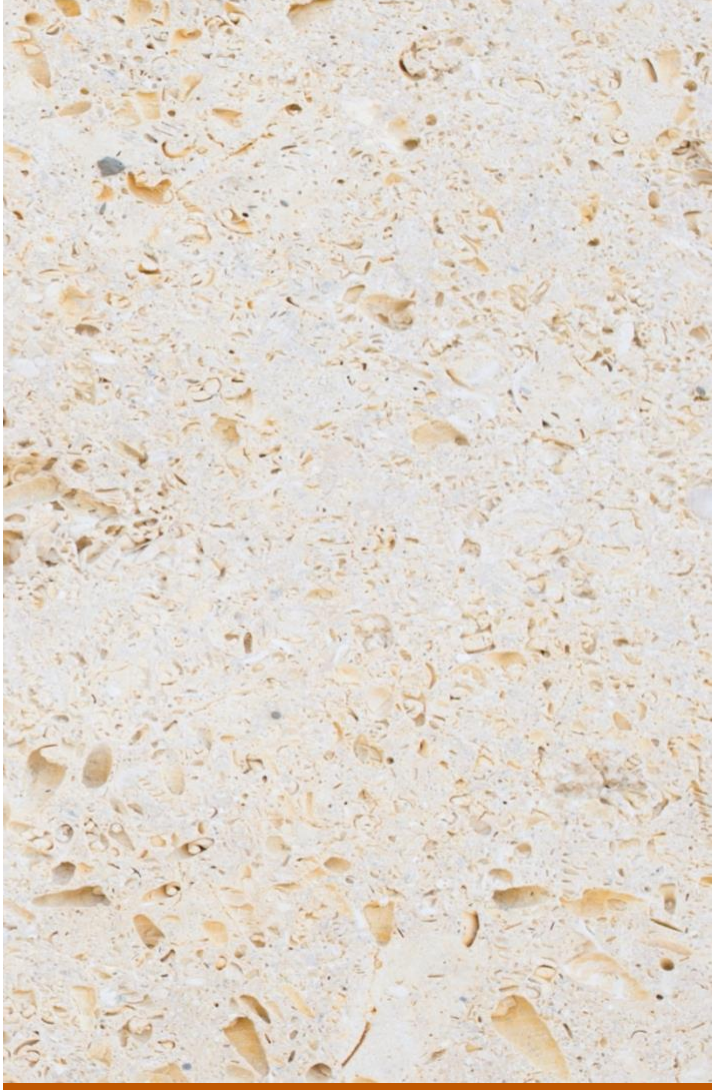
Will Trump Mend or End Federal Methane Rules?



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Introduction

President Donald Trump has pledged to "unleash" American energy by cutting regulations, accelerating leasing and permitting on public lands, and encouraging investment in fossil fuels. The Trump administration has ended the Biden administration's "pause" on liquefied natural gas (LNG) export projects, and the initial executive orders make clear the administration will look to ease permitting of natural gas pipelines and LNG export facilities. In addition, a number of Congressional Republicans have criticized the Biden administration's methane regulations. These include the Inflation Reduction Act Waste Emissions Charge (WEC) and its implementation rule, updated reporting requirements under Subpart W of the Environmental Protection Agency (EPA) Greenhouse Gas Reporting Program, and requirements for managing and mitigating emissions of methane and volatile organic compounds from new and existing oil and natural gas production sources (the OOOOb and OOOOc regulations). Some in the Trump administration and new Congress may want to end these three methane rules as well. However, such an approach would be at odds with the efforts and commitments of many oil and gas companies to reduce methane emissions.

This paper explores the considerations that the Trump administration will face in deciding whether to rescind the regulations altogether or in substantial part (effectively ending them) or to make more surgical changes to the rules (mending them). The paper outlines several possible legislative and regulatory scenarios, and highlights key decision points to monitor. The paper also analyzes the broader context for federal methane regulations. Corporate commitments and investor pressure suggest that oil and gas companies will continue to prioritize methane reductions and may favor retaining a rules-based framework. New regulations in the European Union (EU) and emerging buyer demands have the potential to create incentives for natural gas producers, midstream companies, and LNG sellers to provide data on emissions intensity across natural gas supply chains. These external demands suggest that mending rather than ending federal methane regulations could align better with the interests of US oil and gas companies.

Recent Federal Methane Regulations

Methane emissions are likely responsible for up to 0.5 degrees Celsius of global warming in the industrial era. Because methane is a short-lived climate forcer, reducing emissions of this greenhouse gas and reducing its concentration in the atmosphere in the near term can help slow the pace of global warming. Methane now features prominently in international climate accords, and 159 countries have joined the Global Methane Pledge, a collective agreement to cut methane emissions by 30 percent by 2030 over 2020 levels. Numerous countries have passed new regulations to limit methane emissions from oil and gas operations, which is a key source of anthropogenic emissions.

