COLORADO OIL & GAS ASSOCIATION

November 12, 2020

Will Toor
Executive Director
Colorado Energy Office
1600 Broadway, Suite 1960
Denver, CO 80202

RE: COGA Comments on Colorado's GHG Roadmap

Director Toor,

The Colorado Oil and Gas Association (COGA) shares in the state's goal to reduce greenhouse gas (GHG) emissions consistent with the legislative directives in House Bill 2019-1261 and we appreciate the opportunity to comment on the "*Public Review Draft Colorado GHG Pollution Reduction Roadmap*" (September 30, 2020) (GHG Roadmap). Development of policies to successfully reach GHG Roadmap emission targets will require a "big-tent" approach inclusive of a broad spectrum of industry, state agencies, non-governmental organizations and interested citizens to ensure the reductions the General Assembly and the Governor envisioned can be achieved in the most cost-effective and efficient manner for the betterment of all Coloradans.

COGA's members look forward to being a part of the discussions scheduled to occur over the course of this and coming years as they have been at the forefront of implementing aggressive measures to decrease emissions of methane, ozone precursors and other pollutants since the early 2000's when the Denver Metropolitan Front Range Area first opted into EPA's Early Action Compact. In so doing, we strongly encourage state agencies to consider innovative yet demonstrated GHG reduction strategies rather than defaulting to prescriptive top-down regulations.

Credit for Emissions Reductions

Colorado oil and natural gas companies are ahead of the curve and have already achieved significant emission reductions creditable against 2025 and 2030 targets, and, as such, it's clear this industry has been a leader in securing groundbreaking air quality improvements that have already benefited all Coloradans. Over the course of the past 15-plus years, Colorado producers, gas processors and transmission companies have adopted and implemented new technologies and low-emitting designs before they were required, including infrared camera inspections, on-site emissions monitoring, and reducing the number of storage tanks at well pads.

According to inventories prepared by the Regional Air Quality Council (RAQC) for the ozone nonattainment area, emissions of volatile organic compounds (VOCs) from oil and natural gas operations dropped more than 50 percent over the past ten years while oil production quadrupled. This is consistent with air quality monitoring data in Platteville showing that ambient concentrations of non-methane organic compounds decreased approximately 80% from 2003 to 2018. That achievement is

notable from both an ozone and climate change perspective. VOC emissions are accompanied by methane, meaning that Colorado ozone reduction strategies undertaken by our members have included significant reductions in GHG emissions, thus providing multiple and co-beneficial air quality benefits.

As current emission rates are finalized as part of the state's emissions inventory process, it is important that our industry's hard and innovative work is appropriately credited against the 2005 baseline. It is equally important to also determine how to give credit for future work. For example, if companies plug and reclaim older wells or upgrade equipment, beyond mandated GHG emission reduction targets, the state should appropriately credit those efforts. This could include compliance credits for early action or tradeable GHG emission offsets. Credit for reaching mandated GHG emissions decreases, as well as incentives that encourage operators to plan and think about additional short and long-term emission reductions, would stimulate proactive investment in such activities. We look forward to collaborating with state agencies to develop programs to incentivize, as a matter of policy, faster or deeper GHG reductions.

New Emission Reduction Strategies

A thoughtful process for facilitating new, cost-effective strategies is an important next step. For Colorado's oil and natural gas sector, those strategies should be evaluated through a targeted stakeholder process to identify possible emission reductions from field equipment, next-generation aerial leak detection tools, process efficiency improvements, and both short- and long-term technology advancements. The process should also account for distinct upstream, midstream and downstream sub-sector differences. Operators should have flexibility to select a mix of strategies that best achieve their share of emission reductions. As an industry of geologists, engineers, and scientists, we are well suited to meet this challenge and produce cost-effective strategies for consideration.

When establishing GHG policies, state agencies should remember that results matter more than regulations. Many technologies and emission reduction strategies may have a role to play, including new tank controls, pipeline management, non-emitting pneumatics, utilization of electric drill rigs and pumps, closed-loop systems, and potentially carbon capture, storage, and utilization strategies, but not all tools and techniques are universally appropriate. By setting performance-based standards and not mandating the use of specific technologies, Colorado can accelerate innovation and allow industry to succeed in ways that strengthen the economy and achieve GHG emissions results.

