



January 13, 2023

North American Energy Standards Board
801 Travis Street
Suite 1675
Houston, TX 77002

Re: Draft Certified Gas Addendum and FAQ Document

Dear Mr. Sappenfield:

The Environmental Defense Fund (EDF) respectfully responds to the invitation to submit comments by January 15, 2023 regarding the North American Energy Standards Board's (NAESB) development of a Certified Gas Addendum and accompanying Frequently Asked Questions (FAQ) document. In the comments below, EDF provides additional context surrounding the development of the Addendum and FAQ document and urges the Executive Committee to approve the draft Addendum and FAQ document without change.

Certification Programs

As a leading expert on methane, EDF shared its expertise throughout this process, noting that the natural gas supply chain is rife with methane emissions from leaks, vents, and flares. EDF also explained that voluntary certified gas programs raise concerns regarding the validity of the underlying certification methods, particularly if those programs do not incorporate direct measurement methane quantification methods and reduction requirements.¹ EDF set forth the following criteria that are needed to ensure a robust certification program:

- **Certification programs should require and verify that best practice work practice standards are met.** Certification must never be viewed as an alternative to rigorous work practice regulatory standards, measurement and reporting requirements, or any other

¹ Maureen Lackner et al., Certification of Natural Gas with Low Methane Emissions: Criteria for Credible Certification Programs at 6 (2022). This EDF publication is available at https://blogs.edf.org/energyexchange/files/2022/05/EDF_Certification_White-Paper.pdf.

comprehensive and stringent measurement-based methane emission policy.

- **Measurement-based emissions quantification is essential.** Certification must be based on high-integrity monitoring and reporting consistent with the Oil and Gas Methane Partnership 2.0 Level 5 reporting tier.
- **Certification is not complete without verification.** Certification must be accompanied by verification from a credible and independent third party.
- **The emissions intensity target should ensure reductions.** A producer's methane intensity is defined as the total volume of methane emissions divided by total volume of marketed gas. Certification must be based on an intensity standard that is no greater than the Oil and Gas Climate Initiative's metric of 0.20% and declines over time.
- **Limit cherry-picking.** Companies seeking certification must specify which of their assets they are certifying, the share these assets represent relative to their entire portfolio, and the emissions intensity of participating assets. In addition, companies seeking certification must report a company-wide emissions intensity.

NAESB Process

It became clear throughout this process the significance of the NAESB effort given that there are neither industry nor government-established standards applicable to certified gas. While NAESB repeatedly emphasized that it is a neutral standards-making body,² because there are no national standards governing certified gas, this effort will, by default, set the rules of the road for transacting certified gas. As was raised during the June 24, 2022 meeting, industry will view the Certified Gas Addendum as being "blessed" by NAESB. Given the heightened importance of this effort and the risks that a subpar Addendum will have on the development of the certified gas market, the Wholesale Gas Quadrant contracts subcommittee spent months discussing, revising, and further refining the Addendum and associated FAQ document.

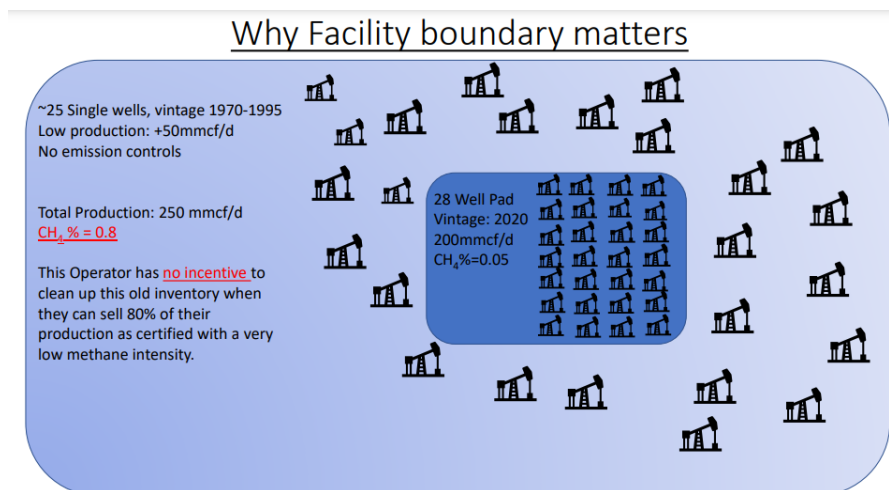
² NAESB's Bylaws also prohibit NAESB from creating policy. See Article 2, Section 2.2(b) of NAESB's Bylaws ("The committees, subcommittees and task forces of NAESB should endeavor not to create policy in their Standards or Model Business Practices development activities absent being requested to do so by the Board.").

Addendum

The draft Addendum is a consensus document that represents significant give and take among all active participants. EDF repeatedly emphasized the three key components that must be incorporated into the Addendum:

Independence. An essential characteristic of a robust certification program is that it must be accompanied by verification from a credible and independent third party. For a certification program to be deemed credible, there must be an appropriate degree of independence between the Certification Authority and (1) the Operator, (2) the technology or data provider, and (3) the auditor or validator. The Addendum incorporates the independence requirement in both the definition of Certification Authority³ and Verification Provider.⁴ Given the significant amount of negotiation it took to reach a compromise on these definitions, the Executive Committee should approve the definitions without change going forward.

Avoid Cherry-Picking. EDF and others explained throughout this process that a singular focus on well certification will invite accusations of cherry-picking, as operators could choose to disclose emissions only on the newest assets with the inherently lowest emissions. This is best illustrated by the graphic provided by Equitable Origin in this process:



³ The definition of “Certification Authority” states, in pertinent part: “The Certification Authority shall be an independent third-party having no financial interest in the outcome of the Certification.”

⁴ The definition of “Verification Provider” states, in pertinent part: “The Verification Provider shall be an independent third-party having no financial interest in the outcome of the Certification.”

Although the current definition of “Facilities” still allows for such cherry-picking to occur, Exhibit A allows the buyer and seller to specify whether all natural gas production equipment associated with all wells that the entity owns or controls in a geographic area are covered.⁵ This was a suboptimal resolution but can be tempered by the adoption of the accompanying FAQ document, discussed in further below.

Registry. Another core element of the addendum is the requirement to use a registry—an electronic information database for registering, reporting, transferring, and retiring of Certificates for certified gas. Section 3.5 makes clear that the Seller is responsible for registering the certified gas on a Registry Tracking System. This important aspect of the Addendum should be approved without modification by the Executive Committee.

FAQ Document

At the request of the Committee Chair, EDF was asked to work collaboratively with Equitable Origin, MiQ, and Project Canary on a set of questions to be incorporated into the FAQ document. The purpose of these questions is to offer additional guidance to the Buyer and Seller when transacting for certified gas. While the Addendum provides parties with a great deal of flexibility, it does not explicitly explain the importance of key terms and provisions that would ensure a rigorous and complete certification. Given the heightened importance of this effort and the risks that a subpar Addendum will have on the development of the certified gas market, the additional guidance will help ensure that the certification process is rigorous, transparent, and clear. It took a significant amount of effort to reach a compromise on these questions, and for these reasons, EDF urges the Executive Committee to adopt these questions, without modification, as part of its approval of the FAQ document that will accompany the Addendum.

Conclusion

EDF thanks NAESB for the opportunity to submit these comments and looks forward to continuing to engage in this process.

⁵ After putting this issue to a vote, the majority of participants voted that the default answer to this question should be “yes.”

Sincerely,

/s/ Natalie M. Karas

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