



June 24, 2022

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

Re: Comments on Certified Gas Addendum

Dear Mr. Sappenfield:

Environmental Defense Fund (EDF) respectfully submits the following comments on the NAESB Certified Gas Addendum.

EDF appreciates the robust discussion during the June 16th meeting regarding the imperative to replace the term “Responsibly Sourced Gas” with an appropriate substitute. EDF reiterates its recommendation that the term should make clear that it is the Buyer and Seller who are determining the characteristics, including environmental attributes and methane intensity, of the gas. While the “Certification Authority” has made a determination regarding the environmental attributes and other qualifications of the facilities and/or wells, it is the contracting parties who are attesting in Exhibit A as to the methane intensity and other characteristics of the facilities and/or wells at issue. Because there is no generally accepted definition of “certified gas” and no framework by which to ensure certification is meaningful and in fact drives emissions reductions and other benefits, the Addendum should make clear that the product being transacted does not have the imprimatur of a regulator backed by a mandatory and enforceable reporting regime.

The term “Contractually Certified Gas” would allow the parties flexibility in contracting while also making clear to customers, regulators, and investors that the commodity transacted in no way guarantees emissions reductions. Alternatively, and to the extent NAESB revises the Addendum to ensure independence between the Certification Authority and the Buyer and Seller as EDF recommends below, the term “Independently Certified Gas” may be an appropriate replacement term as well.

EDF urges NAESB to address the following concerns regarding the Addendum’s framework. Allowing the Seller and Buyer to create their own standards—in effect creating a regulatory regime that lacks any real teeth—will lead to a “race to the bottom.” Below EDF offers several suggestions shown in red that should be incorporated into the Addendum in order to avoid this outcome:

- Include “Methane Intensity” as a defined term: **“Methane Intensity” shall mean the total volume of methane emissions from the certified production site divided by total volume of marketed gas produced at that production site. Certified gas must have a reported methane intensity that is no greater than the Oil and Gas Climate Initiative’s metric of 0.20% and that reflects evolving industry standards as methane intensity declines over time.**
- Delete Section 2.58 “Certification Entity:” The term “Certification Entity” appears to be unnecessary in light of the terms “Certification Authority” and “Verification Provider,” which cover those entities verifying and certifying the environmental attributes and certification of the gas. Including “Certification Entity” in addition to “Certification Authority” and “Verification Provider” creates confusion. **~~Section 2.58 “Certification Entity” means the entity responsible for completing the certification of the environmental attributes as agreed to by the Parties as set forth in the CG Transaction Confirmation.~~**
- Revise “Environmental Attributes” to capture what is actually being certified today: Section 2.60 “Environmental Attributes” should be revised to include all other factors that are currently being certified and should not just be limited to environmental attributes. For example, Equitable Origin’s certification covers five ESG principles: (1) corporate governance, transparency, and ethics; (2) human rights; social impact and community development; (3) indigenous people’s rights; (4) health and safety and fair labor and working conditions; and (5) climate change, biodiversity, and environment.¹ To be inclusive of what is actually being certified today, Section 2.60 should be revised to instead define “ESG Attributes.”² **“ESG Attributes” shall mean the characteristics of the gas production that are evaluated by the Certification Authority, which may include (1) characteristics related to environmental impacts, including methane intensity and other land, air, and water impacts; (2) characteristics related to social impacts, including labor and working conditions and human rights; and (3) characteristics related to corporate governance, transparency, and ethics.**

¹ <https://energystandards.org/what-does-it-mean-to-be-eo100-certified/>.

² In addition, if NAESB accepts that “Environmental Attributes” is too limited to capture what is being certified today, it will need to make conforming changes throughout the document.

- Clarify the relationship between “Environmental Attribute Certification” (proposed but not yet defined in Section 2.61) and “Applicable Environmental Certification” in Section 2.36.
- Ensure independence between Certifier and Operator: Revise Section 2.44 to define “Certification Authority” as “an entity that certifies or verifies the environmental attributes and certification of RSG, or the qualification of well(s) or facility(ies) under an AEC. The ~~AEC~~ **Certification Authority** may include, as applicable, a governmental authority, a Verification Provider, **or** an independent auditor, ~~or any other third party as determined by the Certification Authority or the Buyer and Seller as set forth in the RSG Transaction Confirmation.~~ **The Certification Authority may not be affiliated with, or have a financial interest in, either the Buyer or the Seller. The Buyer and Seller may not have a financial interest in the Certification Authority.**
- Acknowledge there could be multiple Certification Authorities: Page 7 of 10, Exhibit A, revise “Certification Authority” to read **“Certification Authorities.”** It is EDF’s understanding that multiple certifiers could be used for one facility and/or well. For example, MiQ could certify the methane intensity, while Equitable Origin could certify one or more of the other ESG Attributes listed above.
- Avoid Cherry-Picking: Page 8 of 10, Exhibit A, under “Facility(ies) or Well(s) Information” include the additional line item: **“The production of these assets represents a ___% share of the entire production portfolio of seller. The company-wide methane intensity of Seller’s production assets is ___%.”**

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

Sincerely,

/s/ Natalie M. Karas

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