The Roadmap's HB-1261 Target Scenario emission projections for 2025, 2030, and 2050 reflect the impacts of many known and potential GHG reduction measures. Among other things, the HB-1261 Target Scenario projects specific carbon capture and sequestration adoption rates and emission reductions. Carbon capture, utilization and sequestration is a promising technology that deserves consideration as Colorado advances toward its GHG goals, but it is premature to set binding targets for adopting this emerging technology, which is unproven in Colorado, for achieving pre-determined emission reductions from any particular emissions source.

Again, the upstream, midstream, and downstream sectors of our industry are considerably different, so it will be important for the state to partner with each segment of the supply chain to develop cost-effective and flexible emission reduction strategies.

Local Production vs. Imports

Colorado's regulatory framework for oil and natural gas production is the global gold standard, with our state producing some of the cleanest molecules on the planet. As emission reduction policies and strategies are determined, we must be careful not to relinquish our leadership role or "out-source" our clean production to higher emitting domestic or global regions.

Natural gas and oil will continue to power our vehicles, lift our airplanes and heat our homes for decades to come. Providing homegrown energy resources here in Colorado under our strict regulatory standards benefits our economy, our environment and our most vulnerable communities. Reducing local supply would increase global GHG emissions by shifting production to less-regulated jurisdictions and by generating new emissions from the transport of fuel to Colorado. This would significantly erode any benefits to be derived from local GHG reductions.

With this in mind, Colorado cannot achieve its GHG emissions reduction goals by cutting production because the global market will simply replace any lost supplies. California Governor Gavin Newsom recently noted that oil production in his state had declined 60 percent since 1985, but the state has only seen a modest 4.4 percent decrease in demand. Southern California continues to exhibit some of the worst air quality in the country. Newsom said, "we're making up for a lack of domestic production from Saudi Arabia, Ecuador, and Colombia, and that's hardly an environmental solution when you look globally." California fuel costs and household energy costs are significantly higher than in Colorado, in large part because we are not importing our energy from other countries, where poor environmental and labor standards are commonplace.

Climate change is a global issue, and if we are going to do our part, we must be mindful of maximizing the benefits of our local resources in an efficient and environmentally responsible manner, rather than shifting emissions out of state and inefficiently relying on others for our energy.

Disproportionate Impacts

The GHG Roadmap recognizes and emphasizes the importance of communities that are disproportionately impacted by climate change, including people of color, indigenous persons, lower-income individuals, and historically underrepresented groups. COGA supports the development and implementation of GHG policies and programs with direct input and consideration from disproportionately impacted communities.

These individuals and communities must be part of the conversation, as disproportionate impacts can also occur if GHG reduction strategies unnecessarily induce job losses, reduce tax revenues for social services and utility payment support programs such as Energy Outreach Colorado, and increase day-to-day household costs.

Looking Ahead

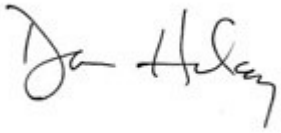
Oil and natural gas are critical components that are fundamental to our modern society. Colorado oil and natural gas not only provides fuel for vehicles, airplanes, furnaces, and cookstoves, but it is an essential feedstock for fertilizer, clothing, plastics, rubber, asphalt, paints, building materials, as well as medical supplies, medicines, and even components that are necessary when manufacturing everything from smartphones, to solar cells and even wind turbine blades.

Thoughtful GHG strategies must consider the critical role our industry plays in modern society and economies and recognize that we are a valuable partner in the fight against climate change. We believe COGA and its membership can bring critical and constructive technical expertise and knowledge to the process. If we focus less on picking winners and losers, and more on our path forward together, we are confident that Colorado can achieve its economy-wide GHG reduction goals. Our joint success can lead to cleaner air and environmental security, as well as good paying jobs, economic stability and support for those disproportionately impacted by climate change.

As Governor Polis said during his October 22, 2020 presentation to the Air Quality Control Commission, we need to balance the state's GHG goals with "protecting the livelihoods of hardworking Coloradans across the state, safeguarding our Colorado way of life for ourselves and future generations." This balance requires that commercial, consumer and regulatory leaders come to the table to work together to achieve our common goals. That's the Colorado way.

Thank you for your accepting our comments and we look forward to participating in the conversations to come.

Sincerely,



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