**2022 NAESB WGQ Annual Plan Item: Responsibly Sourced Natural Gas Addendum**

**4/14/2022 NAESB Board of Director’s Motion Approved: Develop a Responsibly Sourced Natural Gas (RSG) Addendum to the NAESB Base Contract for various program offerings. (Underway)**

**09-15-2022:** NAESB WGQ Contracts Subcommittee (SC) initial meeting to define scope and start work.

Plan for development of draft Addendum (**09/15/2022**)

* 1. Meeting schedule (dates) at 2-4 PM.
     1. **Initial meeting held June 2, 2022**
     2. **Thursday, June 16, 2022**
     3. **Tuesday, June 28, 2022**
     4. **Thursday, July 21, 2022**
     5. **Tuesday, August 2, 2022**
     6. **Thursday, August 18, 2022**
     7. **Thursday September 15, 2022**
     8. **Thursday, September 29, 2022 (planned)**
     9. **Thursday, October 6, 2022 (pending)**
  2. Review posting of Chair’s GC transaction market flow charts
  3. Comments at prior meetings requested additional discussion on use of the current placeholder term “Certified Gas” naming convention.
  4. Updates to Cover Standard per discussion at 8/18 meeting
  5. This discussion will take place after review of the addendum’s terms and conditions. These comments and others items that may require balance vote for resolution are organized under separate topics in the **Parking Lot** on page 2.
  6. Proposed Exhibit A – Transaction Confirmation
  7. Proposed Exhibit B – Attestation (as appropriate)
  8. Draft Base Contract FAQs with comments received on the FAQs is posted for the September 15th meeting.
  9. FAQ examples of Proforma Transaction Confirmation Exhibit A and Proforma Attestation Exhibit B will be discussed as possible work efforts.
  10. After completion and adoption of addendum and related documents as standard, work to continue to develop electronic dataset version of addendum including associated Technical Implementation of Business Process (TIBP) instructions.

Next meeting work efforts:

* Confirm date/time (**September 15 (Thursday), 2022, at 2-4 PM)**
* Request for group review and comment of the 09/15/2022 draft addendum.
* SC working documents for SC discussions will be posted for participants review approximately prior SC meeting.

**Parking Lot**:

* **Discussion and possible Vote on naming convention for Addendum**
  1. 06/24/2022 **EDF** “Contractually Certified Gas”
  2. 06/24/2022 **Project Canary** “Responsibly Sourced Gas”
  3. **MiQ**: do not use term RSG (marketing hype, not neutral, leads to greenwashing accusations)
  4. Retain placeholder: “Certified Gas”
* Review Section 1.3 CG Transaction Confirmations under Base Contract Section 1.2 to clarify CG Transaction Confirmations fall within Section 1.2.
* **Discussion and possible Vote on terms and conditions related to “Facility(ies)”:**
  1. MiQ: 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, 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.
  2. EDF; 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 under a Certificate.
* **Discuss and possible vote on approach for Certificates, Certification-Verification requirements and definitions**
  1. 7/19/22 EDF - **Independence.** An essential characteristic of a robust certification program is that it must be accompanied by verification from a credible and independent third party.
     1. Project Canary is now offering “an additional layer of 3rd party data to produce unassailable emissions performance reports.”
     2. MiQ’s guidance for auditors makes clear that “[a]uditors must maintain true independence and avoid conflict of interest, financial, personal, reputational, or otherwise, within the certification process.”
     3. 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. NAESB should ensure that such independence is reflected at all of these levels in the Addendum.
  2. 9/14/22 EDF –
     1. **Attestation**. Proposed changes to definition 2.38 (see addendum for changes)
     2. **Facilities** – Proposed changes to definition 2.46 (see addendum for changes)
     3. **Section** 3.5 – Proposed changes to section (see addendum for changes)
     4. **Exhibit A** – Methane intensity should be included as a defined term (see addendum for changes).
     5. **Comments on FAQ Document** – Proposed additions and changes (see FAQs for changes)
     6. **Comments on Market Flow Chart Slides** = comments to be discussed during presentation and updates made per meeting discussions.
  3. As an industry ‘best” practice for the CG transaction market place: propose addendum terms and conditions that would require for Certificates issued by a Certificate Authority, the Certificates shall be verified by an independent third party, and the certificates be recorded in a “registry” or equivalent electronic database to track the certificate from initial creation/issuance by a Certification Authority, certificate transfers under a transaction, and ultimate retirement of a certificate, as applicable.
  4. COP - Views the addendum as strictly a transactional tool between buyers and sellers and should be structured in a way to maximize transactional possibilities. Specifically, COP supports broader language to allow for transactions that utilize frameworks that provide measurement, reporting, and verification but don’t classify themselves as certifiers (e.g. OGMP). The currently contemplated draft forecloses the opportunity to utilize such frameworks and can unnecessarily pressure entities to use a narrow set of frameworks despite delivering the same or better results, as the use of NAESB contracts is highly preferred within the industry. NAESB should strive to develop contracts that simply facilitate transactions and allow the marketplace to define deal structure. Specific terms that should be reviewed for adequate breadth include: Applicable Certification, Certification, Certification Authority, and perhaps others as the contract addendum continues to progress. COP recognizes that this topic is likely part of the broader conversation about how to label such transactions.
* ES Comments: We support the current way in which the document operates in terms of transferring CG and environmental attributes rather than title to the CG certificates (which is not workable for many types of Certificates). We also like that the CG Attestation provides support and substantiates that the contract quantity is tied to specific volumes of CG.   
  The provisions in Section 17 are potentially overly broad such that they don’t have much to do with CG specifically and could conflict with existing special provisions.   
  SPL: Agree with this comment
* **Additional Principles**
  1. 06/24/2022 **MiQ** NAESB adoption of “Principles”
* **General Comments:** 
  1. MiQ Comments: Aside from our general remark on the use of the term RSG As currently written the Addendum permits arbitraging by sub standards which will lead (and has lead) 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.
  2. SPL—what are the options? Doing nothing because of accusations, some of which may be legitimate, some of which may not, doesn’t seem like the correct answer to not coming up with a facilitating contract
* **FAQs:**
  1. Anticipated practice for CG Addendum to be used as either (1) new Base Contract with CG Addendum, or (2) an CG Addendum to an existing Base Contract.
  2. **EDF:** Given the heightened importance of NAESB 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. 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.