



Project Canary, PBC
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Denver, CO
80202

June 24, 2022

NAESB
Mr. Sappenfield
WGQ Contracts Subcommittee
RSG Addendum

RE: Request to Reconsider Product Name in RSG Addendum

Dear Mr. Sappenfield,

Project Canary has appreciated the opportunity to participate, along with others in government and industry, in ongoing discussions regarding Responsibly Sourced Gas (“RSG”) and the RSG Addendum. We wish to provide additional comments regarding the product name of the RSG Addendum as discussed in the WGQ Contracts Subcommittee meeting held on June 16, 2022 and urge you to revert to the original reference--Responsibly Sourced Gas.

During the course of the last two WGQ Contracts Subcommittee (the “Subcommittee”) meetings regarding the RSG Addendum, we have witnessed various groups lobby for and against the product name of this Addendum. On June 2, 2022, the meeting of the WGQ Contracts Subcommittee agreed that Responsibly Source Gas (“RSG”) would be the product name, making the case that this was widely used and recognized terminology and in consideration that Project Canary did not possess a trademark¹. After this June 2nd decision, the North American Energy Standards Board (“NAESB”) issued a press release informing the markets of its intent and requested comments; it was clear and unambiguous. To alter the description of the addendum after making it public is a matter of concern for Project Canary and other market participants with whom we work. The expressed intent of the Subcommittee was to highlight RSG as a premium product with certain attributes and to recognize the exceptional industry practices required to achieve it.

¹ <https://www.projectcanary.com/blog/project-canary-sets-its-rsg-trademark-free/>

RSG denotes a differentiated, premium product and carries with it the assumption of high standards related to its production. As discussed with the Subcommittee, most RSG transactions to date have included important elements: 1) certification from a recognized, independent third party, 2) continuous emissions monitoring requirements, and (3) low methane intensity verification. Changing the terminology to be used in the addendum from premium RSG to generic “certified gas” should be of concern and creates further confusion in the market which is seeking consistency in terminology. The Addendum itself contains the requirement to identify the certification level and verification provider as well as the methane intensity percentage. Also, the RSG definition offers a broader overall umbrella framework that incorporates a wider range of environmental attributes whereas “certified gas” denotes a narrower definition.

RSG products are widely recognized as differentiated, premium products among buyers and sellers in both domestic and international markets. It is important that any actions taken consider the views of all stakeholders: customers, the business community, regulators, and participants. We believe NAESB should embrace high standards and recognize the hard work that many producers are undertaking to ensure their products are responsibly produced. Simply stated, we believe that using the generic term certified gas devalues the significant work that producers are undertaking to create premium products, by including external certifications and the installation and utilization of continuous emissions monitoring and other measurement technologies. We believe that the utilization of generic terms by NAESB could leave the industry vulnerable to greenwashing claims because simply obtaining a third-party certificate is a lesser standard, not a recognized industry best practice and will not be rewarded by the market.

The change in course, to rename the product in the RGS Addendum at the meeting on June 16, 2022 to “certified gas” is a step backwards and we believe the Subcommittee should revert back to RSG. We see no compelling reason to move away from RSG to certified gas. Project Canary respectfully submits that the Addendum should be named the Responsibly Sourced Gas Addendum, as was originally decided by the WGQ Contracts Subcommittee on June 2, 2022.

As the RSG market evolves there are two additional actions that we want to ensure the Subcommittee is aware of. The Environmental Defense Fund (“EDF”) and most recently Platts (part of S&P Global Insights) have weighed in in support of high standards for differentiated gas markets. Both entities refer to the broader market as responsibly sourced gas in their work with more narrow definitions of specific certified gas criteria. EDF recently released a white paper, titled “Certification of Natural Gas with Low Methane Emissions: Criteria for Credible Certification Programs” that captures the growing consensus on the need for high standards.²

² Maureen Lackner & Kristian Mohlin, *available at* https://blogs.edf.org/energyexchange/files/2022/05/EDF_Certification_White-Paper.pdf.

Platts, a part of S&P Global Commodity Insights, is also working to establish a differentiated gas standard and identified three elements:

1. Methane intensity of production is less than 0.10% calculated by an independent third party
2. Production volumes monitored and verified by an independent third party
3. Emissions continuously monitored during production by an independent third party

These actions show there is an industry need to be certain that natural gas transacted under this Addendum is recognized as representing the highest standards and industry best practices. Arguments against RSG such as the potential confusion with renewable natural gas and the potential market confusion are simply not compelling reasons to move away from RSG. Moreover, RSG is recognized as an industry wide definition and is not specifically identified with one certification entity, such as Project Canary. The industry expects buyers and sellers to understand the acronyms in which the industry transacts, and that is a reasonable expectation.

Project Canary recognizes and appreciates the efforts being undertaken by the WGQ Contracts Subcommittee and understands this is no small task. Independent companies like Project Canary have emerged in response to the increasing focus on ESG obligations and transparency in general, and need to provide independent, third-party validation of energy companies' operational and emissions practices. Responsibly sourced gas sets an important expectation of quality and rigorous standards in this Addendum.

The Company appreciates the opportunity to provide these comments and looks forward to further participation. Should you have questions or concerns, please feel free to contact me or Michelle Moorman Applegate at Michelle.Applegate@ProjectCanary.com.

Sincerely,

Brian Miller
Project Canary
Senior Vice President, Public Policy and Growth