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U.S. Department of Energy
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VIA Email

On behalf of our members, the Natural Gas Supply Association (NGSA) would like to provide feedback on the Measurement, Monitoring, Reporting and Verification (MMRV) Framework (formerly the Draft Framework for Differentiated Natural Gas: Criteria, Transparency, and Governance). We understand that this process is global and that the Department of Energy (DOE) is still working through its approach and role. As this process evolves, we would like to serve as a resource and provide an industry perspective that we hope will be useful as DOE continues its work in this space.

First, NGSA's members use the term "differentiated natural gas" to recognize a broad category of natural gas products in which producers are taking steps to lower emissions and/or lower the methane intensity of production. Certified natural gas products are a subset of differentiated natural gas: specifically, certified natural gas products have undergone a formal process in which a third-party auditor performs a comprehensive evaluation of company practices to produce gas and finds that the gas under evaluation meets a pre-defined threshold of criteria. The evaluated natural gas production is thus qualified to be "certified" as meeting those standards.

NGSA's members believe that certified natural gas is one of the many ways that natural gas can help society reach net zero, because it gives producers and buyers an understanding of a product's methane intensity and sources of emissions, which enables ongoing and additional methane emission reductions. Certifying the process through which natural gas is produced creates transparency regarding emissions, differentiates the supply of natural gas, and helps operators make the right investments to further reduce emissions.

Broadly speaking, natural gas customers and policymakers globally are becoming increasingly concerned about climate change and increasingly interested in reducing greenhouse gas (GHG) emissions and the carbon intensity of their supply chains. LNG buyers and natural gas consumers around the world are therefore showing increased interest in transparency around the GHG emission profile associated with the energy they purchase. Certified natural gas programs are designed to be a way to provide this transparency.

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Certified natural gas programs are in the early stages of development, but they are beginning to work their way into the global natural gas market. However, recognizing that certified natural gas programs in the United States will help to demonstrate the reduced carbon intensity of U.S. natural gas production, it appears likely that these programs will increase the competitiveness of U.S natural gas in foreign markets and potentially facilitate more long-term contracting of U.S. sources of natural gas.

Currently, certified natural gas is being traded globally but without the transparency and insight needed to fully understand its effect on the global LNG market. Specific customers that have an interest in understanding the emission profiles of the natural gas they are receiving might contract for natural gas that has been certified. However, until there is an established and transparent market for certified natural gas that accounts for the cost incurred to produce certified natural gas, it will be difficult to capture its full value.

NGSA recognizes that certification is becoming increasingly important to European buyers, as the European Union aims to finalize methane legislation. This legislation will likely have an impact on U.S. LNG exports and may require companies to submit source-level monitoring, reporting, and verification data. Transparency of emissions data and certification will be increasingly valuable in the global market.

NGSA also understands that DOE's MMRV Framework is an international project, and that DOE is working with other countries to create a global framework for the certification of natural gas. However, NGSA encourages DOE to recognize existing U.S. natural gas industry leadership on public GHG reporting and methane technology deployment as it engages with international partners on this important topic.

The marketplace for certified natural gas in the United States is just beginning to develop, and NGSA's members support this evolution toward the establishment of a national market for independently-traded certified natural gas certificates or similar differentiated financial products. NGSA believes that a market-based solution is an efficient, cost-effective means for achieving lower emissions and will complement efforts already underway to directly reduce methane emissions.

Currently, several natural gas producers in the United States have been or are in the process of having their production certified by independent certifiers, while others are using their own certification processes. Certification is happening on a voluntary basis: currently 26% of U.S. production is considered certified. There is growing interest from buyers in purchasing certified gas, and a variety of platforms are being developed to track, transfer, and trade certified natural gas attributes.

While all of this is currently happening on a voluntary basis, this voluntary nature is an effective way to establish a competitive market because it allows for the exploration of many different platforms and technologies and the best of those to rise to the top. It is important to keep in mind that different natural gas producers will need different types of technologies to accurately account for emissions. Further, an array of technologies will provide valuable solutions in different contexts.

It is also important to keep in mind that there are several other U.S. Federal agencies pursuing concurrent work to DOE on different aspects of GHG emission reporting and regulations. For instance, the Environmental Protection Agency (EPA) has proposed new performance standards for

operations in the oil and gas sector and is currently proposing to amend reporting requirements for natural gas systems, including methane emissions. Several states, including Colorado and New Mexico, are already implementing regulation on methane. The U.S. Congress has agreed to a fee on methane emissions in the Inflation Reduction Act. And, the U.S. Securities and Exchange Commission (SEC) has issued a proposed rule to standardize the way organizations make climate-related disclosures.

If DOE is trying to establish a global framework for certified natural gas, it will be important to ensure that there are not conflicts with requirements set forth by other agencies in order to support a transparent and liquid market for U.S. natural gas.

A useful example of the establishment of a marketplace with similar challenges to a certified gas market can be seen in the establishment of Renewable Energy Certificates (RECs), which were an answer to the rise of renewable electricity production and power producers reacting to demand from customers for "green" energy. In response, RECs were created to track renewable electricity generation. Today, a REC represents one megawatt-hour (MWh) of electricity generated from a renewable energy resource that can be bought and sold in the open market.

States played a significant role in the marketability of RECs through the passage of renewable portfolio standards (RPSs). RECs have also been used in the voluntary market, where customers buy renewables to meet sustainability goals. RECs are tracked by regional digital tracking systems that facilitate the creation, management, and retirement of RECs and ensure that each REC is assigned a unique serial number and counted only once. Auditing of RECs is done by independent third-party organizations or certified internal auditors.

NGSA believes that certified natural gas can be an important tool to achieving lower emissions. And success requires:

- A market-based solution, which is an efficient, cost-effective means for achieving lower emissions and will complement efforts already underway to directly reduce methane emissions.
- Common, consistent, transparent, verifiable, and technology-agnostic processes/standards applied as broadly as possible.
- The development of a healthy and credible market for certified natural gas that is inclusive, liquid, and transparent.

NGSA is happy to see DOE's interest in working toward these goals and would like to see more progress made on a U.S. certified gas market. Work in the international space should not inhibit the development of competitive market centers or limit U.S. market development and liquidity in the space.

Sincerely,

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