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FACTS**



## **Proposed Federal “Methane Tax” on Oil and Natural Gas = Skyrocketing Energy Costs for Consumers**

One of the most ill-advised provisions included in the Congressional Democrats’ Build Back Better budget reconciliation bill are called for in the Methane Emissions Reduction Act of 2021, a proposed tax on methane emissions from natural gas and petroleum production. The tax would start at \$1,800 per ton of emissions in 2023 with the potential direct cost of the tax to the economy being as high as \$14.4 billion, increasing 5 percent above inflation in future years.

The methane tax would also create new reporting thresholds, adding to the costs of oil and gas businesses. It would direct the Environmental Protection Agency (EPA), within two years, to lower the emissions threshold for companies to report emissions from the current 25,000 metric tons of carbon dioxide equivalent per year to 10,000 metric tons per year, covering many smaller operators for the first time.



While the fate of this tax is uncertain, it likely will not represent an end to punitive tax proposals aimed at the oil and gas industry – requiring the attention of every company involved in energy production.

### **A National Perspective**

A key issue proponents of this tax seem to ignore is the fact that producers and transporters around the country have consistently worked to reduce methane emissions in every aspect of developing, processing and delivering oil and natural gas to consumers. In fact, according to EPA and EIA data, average methane intensity declined by more than 70 percent between 2011 and 2020 in five major U.S. production regions.

## Here are a few important takeaways about the tax from national trade associations representing oil and natural gas developers:

"This tax on natural gas is not about reducing emissions—it's about forcing American families, regardless of their income level, to help fund the reconciliation package through higher utility bills."

**- Amy Andryszak, President and CEO,  
Interstate Natural Gas Association of America**

"We must continue to drive down methane emissions without adding new burdens on American families and businesses. With one-third of households already facing challenges affording their energy needs, Congress should not add a new tax on natural gas. Our analysis indicates that the proposed tax could increase natural gas bills from 12% to 34%, depending on the variation of the proposal assessed."

**- Karen Harbert, President and CEO,  
American Gas Association**

"This is nothing more than a tax on natural gas at a time when policymakers should be focused on solutions that support affordable, reliable energy while reducing emissions. The direct regulation of methane by the EPA is the most impactful way to build on the downward trend of methane emission rates in key producing regions rather than a duplicative and punitive natural gas tax that would only hurt American consumers and undermine the economic recovery."

**- Frank Macchiarola, Senior Vice President, Policy,  
Economics & Regulatory Affairs, American Petroleum Institute**

"When you look at the methane that is being emitted on those smaller wells in conventional Appalachia, it's a very small, minute, amount."

**- Rusty Hutson Jr., CEO, Diversified Energy Co.**

"Natural gas and petroleum together account for nearly 70% of energy consumption in the U.S. These new taxes will not only impose a burden on industry and consumers generally, they are specifically designed to impose a new burden on small businesses. This costly policy will send both jobs and greenhouse gas emissions to other countries."

**- Barry Russell, President and CEO,  
Independent Petroleum Association of America**

### The Facts:

In addition to our industry's ongoing aggressive methane reduction efforts, a federal rulemaking initiated in November could establish a more predictable path to limit methane emissions in the future – in addition to our industry's ongoing aggressive efforts to capture and sell this product – not allow it to escape into the air.

The type of tax envisioned by some members of Congress, on the other hand, would unnecessarily increase the cost of energy production in the United States and burden businesses and consumers with higher utility bills. PIOGA will continue to fight additional taxes on our industry, and encourages members to remain engaged on this important issue.



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