MiQ comments on June 2, 2022 WGQ Contract Subcommittee Conference Call with Web Conferencing (060222w1):

* + *RSG Addendum initial draft*

Date: June 14th, 2022

MiQ is providing only high level comments on what we perceive to be principal issues with the current proposed NAESB Addendum

MiQ applauds the NAESB in its aim to create an Addendum for certified/RSG gas. We believe in the power of markets to accelerate methane abatement and a general agreed format for bilateral transactions will help to create liquidity.

For background, methane emissions on a global scale equate to 7 billion tonnes of CO2e, the equivalent of 8x all the airlines or 1.3x the TOTAL emissions of the US on a yearly basis. Certification will provide the transparency to abate 80% this decade if global oil and gas operations can meet a methane intensity of 0.2% leakage or less.

We should not risk this key goal by creating confusion in the markets with lower standards.

We believe that the minimum norms allowed for certified gas needs to be such that ALL the stakeholders trust the certification process. This requires **key governance principles** such as

* Transparent and publicly available Certification Standard
* Independence and avoidance of conflict between Certifier and
  + Operator
  + Technology or Data provider
  + Auditor or Validator
* Robustness of the determination of the methane emissions, applying clear, reproducible metrics for quantification or measurement
* Reliance upon a Digital Registry to track certificates and avoid double counting

These principles are best practices equally applied in other banking, trading or accounting areas, with clear segregation of duties.

The Addendum unfortunately currently allows for certification mechanisms which do not follow these logical and obvious principles. This creates a significant risk for the Addendum in its current state to lead the nascent gas certification market towards a path of non-credibility, scrutiny and thus low adoption – thereby missing a key opportunity to address methane emissions.

We are providing the following high level comments:

* We reject the term RSG and propose ICG (independently certified gas) / certified gas / certified natural gas / differentiated gas. RSG is a qualitative and hyped marketing term which invites criticism of greenwashing for the sector which will not help operators and buyers to credibly sell and buy low methane certified gas. Articles have already appeared addressing this (e.g. Financial Times).
* Section 2.43, 2.44 and 3: both Facilities and **Wells** are permitted. Well certification only creates a risk of cherry picking accusations by NGOs or other stakeholders and rightfully so. This further invites operators to simply certify or disclose emissions only on their newest, most profitable assets with inherently lowest emissions and does not effectively drive transparency or reductions for remaining assets. Current civil society organizations are actively scanning certified operators and calling foul on the occurrence and/or lack of transparency of emissions for pads adjacent to certified wells. This risk will only increase over time.
* Exhibit B: There appears to be a lack of a delivery mechanism for certificates in a **registry** of the certificates. The currently proposed form of self-attestation in the Addendum will create legal risks, risks of double counting, and fraud. The alternative and credible mechanism of a central registry is well understood in other markets such as RECs, RNG etc. MiQ has created a registry for this purpose: [www.miqregistry.org](http://www.miqregistry.org).
* 2.44. “Certification Authority: means an entity that certifies and/or verifies”. This is a clear conflict, it implies the Certifier can be the Verifier at the same time. A certifier cannot, by definition, audit their own data. Conflict avoidance is a central concept in any credible standard such as a financial standards.
* Role of Verifier and Certifier. This requires further reading across the full contract and will likely require a redraft. The term AEC likely requires further drafting.

We would like to point out again above are only our high level comments and we have not had the time to execute a proper line by line review of the draft.

Taking into account all the risks mentioned, we recommend NEASB considers seriously MiQ’s high level comments at its meeting on the 16th to work on a redraft the Addendum and subsequently requests a new review from interested stakeholders.