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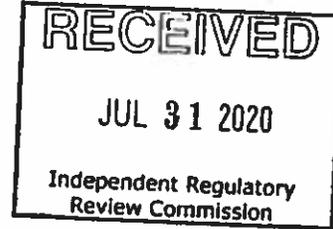


INTERFAITH CENTER ON CORPORATE RESPONSIBILITY

Inspired by faith, committed to action.

July 27, 2020

Mr. Patrick McDonnell  
Secretary  
Rachel Carson State Office Building  
400 Market Street  
Harrisburg, PA 17101



Dear Secretary McDonnell,

We appreciate the opportunity to comment on the Pennsylvania Environmental Quality Board's (DEP's) proposed regulation (25 PA. CODE CHS. 121 and 129) to reduce air pollution, including methane emissions, from "existing" oil and gas operations in Pennsylvania (PA).<sup>1</sup> As diversified, long-term investors with holdings in the U.S. oil and gas industry, we write to convey our support for the DEP's proposal.

We would like to highlight the strong support for a strengthened rule from the investor community at large. In July 2020, we released an investor letter<sup>2</sup> representing \$3.89 trillion in assets under management that highlighted the support for a strong rule governing methane emissions on existing infrastructure in Pennsylvania. This unprecedented support from both European and U.S. funds is a testament to the benefits of robust climate regulation to their portfolios.

Mitigating volatile organic compounds (VOCs) and methane is instrumental to combatting the effects of climate change, as methane, in particular, is a potent greenhouse gas (GHG). It is estimated that around a quarter of man-made methane emissions—which have more than 80 times the global warming potential than carbon dioxide—come from the oil and gas sector. Analysis by the Environmental Defense Fund has found that PA's oil and gas sector emitted 1.1 million tons of methane annually—16 times what had been reported to the state by operators and double what EDF had found just two years ago.<sup>3</sup> Therefore, it is critical that methane emissions from this sector are appropriately and comprehensively addressed.

Methane mitigation technologies have proven themselves cost-effective when implemented, driving additional revenue through the capture of otherwise lost product. What's more, improvements in technologies continue to drive declines in capital and operational costs of methane mitigation, making them

<sup>1</sup> 36 Pa.B. 510 (February 4, 2006)

<sup>2</sup> Interfaith Center on Corporate Responsibility, *Investor Statement Supporting Strong Existing Source Methane Emissions Regulations in Pennsylvania*, Interfaith Center on Corporate Responsibility, 9 Jul. 2020, [https://www.iccr.org/sites/default/files/resources\\_attachments/investor\\_statement\\_on\\_pa\\_methane\\_regulations.pdf](https://www.iccr.org/sites/default/files/resources_attachments/investor_statement_on_pa_methane_regulations.pdf)

<sup>3</sup> <https://www.edf.org/pa-oil-gas/air-emissions>



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more affordable to producers. As Pennsylvania, which is the second largest natural gas producer in the U.S., experiences strong production and looks to increase export levels, strong methane standards support global competitiveness in a world with increasingly stringent climate policies and corporate supply chain emissions-reduction goals.

While the proposed rulemaking marks important progress in PA's efforts to curb climate pollution and protect public health, it still contains loopholes that can allow unmitigated emissions. The proposed regulation institutes a 15-barrel-of-oil-equivalent production threshold for sources covered under this rule. Of the 71,229 producing conventional wells in PA, only 303 (1%) of them would be subject to the leak detection and repair requirements under the rule.<sup>4</sup> Additionally, we urge the DEP to eliminate the provision that allows operators to reduce the frequency of inspections if previous inspections do not reveal significant methane leaks. Uncontrolled leaks can happen at any time and can only be detected with frequent, regular inspections. We urge the DEP to consider extending the rule to cover these issues.

As the second largest producer of natural gas in the country, Pennsylvania plays a key role in setting leading standards for other states to follow. As investors, we join the growing body of concerned stakeholders in support of a strengthened rule and strongly urge the DEP to adopt such for the future security and sustainability of the US economy.

Respectfully submitted,

Christina Cobourn Herman  
Program Director on Climate Change and Environmental Justice  
Interfaith Center on Corporate Responsibility

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<sup>4</sup>McDevitt, Rachel. *Wolf Administration Advances Proposed Emission Limits on Thousands of Oil and Gas Sites*, NPR, NPR, 9 June 2020, [stateimpact.npr.org/pennsylvania/2020/06/01/wolf-administration-advances-proposed-emission-limits-on-most-oil-and-gas-sites/](https://stateimpact.npr.org/pennsylvania/2020/06/01/wolf-administration-advances-proposed-emission-limits-on-most-oil-and-gas-sites/).