To address methane emissions, the Biden administration and Congress through the Inflation Reduction Act (IRA) developed three central programs. First, in December 2023, the EPA finalized updated standards under section 111 of the Clean Air Act to cut emissions of methane and volatile organic compounds from new, modified, and reconstructed sources of emissions and issued emissions guidelines for states to develop plans to limit methane emissions from existing sources for the first time.

These rules, often referred to as OOOOb (for new sources and those modified or reconstructed after December 6, 2022) and OOOOc (for existing sources constructed, modified, or reconstructed on or before that date), require companies to "install emission control technologies and to increase monitoring for unintended methane emission leaks with options to use advanced technologies." The agency has estimated that the rule will eliminate 58 million tons of methane emissions from 2024 to 2038, an 80 percent reduction of projected methane emissions from the oil and gas sector.

Second, in 2022, the IRA amended the Clean Air Act to establish a new Methane Emission Reduction Program (MERP) and a Waste Emissions Charge (WEC). The WEC applies to petroleum and natural gas facilities reporting to the EPA under Subpart W of the GHGRP. Such facilities will pay a fee if their reported methane emissions intensity exceeds certain thresholds specified in the statute (see text box). In November 2024, EPA promulgated a final rule for implementing the WEC (the "WEC Implementation Rule").

IRA Waste Emissions Charge

Section 136 of the Clean Air Act, added by the IRA, applies a charge to onshore and offshore petroleum and natural gas production facilities that exceed emissions intensity of 0.2 percent of natural gas sent to sale from such facilities, or 10 metric tons of methane per million barrels of oil sent to sale from facilities that sent no natural gas to sale. For "nonproduction" natural gas transmission and underground gas storage facilities, the IRA sets an emissions intensity fee threshold of 0.11 percent of natural gas sent to sale from such facilities. For onshore natural gas processing, LNG storage, LNG import and export equipment, and onshore gathering and boosting facilities, the emissions intensity fee threshold is 0.05 percent of gas sent to sale from or through such facilities. The charge applies only to emissions that exceed these specified levels. Operators are allowed to "net" emissions across facilities that are under common ownership or control "to account for facility emissions levels that are below the applicable thresholds within and across all applicable segments."

The charge for emissions from applicable facilities exceeding these thresholds is $900 per metric ton for emissions reported for calendar year 2024, $1,200 per ton for calendar year 2025, and $1,500 per ton for calendar year 2026 and thereafter.

Finally, the IRA also requires the EPA to amend Subpart W of the GHGRP to ensure that reporting and calculation of WEC charges "are based on empirical data" and "accurately reflect the total methane emissions and waste emissions from the applicable facilities." In May 2024, the EPA issued a final rule (the "Subpart W Update Rule") including revisions to: (1) correct gaps in previous reporting; (2) add new emissions calculation methodologies or improve existing methodologies to ensure reporting is based on empirical data; and (3) improve verification and transparency of data. The EPA's rule provides for these Subpart W revisions to be phased in over 2024 and 2025.

In addition to the link between the Subpart W revisions and the WEC, Congress also created a link between the WEC and the final OOOOb/OOOOc rules. Section 136 of the Clean Air Act exempts

sources from the WEC if two criteria are met: (1) methane standards are in place in all states and (2) the final rules are at least as stringent as the EPA's December 2021 proposed rule. In the WEC Implementation Rule, the agency notes that "Congress designed the WEC to work in tandem with several related EPA programs," and that if the revised OOOOb/OOOOc rules are fully implemented, "many of the WEC-affected facilities" would be exempt from the charge once both criteria are met.

Along with the EPA, the Bureau of Land Management (BLM) and the Department of Transportation's Pipelines and Hazardous Materials Safety Administration adopted or proposed new methane regulations under the Biden administration. This paper primarily focuses on the WEC and the EPA regulations, but each rule will be important to watch to understand the Trump administration's approach to methane regulations in light of the external drivers that this paper explores.

Possible Repeal of the WEC: Procedural and Substantive Complexities

While oil and natural gas companies have varying views on the EPA's OOOOb/OOOOc regulations, there is broad industry opposition to the WEC. Operators and lawmakers from some oil and gas-producing states have opposed the WEC, often labeling it a "methane tax" that will harm upstream and midstream companies. The American Petroleum Institute (API) labeled it a "punitive tax increase," and industry associations representing medium-size and smaller producers are especially critical of the WEC. The Independent Petroleum Association of America has called for its repeal, and the American Exploration and Production Council argues that EPA Subpart W revisions will "result in grossly inflated emissions estimates" that "increase the cost and scope of the methane fee." Other lawmakers supportive of the IRA's approach, however, may oppose eliminating the emissions reduction incentive created by the WEC.

