

The Shifting Regulatory Framework of Natural Gas

Renée Lani, Director of Regulatory Affairs, APGA

Overview

- The Current State of Play
- Regulatory Developments
 - FERC, CFTC, CEQ, EPA, SEC, PHMSA
- Codes & Standards Activity
 - Federal: DOE, GSA
 - Independent: ICC, ASHRAE
- Happening on the Hill



**Natural gas has a role in
America's clean energy
future.**

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**BENEFITS OF
DIRECT USE**

Affordable

Abundant

Domestic

Reliable

Resilient

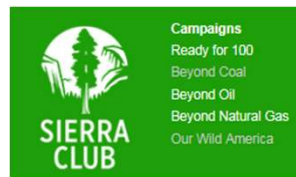
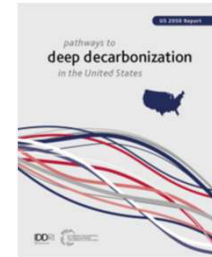
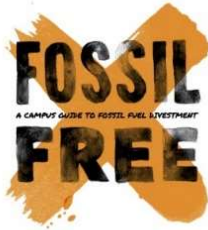
Direct-Use: ~90% Efficient

Reduces greenhouse gas emissions

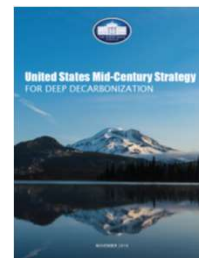
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ATTACKS ON NATURAL GAS



Campaigns
Ready for 100
Beyond Coal
Beyond Oil
Beyond Natural Gas
Our Wild America



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ANTI FOSSIL FUEL MESSAGES

- “Keep-it-in-the-Ground”
- **Oppose all** fossil fuels (oil/gas/coal)
- **Oppose all** extraction methods (offshore/onshore)
- **Oppose all** modes of energy delivery
- Opposition to new natural gas pipelines (viewing them as unnecessary and a future stranded asset)
- “Moral responsibility”

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CALIFORNIA + BEYOND

- **Berkeley** – 2020 Ban on natural gas in new home construction, buildings less than 3 stories
- **San Jose** - 2020 Ban on natural gas in new single-family and low-rise multi-family buildings
- **San Luis Obispo** – 2020 New building code contains strong disincentives against building new natural gas infrastructure
- **Palo Alto** – April 2020 ban on natural gas to small residential, electrification plan for large buildings being developed

Natural Gas Bans are Prompting a Response

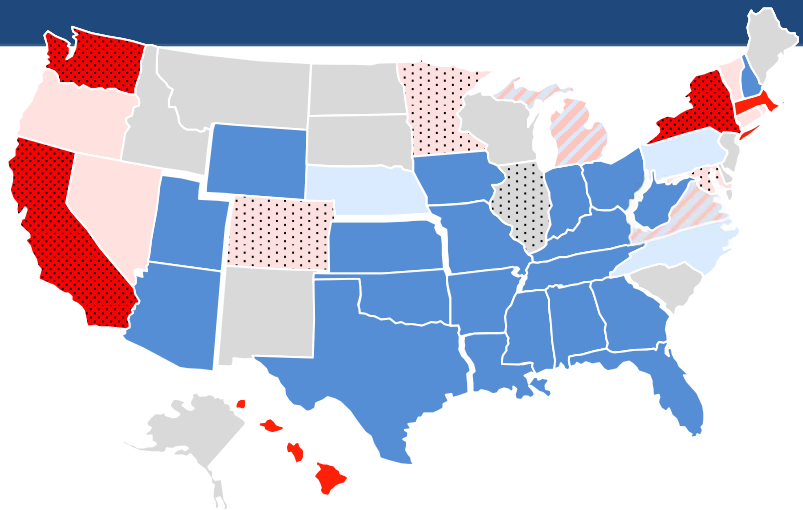
States with a Fuel Choice State Law – Complete
States with a Fuel Choice State Law – In Progress
(APGA engaged)

States with a fuel ban at a local level (at least 1
city/county) – Enacted

States with a fuel ban at a local level (at least 1
city/county) – Proposed

States with building codes requiring electrification
in new buildings – Proposed

States with no action for fuel bans/choice





Regulatory Developments

- Pipeline Infrastructure Policies
- Gas Consumer Price Protections
- Environmental Considerations
- Addressing Mandates from PIPES 2020

