October 9, 2014

Administrator Gina McCarthy
U.S. Environmental Protection Agency
1200 Pennsylvania Ave NW
Washington, DC 20460

Re: National Oil and Gas Methane Regulation

Dear Administrator McCarthy,

We are writing to you today to urge the EPA to move forward with a robust effort to regulate methane emissions from the oil and gas industry - upstream and midstream. As investors in the oil and gas industry we are deeply concerned that methane emissions pose a serious threat to climate stability, accelerating the rate of warming in the near term and threatening infrastructure and economic harm that are bad for the country and bad for investors. Tackling methane emissions across the burgeoning American oil and gas industry is a positive step the Administration can take now to further secure its climate legacy and to benefit the economy.

A comprehensive, timely national methane policy will: (1) minimize harmful methane and associated emissions, (2) build investor confidence that natural gas is appropriately regulated so that it can help the economy transition to a clean energy economy, and (3) keep more of that American natural resource working for the economy as America migrates towards a more sustainable energy mix.

The undersigned investors encourage the EPA to initiate comprehensive rulemaking on methane emissions from existing and future oil and gas facilities, for the following reasons:

1. **Methane emissions are a serious climate problem.**
   Methane is a highly potent greenhouse gas - at least 84 times more powerful than carbon dioxide over a 20-year time period.[1] About 30 percent of the warming we will experience over the next two decades as a result of this year's greenhouse gas emissions will come from methane. Oil and gas is the largest industrial source of methane emissions in the US, and recent studies have concluded that methane emissions from the US natural gas supply chain are nearly double the official estimates.[2] As the Administration noted in its March 2014 *Strategy to Reduce Methane Emissions*, emission measurement and estimates entail consid-

[1] IPCC, Climate Change 2013: The Physical Science Basis, Fifth Assessment Report, Chapter 8 (Table 8.A.1)
[2] Brandt, A. R., et al., "Methane Leaks from North American Natural Gas Systems," Science Magazine (February 2014)

erably uncertainty.[3] In short, carbon dioxide ***and*** methane emissions pose imminent risk to the climate and in turn economic stability and investment opportunities, meaning that actions are urgently needed to reduce both pollutants. As market forces and the Clean Power Plan position natural gas as a low-greenhouse gas alternative to coal, it is all the more critical for regulation to address methane emissions so natural gas can live up to its climate potential.

2. **There are proven, cost-effective solutions that will dramatically cut emissions now.**
   A recent report prepared by ICF International, drawing on industry input, identified proven control strategies that can slash oil and gas methane emissions by 40% at an average annual cost of less than one cent per thousand cubic feet of produced natural gas.[4] These strategies, such as vigilant leak detection and repair programs and retrofits of valves originally designed to leak methane, are commonsense ways to cut emissions. In addition, some such strategies will have a positive economic payback, as the value of captured gas more than offsets the cost of control. Furthermore, addressing methane emissions will benefit regional air quality and public health. The attainable 40% methane reduction brings with it – for no additional cost – a 44% decrease in volatile organic compounds (VOCs) and hazardous air pollutants (HAPs) [5], which are significant contributors to diminished air quality and public health issues such as asthma and other respiratory conditions which have a negative impact on the economy.

3. **It is insufficient to rely solely on voluntary initiatives and state-level action.**
   While voluntary industry action and state level regulation are meaningful steps in the right direction, they are insufficient to address the magnitude and urgency of the problem. With thousands of industry operators in the upstream segment alone, uniform rules are the only way to level the playing field and ensure high performance across the board. As the industry is highly dispersed, a national framework, in collaboration with states, is the right approach to ensure simplicity, consistency and certainty. Further, policy is needed to overcome externalities that keep companies from investing in emission reduction. The good news is that EPA can draw on the Colorado model, where the recent development of sweeping new methane control rules was accomplished through a cooperative process that included political and policy leaders, industry, and environmentalists.[6]

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[3] The White House, "Climate Action Plan - Strategy to Reduce Methane Emissions" (March 2014)

[4] ICF International, Economic Analysis of Methane Emission Reduction Opportunities in the U.S. Onshore Oil and Natural Gas Industries (March 2014) 1-1

[5] ICF International, 1-2

[6] "Colorado First State to Limit Methane Pollution from Oil and Gas Wells", Scientific American, available at: http://www.scientificamerican.com/article/colorado-first-state-to-limit-methane-pollution-from-oil-and-gas-wells/

4. **Methane policy can reduce risk and create value for investors and the economy.**
   We also observe that a strong methane policy can contribute to the economic growth potential offered by developments in domestic oil and gas production. A June 2014 Goldman Sachs report shows that America is losing out 15:1 on certain industrial downstream re-investment, in part because the methane policy vacuum and associated public environmental concerns create uncertainty in industrial investment.[7] We believe establishment of a comprehensive methane policy that reduces emissions and ensures a real climate benefit from natural gas as we transition to a renewable energy economy can have positive economic and environmental benefits. The Goldman Sachs report argues that as many as 1 million additional jobs in the United States may be created in the next decade if we address a number of key policy priorities, including methane.[8] Moreover, getting methane emissions under control will help manage the rate of climate change, thereby limiting the damaging economic costs associated with droughts, storms, floods, and other disruptions.

Taking rigorous action on methane now is a major opportunity for the EPA, and a key element of a comprehensive US climate and clean energy policy. As leading investors, we see important economic and environmental benefits coming from robust regulations. For the above reasons, we strongly urge you to initiate a comprehensive national regulation addressing all major sources of methane emissions in the oil and gas industry.

We appreciate your time and consideration. Please direct any questions you may have to Jonas Kron, Trillium Asset Management, LLC, 800-548-5684 or jkron@trilliuminvest.com.

Sincerely,

Jonas D. Kron, Senior Vice President
Trillium Asset Management, LLC

On Behalf of:

Scott M. Stringer
New York City Comptroller

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[7] Goldman Sachs, Unlocking the economic potential of North America's energy resources, p7, p60 (June 2014)
[8] Goldman Sachs, p4-5

Natasha Lamb, Director of Equity Research and Shareholder Engagement
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Paul Bugala, Senior Sustainability Analyst, Extractive Industries
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Alex Ziulkowski, Senior ESG Analyst
Walden Asset Management

Cc: John Podesta, Counselor to the President