Given the industry opposition and the current political dynamics, Congress may rescind the WEC program in legislation, but eliminating it is a complicated process. Control of the House, Senate, and White House provides Republicans with an opportunity to change or introduce laws that reflect their agenda, but the party will have only 53 Senate votes, enabling Democrats to filibuster many actions. As a result, Republicans will likely seek procedural avenues to pass bills with a simple Senate majority of 51 votes. Congress could seek to express its disapproval of the WEC by first trying to pass a joint resolution of disapproval of EPA's implementation rule the under the Congressional Review Act (CRA). The CRA gives lawmakers the authority to review and repeal agency rules under certain limited circumstances. If Congress acts to disapprove EPA's WEC Implementation Rule within 60 legislative days of its promulgation by the agency, it can use fast-track procedures that allow Republicans in the Senate to bypass a likely Democratic filibuster and vote on a simple majority basis. The final WEC Implementation Rule likely falls within the 60-day window to make it vulnerable to a CRA resolution, which began in early-to-mid-August, by most estimates.

A Congressional resolution disapproving of EPA's WEC Implementation Rule would not repeal the WEC itself, or EPA's legal obligation under Clean Air Act section 136 to collect WEC fees starting with methane emissions reported by industry for 2024. Repeal of the WEC Implementation Rule by a CRA while the statutory WEC obligation remains in place could create legal and practical complexities for the Trump administration and industry. For example, any attempt by the EPA to stall the collection of WEC fees in 2025 for 2024 emissions could land the agency in court and create considerable uncertainty for industry. Moreover, the CRA pathway can be slow and conflict with other Congressional priorities. Prior CRA

resolutions have lagged for months; former President Joe Biden did not sign the resolution rolling back the 2020 Trump-era methane "Policy Rule" until June 30, 2021. An additional complication is that any rule subject to a joint congressional disapproval resolution "may not be reissued in substantially the same form."

Even if Congress passes a disapproval resolution of EPA's implementation rule, the WEC program is enshrined in the IRA, and thus remains effective until Congress repeals the program through new legislation. Assuming Republicans are largely united in their intention to repeal the WEC, they might rely on another legislative vehicle that allows them to rely on a simple majority vote in the Senate and avoid a likely Democratic filibuster. Democrats invoked the "budget reconciliation" process within the 1974 Congressional Budget Act to enact the IRA and with it, the WEC. Budget reconciliation allows for expedited and filibuster-proof consideration of laws that affect spending, revenue, and debt, subject to the Senate Parliamentarian's determination of which provisions qualify for this treatment under Senate policies and procedures. Just as the IRA cleared the Senate on a party-line basis, Republicans could use the process.

While there are several options for eliminating the WEC through future legislation, these actions would still leave questions about the fate of the EPA's Subpart W Update Rule, which the agency promulgated to facilitate calculations of the WEC. The Biden-led EPA finalized the rule prior to the 60 legislative-day CRA "lookback" window, which could preclude use of a CRA resolution. In addition, Congressional repeal of the WEC through a budget reconciliation bill may not automatically invalidate the Subpart W Update Rule. Although the update was mandated by section 136, the Biden-era EPA did not ground its authority to promulgate the update exclusively in that mandate. The agency also cited its pre-existing Clean Air Act authorities to collect information on emissions, explaining that "such data would inform and are relevant to the EPA's carrying out of a variety of [Clean Air Act] provisions." Therefore, a Congressional repeal of section 136 seems unlikely to undo the Subpart W revisions on its own. In addition, because the Subpart W Update Rule does not include any fiscal elements, Congress likely cannot use a budget reconciliation bill to rescind the revisions separately from repeal of section 136.

For these reasons, it is more likely that the Trump-led EPA would reverse or amend the Subpart W Update Rule through administrative procedures. Such an agency action would require a notice-and-comment rulemaking, which is a multi-year process subject to the Administrative Procedure Act. Unless and until that occurs, reporting by operators under the revised Subpart W rules will generate facility-specific information on methane intensity and very large leak events (also known as "super emitter" events).

End Versus Mend: Regulatory Reform Efforts

Unlike the WEC, repeal of the EPA's OOOOb/OOOOc regulations likely depends on executive branch rulemaking. The Biden-led EPA finalized regulations well before the 60-day CRA window and, therefore, any legislative action to reverse or weaken the regulations would likely encounter a Senate filibuster. Accordingly, any changes to the OOOOb/OOOOc regulations probably require administrative action by the EPA.

Compared to the WEC, the industry's overall reaction to the final rule may cause the Trump administration to conclude that "mending" rather than "ending" the EPA regulations is better aligned with its energy

agenda. This section outlines several options for regulatory changes with varying legal, political, and energy market implications.

End the Rules: Obstacles and Risks for Complete Rescission

As one option, the Trump administration's EPA may try to rescind the OOOOb/OOOOc regulations by removing the agency's authority to regulate oil and gas sector methane emissions. The Unleashing American Energy Executive Order directs the EPA to provide recommendations to the Office of Management and Budget on the "legality and continuing applicability of the 2009 endangerment finding."

