



July 18, 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 submitted detailed comments and redline suggestions to the Certified Gas Addendum on June 24, 2022. Rather than burden the record with those same comments, EDF incorporates its June 24, 2022 comments by reference and urges NAESB to address those specific comments at the July 21, 2022 meeting. The comments below primarily focus on more fundamental concerns regarding NAESB's role as a neutral standards-making body in developing precedential standards in a nascent market and EDF's suggestions to improve the process for this effort.

Throughout this process, NAESB has correctly explained that it is a neutral standards-making body.¹ However, 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, EDF urges NAESB to revisit its process for resolving the more difficult issues, allow participants the opportunity to comment on and revise the accompanying Frequently Asked Questions (FAQ) document, and commit to reviewing the Certified Gas Addendum after two years of experience with the nascent certified gas market.

¹ 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.").

While EDF respects the process NAESB has followed in the past in developing contract addendums, given the novel and nuanced questions raised by this effort, EDF cautions NAESB against deferring the difficult questions to the parking lot to be resolved at a later time. Presently, the “parking lot” contains the following critical concerns, raised by MiQ:

- MiQ has several fundamental comments about the current version. Aside from our general remark on the use of the term RSG (marketing hype, not neutral, leads to greenwashing accusations), we also have serious worries about the contractual language. As currently written the Addendum permits arbitrating by sub standards which will lead (and has led) to greenwashing and cherry picking accusations by NGO’s or outside stakeholders and allows for conflict. In short it will create to a highly contested market, such as is the case for Carbon Offsets. It should be in everybody’s interest to avoid such an outcome since it will delay the creation of liquid markets and methane abatement.
- Under the current construction of section 2.43 (now 2.39), both facilities and wells are permitted. Only facilities, in their entirety, should be considered eligible for certification. Well certification creates a risk of cherry picking by a variety of stakeholders. Operators being able to self-select (i.e., cherry pick) a sub-set of wells or equipment within a facility undermines certification results, the certification process, as well as a functioning market. Allowing well certification invites operators to simply certify or disclose emissions only on those assets with the lowest inherent emissions and does not drive transparency or reductions for remaining assets and further decouples the attributes of the certificate from the physical gas sourced from a given producer. Currently, civil society organizations are actively scanning certified operators and critiquing the occurrence and/or lack of transparency, reporting, or certifications of emissions from pads or equipment adjacent to certified wells. These critiques will only increase over time.

Simply punting on these fundamental concerns will ultimately complicate and delay the process. NAESB’s commitment to developing an accompanying FAQ document could provide an important pathway forward to resolve some of these concerns. EDF respectfully suggests that NAESB allow interested participants to review and comment on the FAQ document. In addition, NAESB should commit to revisiting the addendum in two years after the industry gains additional experience with the certified gas market. Explaining that this effort is only a preliminary first step, and could be revised in the future after more experience is gained, will enhance the legitimacy of this effort.

In addition to the broader concerns raised above, EDF submits the following comments with regard to an issue raised during the June 24, 2022 meeting as to

whether the addendum is accurately capturing what is being certified today. As several of the certification entities raised during the meeting, the certification could include issues beyond just environmental attributes. While “Certified Attributes” may be too broad, EDF suggests that “ESG Attributes” would cover the scope of issues being certified today, which include characteristics related to environmental impacts, including methane intensity and other land, air, and water impacts; characteristics related to social impacts, including labor and working conditions and human rights; and characteristics related to corporate governance, transparency, and ethics.

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

Sincerely,

/s/ Natalie M. Karas

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