

Taxing Flaring and the Politics of State Methane Policy

Barry Rabe, Claire Kaliban & Isabel Englehart

May 23, 2019

REPI Workshop



**GERALD R. FORD SCHOOL
OF PUBLIC POLICY**
UNIVERSITY OF MICHIGAN

CL_OSUP
Center for Local, State, and Urban Policy

Some Questions

- State performance in oversight over methane venting/flaring?
- How/when do states apply taxes/royalties?
- Is it *technically feasible* to put a price on methane releases?
- Is it *politically feasible* to price methane?



The Case for Considering Taxation

- Methane a nagging, enduring issue
- Severance taxes applied at wellhead
- Pressures from natural resource orgs, royalty holders, education groups to “drive down waste” & “capture lost revenue”
- The helium precedent

The Norwegian Model: No Avfull



**GERALD R. FORD SCHOOL
OF PUBLIC POLICY**
UNIVERSITY OF MICHIGAN

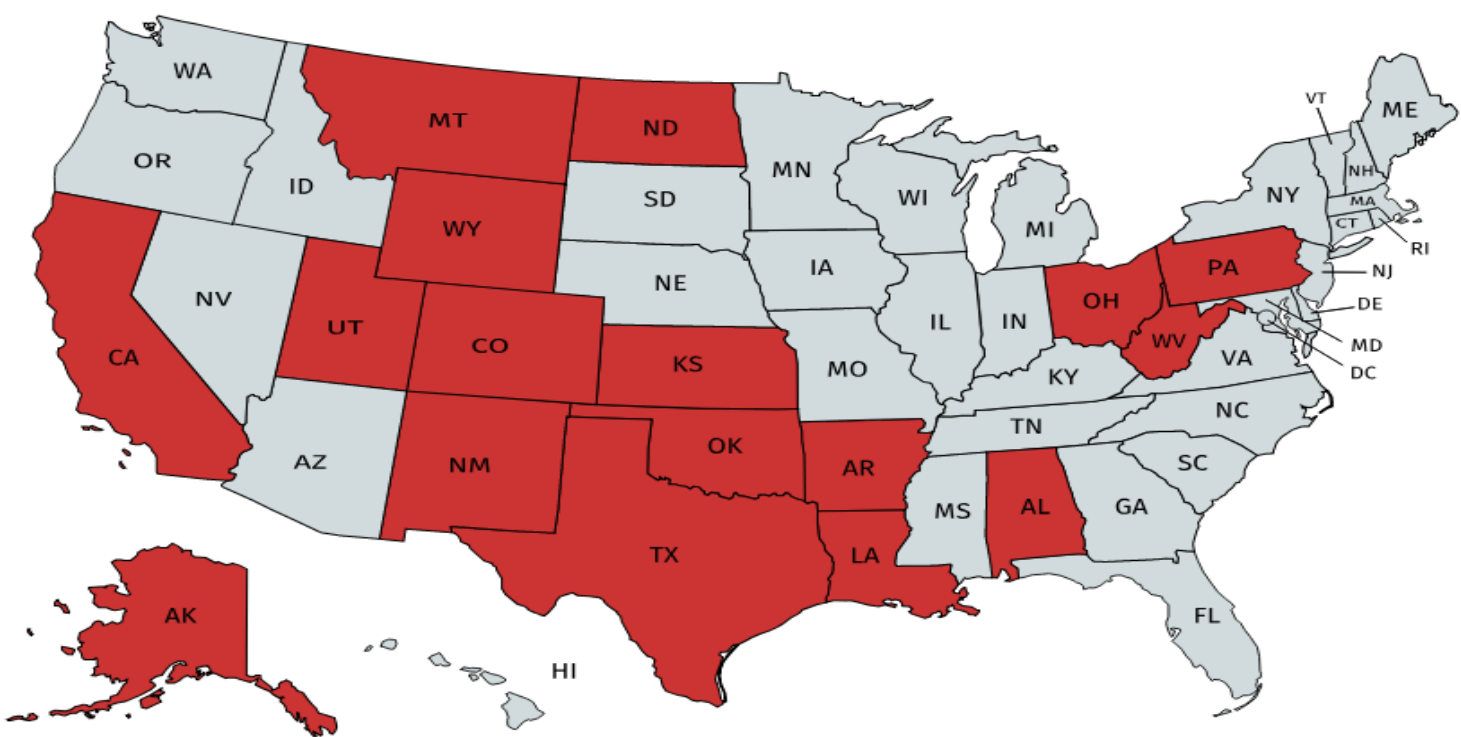
CL^OSUP
Center for Local, State, and Urban Policy

American Considerations

- Multiple methane frames: Climate, air quality, permanent loss of non-renewable natural resources...
- Nearly all oil/gas production states tax upstream—durable after prolonged political adoption battles
- States: Racing-to-Top with methane innovation, particularly given EPA/BLM reversals



Cases of Interest



Did states price methane, 1960-2000?