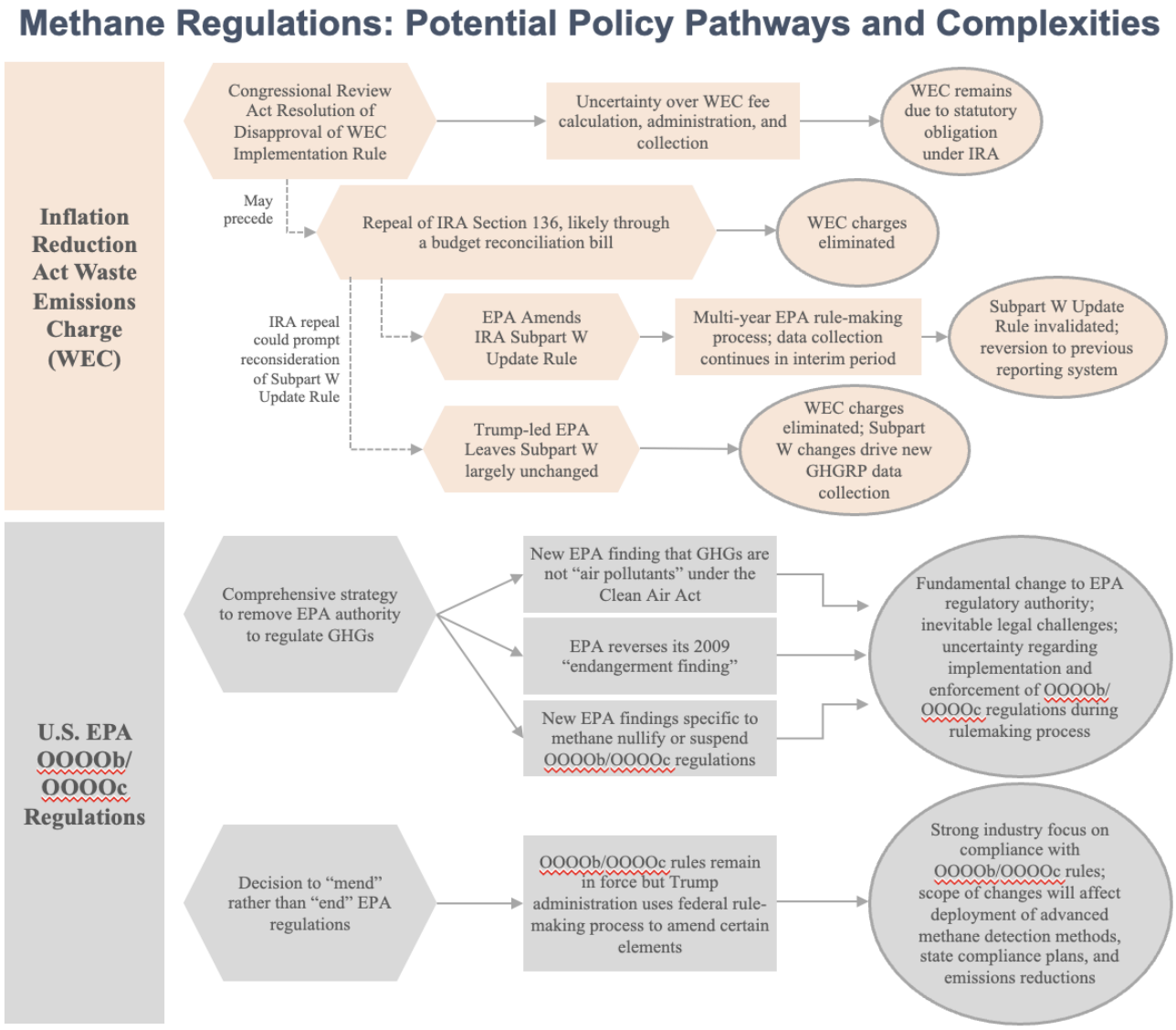
Under the Clean Air Act, the EPA has the authority to regulate greenhouse gas (GHG) emissions if the agency finds that emissions of GHGs "endanger public health and welfare." EPA can only regulate a category of sources if it also makes a second finding that the source category "causes or contributes" significantly to pollution that endangers public health or welfare. Given this statutory structure, the Trump administration might pursue rescission of the OOOOb/OOOOc regulations through a comprehensive strategy or a sector-specific strategy focused on "cause or contribute" findings to eliminate the obligation to regulate methane emissions.

A far-reaching approach could be for the EPA to promulgate a new finding that GHGs are not "air pollutants" in the meaning of the Clean Air Act, which would require the administration to try to have the Supreme Court validate this finding by overruling its 5-4 decision in the 2007 Massachusetts v. EPA case. Another comprehensive approach would involve reversing the agency's 2009 endangerment finding for GHGs based on a new reading of the science. These strategies raise significant legal risks and were not tried by the first Trump administration, perhaps because of those risks. But if successful in the courts, these efforts to undercut the EPA's ability to regulate GHGs would essentially render moot all discussions of amending the OOOOb/OOOOc regulations.