July 9, 2020

## **Investor Statement Supporting Strong Existing Source Methane Emissions Regulations in Pennsylvania**

As the undersigned investors representing \$3.89 trillion in assets under management, we write today to express our support for the Pennsylvania Department of Environmental Protection's (DEP) efforts (25 PA. CODE CHS. 121 AND 129) to regulate methane emissions from existing oil and gas infrastructure. While addressing the public health and economic impacts of COVID-19 remains paramount at this time, we welcome DEP's continued efforts to cut waste and mitigate climate change—another impending public health and economic challenge—by reducing methane emissions from oil and gas operations. In fact, today's current public health crisis makes smart, cost-effective policies to cut air pollution and protect our climate even more important. In support of these goals, we would also like to hear the companies in our portfolios publicly support the Pennsylvania DEP's regulation of methane.

As investors, we collectively direct trillions of dollars with a view to ensure sound financial returns for our beneficiaries. We recognize the significant financial risks posed by climate change as well as the enormous economic opportunities provided by low-carbon and climate-resilient technologies, markets and business models. It is estimated that around a quarter of man-made methane emissions—which have more than 80 times the global warming potential than carbon dioxide—come from the oil and gas sector. Therefore, it is critical that methane emissions from this sector are appropriately and comprehensively addressed.

Methane mitigation technologies have proven themselves cost-effective when implemented, driving additional revenue through the capture of otherwise lost product. The efficient use of product is particularly valuable during shocks such as COVID-19. What's more, improvements in technologies continue to drive declines in capital and operational costs of methane mitigation, making them more affordable to producers large and small.<sup>1</sup> As Pennsylvania's oil and gas industry experiences strong production and looks to increase export levels, strong methane standards support global competitiveness in a world with increasingly stringent climate policies and corporate supply chain emissions-reduction goals.

Investors have made engagement with oil and gas companies on methane a key priority in recent years, working with companies to set targets and align their operational practices accordingly. Yet, while some companies are demonstrating leadership on managing methane emissions, industry performance is not uniform. Recent analysis from the Environmental Defense Fund has found that Pennsylvania's oil and gas companies are emitting over 1.1 million tons of methane annually, more than 16 times what is reported to the state.<sup>2</sup> Without a level

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<sup>1</sup> Wilson, Mary Jane. "Expert Report of Mary Jane Wilson, President of WZI Inc." Nov. 25, 2019.

<sup>2</sup> Environmental Defense Fund. "Pennsylvania Oil and Gas Emissions Data." May 13, 2020.

playing field, the poorest performers will shape the public narrative on natural gas, overshadowing proactive measures of industry leaders and risking the industry's social license to operate. As the second largest producer of natural gas in the country, Pennsylvania plays a key role in setting leading standards for other states to follow.

For these reasons, we write today to urge DEP to finalize a strong existing-source methane rule that will complement the new-source general permits already in place, as well as to encourage industry leaders to support DEP's adoption of a strong rule. The draft of this existing-source rule should be improved in two ways:

1. Extending the regulations to include low-producing wells. More than half of Pennsylvania's oil and gas-related methane emissions come from low-producing wells. Yet, DEP's own analysis shows that only a few hundred of the 71,000 low-producing wells in the state would be required to conduct regular inspections under the draft regulations.
2. Maintaining a frequency of quarterly leak detection and repair (LDAR) inspections. Research has shown that increasing the frequency of inspections can greatly reduce emissions at reasonable cost<sup>3</sup> by limiting the number of unaddressed leaks between surveys.<sup>4</sup>

We appreciate DEP's leadership in moving forward this important regulation. The finalization of strong regulations will help Pennsylvania's oil and gas sector maintain its viability for the foreseeable future while addressing the economy-wide risks of climate change.

Sincerely,

Adrian Dominican Sisters, Portfolio Advisory Board

Aegon Asset Management

Aquinas Associates

As You Sow

Boston Common Asset Management

Boston Trust Walden Company

California State Teachers' Retirement System (CalSTRS)

Church Investment Group

Committee on Mission Responsibility Through Investment of the Presbyterian Church U.S.A.

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<sup>3</sup> MJ Bradley & Associates. Comments on the Environmental Protection Agency's Proposed Rule: Oil and Natural Gas Sector: Emission Standards for New, Reconstructed, and Modified Sources Reconsideration, Appendix E & I. 12 Feb. 2019

<sup>4</sup> Ravikumar et al. "Repeated leak detection and repair surveys reduce methane emissions over scale of years." 26 Feb. 2020

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Corporate Responsibility office - The Province of Saint Joseph of the Capuchin Order  
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