



February 2, 2017

The Honorable Paul Ryan
Speaker
U.S. House of Representatives
H-232, U.S. Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
317 Russell Senate Office Building
Washington, DC 20510

Dear Speaker Ryan and Majority Leader McConnell:

On behalf of the Competitive Enterprise Institute (CEI), we wish to express CEI's full support for using a Congressional Review Act joint resolution of disapproval to overturn the Bureau of Land Management's (BLM) methane capture rule.

Congress should disapprove the rule for several reasons, the first being that it exceeds the BLM's statutory authority. The rule originated as part of President Obama's Climate Action Plan, which called for policies to reduce the "venting and flaring" of methane from oil and gas development. Even if we assume the Clean Air Act implicitly authorizes the EPA to regulate methane for climate change purposes, Congress clearly did not delegate such power to the BLM when it enacted the 1920 Mineral Leasing Act (MLA) or other putative authorities cited by the agency.

The rule will have undetectably small impacts on global warming, sea-level rise, polar bear populations, or any other climate-related variable people care about. All of the rule's climate benefits and up to 90 percent of its total monetized benefits are artifacts of the assumption-laden virtual world of "social cost of methane" modeling.

The BLM claims it is not making climate policy but simply using its MLA authority to "prevent waste of oil and gas developed" on federal and tribal lands. But flaring or venting methane is not equivalent to wasting gas. Indeed, flaring may be the most economically-efficient option. It all depends on each operator's economic circumstances.

Since methane is a major constituent of natural gas, operators have an incentive to capture methane until marginal costs exceed marginal revenues. The idea that thousands of frackers are flaring and venting away hundreds of millions of dollars of easy money is ludicrous.

The rule's across-the-board requirements to capture methane and reduce flaring ignore the different costs operators face in different oil & gas plays. Such one-size-fits-all requirements are arbitrary and, thus, flout the Administrative Procedure Act.

Even as waste management policy, the rule is likely to be counterproductive. To meet the flaring reduction requirements, operators with high oil-to-gas ratios may have to curtail oil production. That would mean less oil, higher fuel prices, and lower royalty payments to the Treasury. What a waste!

The rule also diverts the BLM from more effective ways to encourage methane capture. Oil and gas operations continually become more efficient, which is why flaring rates and volumes in the Bakken region have declined sharply since 2014. However, insufficient pipeline infrastructure continues to discourage methane capture by limiting the delivery of gas to customers. Resources the BLM has

1310 L Street, NW, 7th Floor
Washington, DC 20005
cei.org

202 331 1010 *main*
202 331 0640 *fax*



expended to develop the rule and will expend to enforce it are resources the agency cannot use to expedite pipeline approvals and construction.

We urge you and your colleagues in Congress to pass this joint resolution of disapproval under the Congressional Review Act to overturn this unlawful, arbitrary, counterproductive, and wasteful regulation. Thank you for your careful consideration of this issue.

Sincerely,

Kent Lassman
President & CEO
Competitive Enterprise Institute

Marlo Lewis
Senior Fellow
Competitive Enterprise Institute