Less radical but still ambitious approaches could involve going after past agency findings that were specific to the oil and gas sector. For example, the Trump-led EPA could revisit whether the agency is first required to make a "cause or contribute" finding for methane emissions from the oil and gas sector before regulating methane from that sector. During the Obama and Biden administrations, the EPA concluded that a prior "cause or contribute" finding for volatile organic compounds (VOCs) for the oil and gas sector was a sufficient basis for regulation of any other air pollutants from the sector, including methane. During the first Trump administration, the EPA reversed this legal interpretation. The agency promulgated a "Policy Rule," which had the effect of nullifying the new source performance standards (NSPS) OOOOa methane regulations while leaving in place the OOOOa VOC regulations for new facilities. And, under the legal structure of Clean Air Act section 111, this action effectively prevented the regulation of VOCs or methane from existing facilities.

The Trump-led EPA could revert back to its 2020 "Policy Rule" approach and promulgate a new interpretation under which it must first make findings that are both specific to methane and specific to the source category. Having made this finding, it could nullify or suspend the OOOOb/OOOOc methane regulations pending the outcome of its review. Then, it might find that methane emissions from the US oil and gas sector are not large enough to have a significant impact on global climate change. This approach would be similar to the effort under the first Trump administration that articulated a framework to assess significant contribution and limited that threshold to source categories whose emissions exceed three

percent of total US greenhouse gas emissions. Although the D.C. Circuit Court vacated and remanded this rule for failure to provide an opportunity for public comment, the Trump administration may consider revisiting this type of regulatory approach to effectively eliminate the obligation to regulate methane emissions from the oil and gas sector. This approach would take time, however. It would involve the administrative steps of proposal, opportunity for public comment, and finalization, and would likely be litigated by opponents.



A revival of this particular rescission strategy may face an important legal hitch, which would add to the legal risks of this approach. In 2021, a Democratic-majority Congress disapproved the "Policy Rule" using the CRA, and, as discussed above, the CRA bars agencies from replacing disapproved actions with those that are "substantially the same." It is possible that the Trump administration will test the limited jurisprudence on CRA "substantial similarity" by promulgating a new version of the "Policy Rule." However, this administration may want to avoid the risk of losing a legal challenge that could undermine its deregulatory agenda.

An ambitious rescission strategy will also face other barriers. First, the president cannot simply issue an executive order rescinding the regulations. Rather, as discussed above, the EPA must promulgate a new rule or finding and follow the procedures of the Administrative Procedure Act, which means going through a notice-and-comment rulemaking. Moreover, the agency cannot simply declare that it changed its mind; the rulemaking must supply a "reasoned explanation" for rescission. And, perhaps ironically, defending rescission could prove more difficult in a post-*Chevron* deference world of diminished agency latitude to interpret silent and ambiguous laws.

Second, a notice-and-comment rulemaking is a multi-year process. In the first Trump term, the EPA's effort to undo the Obama-era NSPS OOOOa rule took nearly four years. And commencing a rescission rulemaking would not automatically suspend the OOOOb/OOOOc regulations. If, under the current Trump administration, the EPA wanted to suspend these regulations pending completion of a rescission rulemaking, the agency likely would need to undertake a separate notice-and-comment rulemaking for that purpose. In such a suspension rulemaking, the EPA would bear the burden of demonstrating that there is no harm to the public from halting enforcement of a presumptively (until rescinded) valid rule. It may be challenging for EPA to make this argument at least with respect to new and modified sources, as the rules are already applying to these sources.

Alternatively, the EPA might forgo a formal suspension by simply declining to enforce the OOOOb/OOOOc regulations pending completion of the rescission rulemaking. However, such an exercise of enforcement discretion would present risks for operators. The Clean Air Act empowers citizens to sue regulated entities for violations if the EPA is not enforcing laws that are on the books.

In addition, defending a final rescission rule against legal challenges takes resources and time. The first Trump administration did not always clear the Administrative Procedure Act's "reasoned explanation" bar. For example, a federal district court held that the Trump-era BLM's rescission of the original, Obama-era Waste Prevention Rule was arbitrary and capricious because the Trump BLM failed to fully address its prior factual findings. The Biden administration's reprise of the Obama-era Waste Prevention Rule was preliminarily enjoined for similar reasons.

Even if a rescission rulemaking survived legal challenges, that action would not eliminate all mitigation obligations for the sector. New and modified facilities in the production and gathering segments would remain subject to the NSPS VOC standards; for many types of equipment, the requirements are identical to those under the methane standards. Although existing facilities would be initially spared, any existing facilities subsequently "modified" would become subject to the VOC standards. And, of course, as new facilities replaced existing facilities, the new facilities would be subject to the VOC standards.

Additionally, there is the matter of interplay between the methane rules and other industry-supported IRA incentive programs. On January 3, 2025, the Treasury Department and Internal Revenue Service released their final rule for the Section 45V Clean Hydrogen Credit. In it, the agencies stipulated that claimants would need to rely on "background values" for upstream emissions supplied in the Argonne National Laboratory's 45VH2-GREET model instead of their own measured and reported data if OOOOb/OOOOc and the Subpart W Update Rule is "rescinded, or revised in a manner that reduces the scope, stringency, accuracy,

or reliability of emissions reporting" or "if the EPA does not maintain the current requirements of the Super Emitter Program or does not take necessary implementation steps."

