



January 21, 2010

The Honorable Lisa Jackson
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., N.W.
Washington, DC 20460

RE: Meeting Request on the Role of Natural Gas in Climate and Energy Policy

Natural gas infrastructure consists of production, transmission, storage, and gas distribution systems. All are critical to our nation's efforts to reduce greenhouse gas ("GHG") emissions. Natural gas is an immediately available, abundant and clean power alternative with the lowest GHG emissions of any hydrocarbon fuel. We believe that any legislation Congress develops to address climate change should recognize the important contribution natural gas can make to our energy security and emission reduction efforts. We believe that it is equally important that the Environmental Protection Agency ("EPA") also recognize the critical role natural gas plays in our energy and climate strategy and that EPA ensure that potential regulations of GHG emissions do not reduce opportunities for the production, transportation and use of clean burning natural gas.

The undersigned members of America's natural gas industry write to express our concern with EPA's Proposed Tailoring Rule for the Prevention of Significant Deterioration ("PSD") and Title V programs.¹ As currently drafted, we believe that the Proposed Tailoring Rule will negatively impact the production, delivery, and use of natural gas to the detriment of our shared emission reduction goals. Our primary problems with the Proposed Tailoring Rule are:

- 1. The application of PSD and Title V to natural gas infrastructure will cause permitting delays impeding capital projects for all segments of the natural gas industry.**
- 2. The application of best available control technology ("BACT") standard for GHG emissions from natural gas combustion is difficult given that natural gas combustion in itself represents BACT when it is used in power generation and industrial applications.**

Though intended to relieve small stationary sources of regulatory burdens, the Proposed Tailoring Rule would still encumber a large number of natural gas infrastructure projects with a time-consuming permitting process that will be of doubtful environmental benefit. For example, using EPA's own figures from the notice of proposed rulemaking for the GHG Reporting Rule,²

¹ Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule, 74 Fed. Reg. 55,291 (Proposed Oct. 27, 2009) ("Proposed Tailoring Rule").

² *Mandatory Reporting of Greenhouse Gases*, 74 Fed. Reg. 16,448 (Apr. 10, 2009).

approximately 45% of the natural gas compression stations in the U.S. transmission system would be “major sources,” subject to PSD regulation for GHGs, if the Tailoring Rule is adopted as proposed.³

Results from a survey INGAA prepared for its comments to the Proposed Tailoring Rule indicate that the actual number of affected transmission-related compressor stations will be much higher. The same holds true for the construction of new compressor stations. These GHG regulations will impose PSD permitting on a huge number of projects that would not have previously required a PSD permit for criteria pollutants. It appears that the Proposed Tailoring Rule woefully underestimates the number of facilities affected, and there is no indication that the permitting authorities are prepared to handle an increase in workload of this magnitude.

Given the lack of precedent for permitting GHG emissions, we expect that the initial years of PSD permitting for GHGs will be plagued by lengthy data-gathering and BACT analyses, as well as litigation over individual permitting decisions. The resulting delay and legal uncertainty will fall heavily on natural gas infrastructure facilities, which already face significant regulatory hurdles. Under the Proposed Tailoring Rule, the increased number of permits that will require processing combined with greater regulatory complexity would severely challenge natural gas production, transmission, storage, and gas distribution facilities, leading to adverse implications for regional and national energy security. The national energy and economic significance of natural gas infrastructure combined with the complex nature of the regulatory and permitting programs necessitate a well thought out approach that should balance environmental, economic and energy security objectives.

Regarding BACT, we believe that the concept of “best available control technology” has limited applicability to GHG emissions from natural gas facilities. Natural gas combustion units, such as the large engines used in pipeline compressor stations, are already designed to operate at an optimal level of efficiency. With carbon capture and sequestration (“CCS”) technology still years from being widely available, there is no available “add on” control technology to mitigate GHG emissions from these sources. Other alternatives – such as mandating the use of electric powered compressors in lieu of compressors driven by natural gas – would likely not reduce GHG emissions; it simply transfers them to the local electric utility.

We believe that natural gas facilities are already implementing BACT for GHG emissions and predict that a PSD permitting process for GHG emissions would not yield any significant environmental benefit. Therefore, natural gas facilities should be presumed to comply with BACT. If EPA pursues a course that applies the Clean Air Act to GHG emissions from natural gas infrastructure facilities, we ask that EPA provide a separate rulemaking with opportunity for notice and comment, in lieu of the PSD permit-by-permit Best Available Control Technology approach for the natural gas industry.

³ *Id.* at 16,532. Citing figures from the INVENTORY OF U.S. GREENHOUSE GAS EMISSIONS AND SINKS: 1990-2006 (April 2008), Table W-2, entitled “Threshold Analysis for Fugitive Emissions from the Petroleum and Natural Gas Industry,” shows that 874 of the nation’s 1,944 natural gas transmission compressor stations emitted 25,000 or more metric tons per year of GHGs (measured on a CO₂-e basis). The Inventory and GHG Reporting Rule measure emissions in metric tons, while the Tailoring Rule threshold is measured in short tons, but the difference is not pertinent to the points and issues at hand.

Given the vital role of natural gas in climate change policy, it would be counterproductive if the Clean Air Act regulations for GHGs stifle the very infrastructure needed to produce and deliver the fuel that could most help in reducing the country's GHG emissions. We would like to work with you and your staff to ensure that the full clean energy potential of natural gas is recognized and achieved. We request a meeting with you to discuss the role of natural gas as part of U.S. climate and energy policy.

Thank you for considering these comments. We look forward to your response.

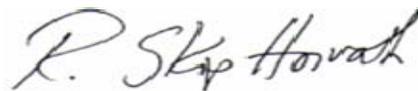
Respectfully submitted,

A handwritten signature in blue ink, appearing to read "D. F. Santa, Jr." with a stylized flourish at the end.

Donald F. Santa, Jr.
President
Interstate Natural Gas Association of America

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Barry Russell
President and CEO
Independent Petroleum Association of America

A handwritten signature in black ink, appearing to read "R. Skip Horvath" in a cursive style.

R. Skip Horvath
President and CEO
Natural Gas Supply Association