

September 7, 2021

Senator Majority Leader Chuck Schumer
Senator Minority Leader Mitch McConnell
House Speaker Nancy Pelosi
House Minority Leader Kevin McCarthy

On behalf of the companies and associations that make up the natural gas supply chain and the 180 million Americans and the 5.5 million businesses that rely on natural gas, we would like to express our concerns about including a methane emissions fee or tax in budget reconciliation legislation. Through numerous programs and initiatives, our companies are at the forefront of reducing greenhouse gas emissions, including methane. Moreover, natural gas is responsible for 61% of cumulative carbon dioxide emissions savings due to changes in the electricity generation fuel mix.¹

The industry is committed to continuing its efforts to minimize methane emissions across the U.S. economy. However, the methane fee framework currently being considered would introduce a regressive tax on low-income and fixed-income Americans, ignore existing and anticipated federal regulations on methane emissions, and lessen available capital for our companies' ongoing investments in further reducing methane emissions.

New fees or taxes on energy companies will raise costs for customers, creating a burden that will fall most heavily on lower-income Americans. While we appreciate that the details of the methane fee proposal are still under development, based on similar proposals introduced earlier this Congress, we estimate that the fee could amount to tens of billions of dollars annually. These major new costs most likely will result in higher bills for natural gas customers, including families, small businesses, and power generators. In one scenario, we estimate that such a fee could result in the average customer seeing an approximate increase of 17% in their natural gas bill, or over \$100 per year for the average American family.² We also estimate that the proposal could put more than 100,000 American jobs at risk.

These outcomes are inconsistent with President Biden's commitment to pay for reconciliation without imposing new taxes on lower-income Americans. One-third of households already face a challenge in meeting energy needs, according to the Energy Information Administration. In a 2015 survey, 25 million households reported forgoing food and medicine to pay energy bills.

¹ U.S. Energy Information Administration. <https://www.eia.gov/environment/emissions/carbon/>

² The new methane fee will impact customers in different ways depending on the regulatory treatment of the taxed natural gas, the amount of gas taxed, and the characteristics of the impacted utility. This scenario assumes 1) a \$38 per MCF fee on 2% of the gas purchased by a utility 2) whose customer base is 75% residential 3) for whom the proportion of the commodity in the average bill is about 30%, and 4) the cost of gas is passed through to utilities.

According to the Department of Energy's Low-Income Energy Affordability Data (LEAD) tool, the national average energy burden for low-income households—upwards of 50 million homes—is three times higher than non-low-income households. Furthermore, the energy burden can be as high as 30% of gross household income, depending on location and income. Any increase in low-income households' energy costs could prove devastating. We also anticipate that natural gas producing regions would bear a severely disproportionate economic impact—including lost jobs—as businesses across the natural gas value chain are harmed by new, government-imposed costs and inflated natural gas prices.

The methane fee proposal also is inconsistent with the Biden Administration's ongoing actions to regulate methane emissions and diverts resources away from greenhouse gas reduction efforts. The Environmental Protection Agency and the Pipeline and Hazardous Materials Safety Administration have announced new, forthcoming methane emissions regulations, including regulations that Congress has mandated. The imposition of a methane fee in addition to federal rules to reduce methane emissions therefore would be duplicative. Our understanding is that the proposed methane fee may penalize companies regardless of their compliance with these new regulations. Furthermore, it does not appear that the revenue collected from the methane fee would be put towards methane emissions reductions but rather to offset the cost of the overall budget reconciliation bill. Such a framework would significantly reduce the available capital for innovation and emission reduction investments needed to continue reducing energy sector emissions and to comply with new federal methane rules.

Lastly, Congress has not robustly or transparently evaluated the impacts of a methane fee. The methane fee proposal has not been the subject of a Congressional hearing and therefore has not been appropriately analyzed or debated among lawmakers. This proposal has also not been vetted to assess the economic hardship it could impose on lower-income Americans, the regional distortions introduced into the market, the impact on global energy trade and U.S. competitiveness, and the effect this regime would have on reducing methane emissions. We believe that a more rigorous review would demonstrate significant challenges with accurately applying a production basin-based emissions fee, as some proposals have suggested, including the potential that the proposal will tax multiple companies in the natural gas value chain more than once for the same molecule of emissions.

As Congress debates budget reconciliation, we urge you to consider the significant impacts that new fees and taxes on natural gas can and will have on all Americans. We look forward to working with you on ways to continue driving down methane emissions while still providing homes and businesses with affordable, efficient, and reliable energy.

Sincerely,

American Gas Association
American Pipeline Contractors Association
American Public Gas Association

American Supply Association
Distribution Contractors Association
Energy Association of Pennsylvania
Energy Equipment & Infrastructure Alliance
Florida Gas Association
Gas & Oil Association of West Virginia (GO-WV)
GPA Midstream Association
Hearth, Patio & Barbecue Association
Independent Petroleum Association of America
Interstate Natural Gas Association of America
International Association of Drilling Contractors
Iowa Utility Association
Louisiana Gas Association
Marcellus Shale Coalition
National Association of Homebuilders
National Utility Contractors Association
Natural Gas Association of Georgia
Northeast Gas Association
Northwest Gas Association
Ohio Gas Association
Oklahoma Gas Association
Plastics Pipe Institute
Plumbing-Heating-Cooling Contractors—National Association
West Virginia Manufacturers Association