- Alaska followed Norway (flare ban and fines)—but has stepped back over time
- 1985 North Dakota legislation imposed taxes after first year of flaring (but altered in 1993: “may” vs. “shall”)
- Common path: Exemptions and delegations to state oil and gas commissions for waivers
- What happens in the shale era post-2000?



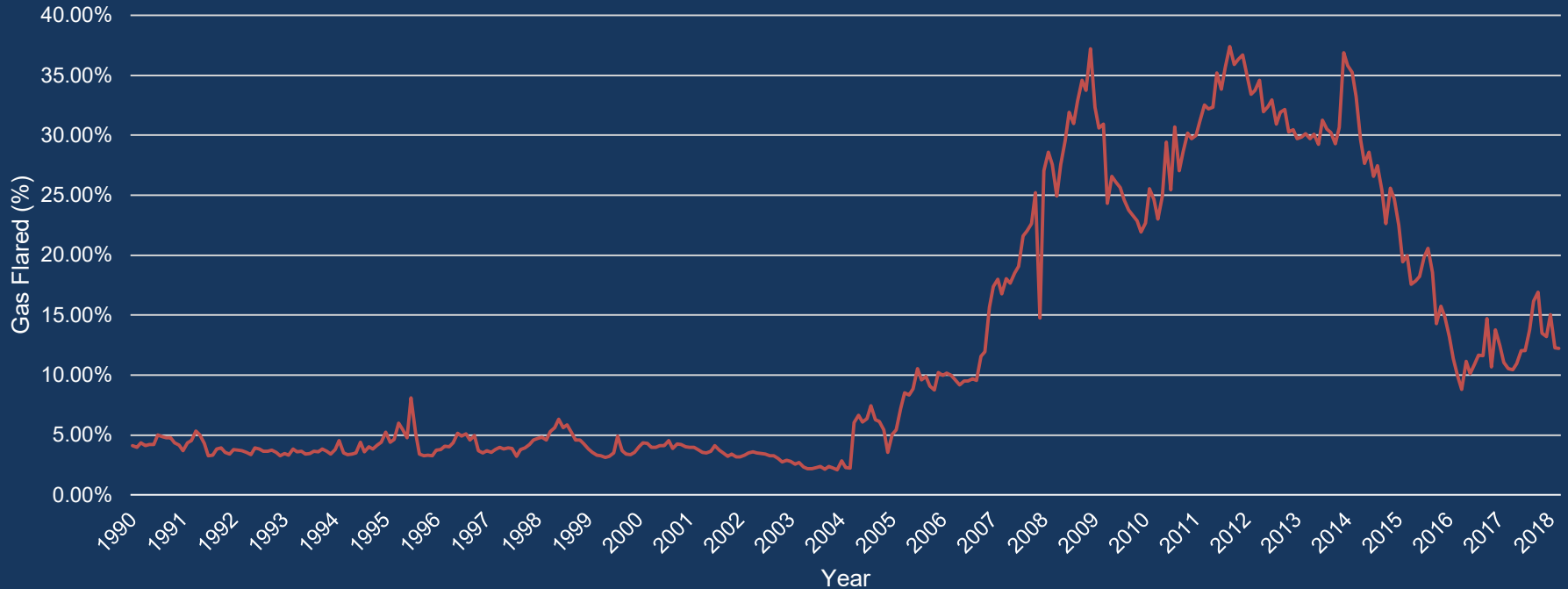
The 21st Century & North Dakota Flaring



**GERALD R. FORD SCHOOL
OF PUBLIC POLICY**
UNIVERSITY OF MICHIGAN

CL^oSUP
Center for Local, State, and Urban Policy

North Dakota Monthly Natural Gas Flared (1990-2018)



Flaring in Wyoming & Air quality: Pinedale



Have states taxed methane flaring and venting in the shale era?

- Multiple rounds of legislation proposed in Wyoming and North Dakota during 2010s to extend existing taxes—all rejected decisively and with decreasingly bipartisan support over time
- No concerns expressed over technical feasibility in hearings *but* much uncertainty over release volumes
- Aggressive oil and gas industry opposition:
 - Threats to shift production to other states if adopted
 - States must provide gas capture infrastructure before taxation



Where next on methane?

- Expected spikes linked to expanding development: Permian Basin, outlying Bakken counties, et al.
- Limited legislative engagement on methane in most states (except landfills)
- Regulatory reforms via performance standards in some states--"Patchwork" rather than convergence
- Methane Waste Prevention Act (5.14.19.)

Thanks!



**GERALD R. FORD SCHOOL
OF PUBLIC POLICY**
UNIVERSITY OF MICHIGAN

CL_OSUP
Center for Local, State, and Urban Policy