Thus, a full end to methane regulations is complicated and could pose significant legal, political, and practical risks for the Trump administration and operators.

Mend the Rules: Options and Implications

Reforming or paring back federal methane regulations, rather than seeking to eliminate them entirely, may align with Trump's broader agenda of promoting domestic energy investment and expanding US energy exports. In a January 20 executive order, the president invoked emergency powers to direct various government agencies to examine ways to accelerate "leasing, siting, production, transportation, refining, and generation of domestic energy resources." With regard to methane regulations, such an approach may reflect the needs of operators for targeted changes rather than a complete rollback of EPA rules. However, within this scenario, there is a wide continuum of outcomes, ranging from more limited and surgical changes to fundamental revisions or deletions of various requirements. This section outlines the legal, policy, and political considerations that may affect Trump administration decisions.
The oil and gas industry has made substantial investments to better monitor, measure, report, and verify methane emissions, and regulatory changes have spurred operational changes to ensure compliance. Many companies in the oil and natural gas sector are already advocating for reform rather than repeal of federal methane regulations. For example, in a pending lawsuit against the EPA's OOOOb/OOOOc rules, industry challengers—including trade associations representing both large and small entities across the sector—filed a collective brief that argues for "fact-based, sensible regulation of air emissions," insists that they "do not seek to eliminate" the rules, and advocates for changes that "will significantly improve implementation." The brief suggests that the industry prefers regulations that address its concerns versus the complete elimination of the regulations.

However, there is some divergence among the different segments of the industry on precisely what changes are needed. Some changes would significantly curtail any requirements to reduce methane emissions, while others could drive continued investment to reduce emissions. Many of the larger natural gas producers, transporters, and marketers and their trade associations broadly support some or many aspects of federal methane regulation in its current form. This position appears to align with their business interests in several ways: (1) they are long-term investors who prefer a more durable rather than constantly changing regulatory framework; (2) they see a basic "floor" of methane regulation as supporting the global sale and marketing of US natural gas as a lower-emission fuel; (3) they are better equipped financially and organizationally to absorb and comply with complex regulations; and (4) many have invested in equipment, advanced detection technologies, and practices required by the new regulations and stand to benefit by having other producers do the same.

By comparison, medium and smaller-sized natural gas producers, transporters, and marketers have different concerns about the impact of the existing federal methane regulations on their businesses and are advocating for more comprehensive and wide-ranging reforms. The IPAA has called for major reforms to Biden administration policies and regulations, but indicated the need for regulations with flexibilities to leverage technology advancements. The IPAA suggested that "technology to manage

emissions is evolving and the regulatory process needs flexibility to allow energy innovators to utilize innovative technology."

To accommodate these requests, the Trump administration may consider approaches that retain the emissions reduction obligation, allow companies to use advanced methane detection technologies, and add further flexibilities to reduce compliance costs for medium-size and smaller companies. This regulatory design would leverage US leadership in developing and deploying advanced technologies for cost-effective, scalable methane detection, measurement, and reporting using on-site continuous monitoring systems, aerial surveys from aircraft, drones, and satellite surveillance. The current OOOOb/OOOOc regulations offer flexibility and incentive for operators to use these advanced technologies, provided the technologies can detect emissions at a specified level and frequency. The Trump administration may explore changes to the regulations that enable continued innovation and deployment of these technologies.

Producers and pipeline companies may see value in regulations that better promote continued advances in methane detection and quantification technologies because of their need to respond to the rapidly advancing public data on methane emissions. A variety of third parties, including environmental NGOs, are already using satellites and other advanced technologies to monitor and report on emissions from global oil and gas production, making emissions (especially large leaks or so-called "super emitters") increasingly transparent. A regulatory framework that creates additional incentives for US producers to use advanced technologies to detect and mitigate leaks could help them respond more effectively to such efforts and meet domestic and international customer demand for lower emitting natural gas.

In addition to the broad objective of driving advanced technology innovation and deployment, the list below includes examples of potential changes the Trump administration may consider, based on stakeholder comments and legal briefs filed in the ongoing litigation of EPA rules:

» **Super Emitter Program**: The Super Emitter Program formally authorizes EPA-approved third parties using EPA-approved detection technologies to submit reports to the EPA of large emissions events of 100 kilograms per hour or more. Under this program, the EPA then evaluates the submissions and, if confirmed, notifies the party allegedly responsible for the emissions. The company must respond to the agency's notification, and, if the emissions event is confirmed and due to a violation of the OOOO regulations, take steps to mitigate those emissions. The program has been controversial with some regulated parties from the outset and may be evaluated as part of any regulatory reform. However, given that third-party aerial surveillance and public reporting of major emissions from satellites, airplanes, or drones will likely continue independent of an EPA program, some companies could see benefits in having EPA-verified notifications remain part of the regulatory program.