FERC Natural Gas Policy Statements

- Two new/updated policy statements went into effect on Feb. 18
 - Policy Statement on Certification of New Interstate Natural Gas Facilities
 - Interim Policy Statement on Consideration of GHG Emissions in Natural Gas Infrastructure Project Reviews
 - Comments due April 4
- Impact further interstate natural gas development
- Natural gas stakeholders have requested a rehearing for both

February Futures Price Spike

- February natural gas futures experienced their largest one-day gain since the 1990s
- Market saw a 46% rally in that futures contract during the last 30 minutes of trading, February contract settled at \$6.265/MMBtu
- APGA concerned this move does not reflect market fundamentals
- Sent letters to the CFTC and CME Group requesting an investigation

Response to High Prices from Uri

- States moved quickly to create assistance funds
- APGA and APPA sent letters to FERC, DOE, CFTC and the President
- FERC has conducted an investigation; several inquiries are still open
- Congressional outreach, including requesting hearing
- Industry identifying safeguards to put in place to prevent this from happening in the future
- FERC-NERC joint report identified potential solutions; FERC beginning to explore paths forward for some of the report's recommendations

Independent Standards Bodies and Others React

- North American Energy Standards Board (NAESB)
 - Gas-Electric Harmonization Committee
- North American Electric Reliability Corporation (NERC)
 - Electric-Gas Working Group
- Regional Transmission Organizations
 - E.g., PJM’s Electric Gas Coordination Senior Task Force
- Texas SB 3

Environmental Regulations and Considerations

- National Environmental Policy Act (NEPA)
- New Source Performance Standards for Oil/Natural Gas Industry (“Methane Rule”)
- GHG Reporting
 - EPA’s Methane Challenge, etc.
- Waters of the United States (WOTUS)
- Nationwide Permit 12 (NWP-12)
- Environmental Justice (EJ)
- Social Cost of Greenhouse Gases (SC-GHG)

Environmental, Social, & Governance - ESG

- Local Decarbonization Goals
- Securities & Exchange Commission (SEC)
 - Material Disclosures
 - GHG Emissions
 - Cybersecurity Breaches
- Lower Carbon Fuels
 - Renewable Natural Gas (RNG)
 - Responsibly Sourced Gas (RSG)
 - Hydrogen

Protecting our Infrastructure of Pipelines and Enhancing Safety (PIPES) Act of 2020

Passed in December of 2020, this law included new mandates impacting gas distribution, including:

1. Leak Detection and Repair
2. Inspection and Maintenance Plans
3. Distribution Integrity Management Plans
4. Emergency Response Plans
5. Operations & Maintenance Manuals
6. Pipeline Safety Management Systems
7. Pipeline Safety Practices

What do these new mandates do?

Section 114	Leak Detection & Repair Rule	Safety of Gas Distribution Pipelines Rule	Pipeline Safety Management Systems
<ul style="list-style-type: none"> Self Executing Mandate Operators to update O&M plans to address: <ol style="list-style-type: none"> Elimination of Hazardous Leaks Minimization of gas Releases Removal /Replacement of Leak Prone Pipe 	<p>Will impact all regulated pipelines.</p> <p>Requires the development of “leak detection and repair programs” that:</p> <ul style="list-style-type: none"> Meet the need for safety, and Protect the environment: <ul style="list-style-type: none"> “Identify, locate and categorize all leaks that are hazardous to human safety or have the potential to become explosive or otherwise hazardous to human safety.” 	<p>Will impact:</p> <ul style="list-style-type: none"> Integrity Management plans Emergency Response plans O&M Manuals ... and other pipeline safety procedures & practices <p><i>Largely in response to the 2018 Merrimack Valley incident.</i></p>	<p>PHMSA to submit a report to Congress on the industry’s progress of voluntarily implementing API RP 1173.</p> <p><i>Study will also discuss the feasibility of an operator to implement PSMS depending on the size of the operator (customer count & gas delivered).</i></p>
Implementation Reviews currently underway.	Proposed Rule – Q2 2022	Proposed Rule – Q2 2022	Study 2023-2024

Codes & Standards Activity

- DOE Appliance Rulemakings
- Other Code Decarbonization Efforts

DOE's Appliance Efficiency Rulemaking Program

- Sets minimum efficiency standards for “covered products”
 - Consumer and commercial appliances
 - Furnaces, water heaters, boilers, cooking products, fireplaces, etc.
 - Federal preemption
 - Must be economically justified and technologically possible
- Dictates test procedures to measure appliance efficiency
 - Used to determine compliance with minimum efficiency standards
 - Also used in ENERGY STAR® program



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DOE's Process Rule

- Sets out the procedures and policies that guide DOE in establishing new or amended energy-efficiency standards.
 - Process Rule should be binding.
 - Test procedures must be completed 180 days before DOE issues an efficiency standard.
 - Recurring peer review of DOE's analytical methods
- Establishes greater transparency in the efficiency standard development process - no use of proprietary data and improvements in modeling
- Biden Administration has rolled back many of these changes.
- NAS report reviewing DOE's process recently released.
 - Peer reviewers requested that DOE re-open the comment period.



