Taxing Flaring and the Politics of State Methane Policy

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REPI Workshop
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
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
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
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!