» **Definition of "modified" versus "existing" facilities**: The categorization of regulated facilities as "new, modified or reconstructed" versus "existing" sources has significant legal and regulatory implications under section 111 of the Clean Air Act. The Act defines new or modified facilities as those that are constructed or modified after the EPA proposes the regulation, and these must meet specified requirements earlier than existing sources for which the Act provides additional compliance time for

retrofitting. What triggers a modification of an existing source is usually controversial, and industry associations have challenged the EPA's methodology for determining when certain equipment such as pumps, process controllers, and tanks are "modified." It is likely that these provisions will be a target for change by industry.

» **Covers and closed vent systems**: EPA's final rule requires that covers and closed vent systems be designed and operated with "no identifiable emissions". In the ongoing litigation, petitioners have argued that the standard fails to recognize that covers and closed vent systems are components that may leak given the complexity of the systems. The briefs call for the standards to be designed as work practice requirements for inspection and repair of any detected leaks. It is likely that the industry will seek revisions that address this concern.

» **Flexibility for state plans regulating existing wells**: Regulated parties, and some states, are likely to advocate for added flexibility for state plans for existing sources. The potential reforms that may be explored include providing greater latitude for states to adopt more flexible, emissions intensity-based standards or expanding state discretion to exempt facilities and equipment from compliance based on their remaining useful life or other factors (RULOF). The Biden-led EPA promulgated a generic rule for emissions guidelines under section 111(d) that addressed the discretion of states to deviate from the guidelines. It is possible that the Trump-led EPA will revisit this rule broadly for all section 111(d) rules or specifically in the context of the OOOOc regulations.

» **Use of advanced technologies for emissions detection & measurement**: EPA's OOOOb/OOOOc regulation includes greater flexibility for regulated parties to deploy advanced aerial technologies or onsite continuous monitoring devices to inspect regulated facilities periodically for methane leaks and meet leak detection and repair (LDAR) requirements. The EPA's current regulation includes specific emissions detection requirements and corresponding requirements for frequency of inspection, as well as a process for the EPA to approve particular technologies. Given that any regulatory reform or even repeal of these requirements can take several years, stakeholders may advocate that the EPA expand the types of approved technologies that can be used, reconsider the sensitivity and frequency requirements for their use, and accelerate the approval of their use under OOOO.

» **Additional flexibility and exceptions for marginal wells**: Less-capitalized operators and trade associations such as IPAA likely will press hard for a panoply of reforms to address their concerns that the costs of the EPA requirements could make their smaller or marginal wells uneconomic. In addition to creating a new subcategory with more lenient standards generally for marginal wells, they will likely advocate for greater leniency for continued use of existing equipment (versus new zero-emitting devices) and venting of gas associated with oil production at marginal wells where no pipeline is available, and it is infeasible to flare the excess gas.

The scope and scale of potential reforms to mend components of EPA's OOOO regulations will have implications for the investments made by companies to reduce methane emissions depending on how any changes affect legal and market risks. Additionally, any change will take time as EPA will need to develop a proposed rule, provide the opportunity for public comment, and then finalize a rule. And, as

with any significant environmental rulemaking, litigation is likely. Nonetheless, the opportunities and drivers for mending, compared to the risks associated with a complete rescission, create interesting dynamics that will be important for the Trump administration to assess especially in light of the additional pressures and opportunities facing the industry on methane emissions.

The Stakes: The External Environment and Industry Pressures

Regulatory changes that significantly change federal methane regulations could leave the industry ill-equipped to meet emerging demands for lower emissions. Companies face investor, civil society, and public pressure to measure, report, verify, and reduce their methane emissions. Exporters also face new regulatory requirements. In particular, the EU's new methane regulations will require comprehensive, independently-verified data on methane emissions from US LNG sellers and their supply chain partners. Asian gas buyers are also beginning to collect data from their gas suppliers on emissions intensity and MRV measures and may implement requirements in the future.

Methane reductions are increasingly embedded in corporate strategy, featuring prominently in investor presentations as well as public messaging from oil and gas companies, especially larger players. Many have joined voluntary reporting frameworks and initiatives, including the Oil and Gas Methane Partnership (OGMP 2.0), the Oil and Gas Decarbonization Charter (OGDC), and the Methane Guiding Principles. Large companies are unlikely to abandon these commitments, especially as transparency on global methane emissions is growing through increased public data from satellites, aerial surveys, and other sources to help pinpoint emissions sources.

Smaller and privately held companies also face external pressures to cut emissions intensity. Already, large LNG sellers are demanding emissions data from their suppliers and midstream partners. Cheniere—the largest US LNG exporter and the country's largest natural gas buyer—has developed bespoke lifecycle assessment models specific to their natural gas supply chains that entailed extensive work with their largest upstream suppliers and midstream partners. More companies will likely follow suit in the coming years, especially as the EU methane regulation leads LNG sellers to reach across their supply chains to gather data. Domestic gas buyers with emissions reduction targets are also expressing interest in gas with lower emissions intensity.