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Separate Product Classes

- Filed a Separate Product Class petition with DOE in October 2018:
 - Separate product classes for condensing and non-condensing appliances.
- DOE collected input through January 2019
- Final interpretive rule requiring separate product classes published in January 2021, but DOE has revoked rule.
 - APGA, AGA, & Spire challenged the interpretive rule's reversal.
- Anticipated to be applied to a proposed minimum efficiency standard for commercial water heaters in coming months.

Other Building Decarbonization Efforts

- General Services Administration (GSA)
 - Federal Building Decarbonization Task Group
 - Building Performance Standards Coalition
- EPA's ENERGY STAR® Program
 - Appliances and Building Standards
- International Code Council (ICC)
 - International Energy Conservation Code (IECC)
- American Society of Heating, Refrigerating, & Air-Conditioning Engineers (ASHRAE)
 - Decarbonization Task Force



Happening on the Hill

- ❑ Infrastructure Investment and Jobs Act
- ❑ Other Natural Gas Bills to Watch

Infrastructure Investment and Jobs Act

- ❑ Signed into law on November 15, 2021
- ❑ Makes major investments in “traditional” infrastructure: roads, bridges, pipelines, etc.
- ❑ APGA supported this legislation because it:
 - Invests in hydrogen research
 - Provides additional LIHEAP funding
 - Invests in cybersecurity
 - Invests in infrastructure to support NGV use
 - Fuel-neutral approach to building energy efficiency
 - Invests in pipeline safety

Pipeline Safety in Infrastructure Bill

- ❑ Established a Natural Gas Distribution Safety and Modernization Grant Program to be administered by PHMSA
 - ❑ \$1 billion in funding to be distributed over 5 years, starting in 2022
 - ❑ Exclusively available to municipality and community-owned gas systems for the repair, rehabilitation, or replacement of leak-prone pipe, as well as acquiring equipment to reduce incidents and fatalities and avoid economic loss

Additional Natural Gas Bills to Watch

- ❑ Cybersecurity and Reliability Standards
 - The FY2022 omnibus appropriations bill includes new federal mandatory reporting requirements for critical infrastructure operators. The legislation requires a rulemaking to define the scope of incidents and operators affected, but we do anticipate gas distribution systems will be impacted.
 - “Significant” cyber incidents must be reported within 72 hours.
 - Any ransom payments made must be reported within 24 hours.
 - A House bill was introduced to establish a reliability standards setting entity for pipelines. APGA continues to urge Congress to focus on enhancing existing regulators’ authority if more stringent standards are needed.

Additional Natural Gas Bills to Watch

- ❑ Reforming Section 5 of the Natural Gas Act
 - This would allow FERC to order refunds when end users are overcharged by transmission pipelines.
 - A bipartisan bill (H.R. 3979) was introduced in the House last year.
 - FERC Chairman Glick publicly stated support for the House proposal.
 - A bipartisan Senate bill (S. 3736) was introduced recently.
 - 2022 is an election year so may not see much activity on this issue.

Additional Natural Gas Bills to Watch

- ❑ Gas Consumer Emergency Protections
 - The federal government should formally investigate whether the gas market functioned properly during Winter Storm Uri and the February price spikes.
 - H.R. 5749 authorizes a study regarding Uri, as well as a CFTC rulemaking to limit price spikes in emergencies. The bill is a strong starting point for policymakers.

How can I stay informed?

APGA Committees

- Government Relations
- Gas Supply
- Codes & Standards
- Operations & Safety

APGA Task Groups

- Environmental
- Security
- Direct-Use

Upcoming APGA Events

Gas Supply Conference – May 10 -11, New Orleans

Marketing & Policy Conference – May 10-11, New Orleans

Annual Conference – July 17-20, Minneapolis, MN

Operations Conference – October 11 – 13, Savannah, GA

Questions?



Thank you for your time today!

Renée Lani rlani@apga.org



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