For smaller operators, a deregulatory push would remove incentives for smaller companies to act and cut available support to fund methane abatement investments. For example, the IRA established the Methane Emissions Reduction Program, which earmarked $850 million to assist smaller operators, support abatement at marginal wells, and establish regional-scale partnerships for methane detection and measurement. There is already substantial variation in emissions performance within production basins. Rolling back sector-wide regulations could perpetuate or even widen this gap, driving up basin-wide emissions for areas such as the Permian and Haynesville Basins and harming overall perceptions of US oil and gas production.

The EU is making the strongest push for data on emissions intensity of LNG supplies. The EU methane regulation entered into force on August 4, 2024 and introduced MRV requirements for all EU-based producers of oil, natural gas and coal. Crucially, the rules also extend to EU fossil fuel imports, as the

bloc seeks to leverage its status as a major gas buyer to force new MRV and methane reduction efforts from all of its gas suppliers. Reporting requirements will begin in May 2025, but a key signpost is January 1, 2027. By that date, EU gas importers will have to verify that for all contracts concluded after entry into force of the regulation, natural gas imports placed onto the EU market are produced under MRV measures "at the level of the producer" that are equivalent to the EU rules. By August 5, 2028, importers will have to "undertake all reasonable efforts" to ensure that the requirements are met for all supply contracts concluded before the entry into force of the regulations. Finally, by August 5, 2030, all EU supplies will have to meet a yet-to-be-defined "maximum methane intensity value" or import standard.

The EU methane regulation could serve as a forcing mechanism for the global gas industry. It will compel EU gas importers to request the necessary information from all of their suppliers, who in turn will have to request data from their supply chain partners to ensure compliance. To be sure, there are many areas of remaining uncertainty related to the EU methane regulation. For example, the European Commission will have to establish the methodology used to calculate methane intensity, decide what form of third-party verification of data will be acceptable, and set the maximum methane intensity value. The commission must also set out a process (per Article 28) for establishing producer- or country-level "equivalence", or a determination that individual gas suppliers or supplying countries meet the EU requirement for equivalent or stronger MRV rules.

The issue of satisfying MRV equivalence rules is especially important—and challenging—for the United States, and is directly related to the strength of the US regulatory regime. The complexity of US gas supply chains and the disaggregated nature of the industry make it difficult to meet EU requirements. US LNG sellers often have no equity stake in the production or midstream segments of their supply chains, and they generally buy gas from large producers or gas marketers. It is possible that certain LNG sellers may be able to win equivalence determinations if they can satisfy the EU demands for independent third-party verification, but the process remains somewhat unclear and will likely require more dialogue between producers and the commission. At a national level, the EU methane regulation can determine that all gas supplies from a certain country comply with EU MRV requirements, but supplier governments must request this national equivalence determination. The process remains opaque and future implementing acts from Brussels, as outlined in Article 28(6), must fill in critical details. But the United States initiated this dialogue with the European Union in October 2024 via a letter from the US EPA and the Department of Energy. The critical goal is for exporting countries to prove to the EU that their MRV-related rules and regulations are at least as strong as those of the European Union. Rolling back the WEC or weakening EPA rules would harm the US case and make it more difficult for US gas sellers to ensure access to the EU market.

The EU is well ahead of other regions in requiring this information on the emissions intensity of traded natural gas, but other countries could eventually follow suit. In 2023, Japanese and South Korean gas buyers and government agencies established the Coalition for LNG Emissions Abatement Toward Net-Zero (CLEAN) initiative. Japan's Jera and South Korea's Kogas—two of the world's largest LNG buyers—are spearheading this effort, along with Japan's Ministry of Economy, Trade, and Industry and the Japan Oil, Gas, and Metals Energy Corporation, as well as South Korea's Ministry of Trade, Industry, and Energy. These gas buyers have begun collecting data from their gas suppliers on their MRV practices, their membership in organizations, including OGMP 2.0, and their methane reduction

plans. The first CLEAN annual report was published in October 2024, and more than 20 companies in Japan and South Korea have now joined. It remains uncertain whether these governments will take the next step and adopt firm regulations akin to the EU rules. If so, the demands from large LNG buyers would create strong incentives for global gas suppliers to gather data needed to ensure continued access to key markets in Northeast Asia.

To be clear, there is currently no “premium” market for LNG with demonstrably lower emissions intensity, and concerns about price and energy security will likely continue to preoccupy global gas buyers. But concerns over emissions intensity are likely to grow in the future. US LNG producers face some unique challenges in quantifying their supply chain emissions, but fortunately many upstream and midstream companies have begun serious MRV efforts, and a wide array of technologies and market solutions are emerging to help assess emissions across gas supply chains. Driving down the emissions intensity of US LNG can help US LNG sellers protect their competitiveness while boosting global energy security. But a regulatory rollback would increase rather than address the climate concerns over LNG exports.

Corporate commitments, investor and customer pressure, and external demand for data on emissions intensity suggest that the US oil and gas industry will continue to focus on methane reductions. Mending rather than ending federal methane regulations may leave the industry in a better position to meet evolving external demands and market conditions.

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This paper does not necessarily reflect the views of the authors' organizations or their clients.

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