**2022 NAESB WGQ Annual Plan Item: Responsibly Sourced Natural Gas Addendum**

**4/14/2022 NAESB Board of Director’s Motion Approved: Develop a Responsibly Sourced Natural Gas (RSG) Addendum to the NAESB Base Contract for various program offerings. (Underway)**

**08-02-2022:** NAESB WGQ Contracts Subcommittee (SC) initial meeting to define scope and start work.

Plan for development of draft Addendum (**08/02/2022**)

* 1. Meeting schedule (dates) at 2-4 PM.
		1. **Initial meeting held June 2, 2022**
		2. **Thursday, June 16, 2022**
		3. **Tuesday, June 28, 2022**
		4. **Thursday, July 21, 2022**
		5. **Tuesday, August 2, 2022**
		6. Thursday, August 18, 2022 **(to be confirmed)**
		7. Thursday, September 15, 2022 **(if required)**
		8. Tuesday, September 20, 2022 **(if required)**
	2. Participants comments on the definition of “Facility(ies) as source of Certified Gas are posted.
		1. EDF - 7/29/2022
		2. EQT-MiQ - 8/1/2022
		3. Project Canary - 8/1/2022
		4. Sabine Pass LNG - 8/1/2022
	3. Comments at prior meetings requested additional discussion on use of the current placeholder term “Certified Gas” naming convention. This discussion will take place after review of the addendum’s terms and conditions. These comments are noted in the **Parking Lot** items on page 2.
	4. Proposed Exhibit A – Transaction Confirmation
	5. Proposed Exhibit B – Attestation (as appropriate)
	6. Base Contract FAQs with edits for addendum including a Proforma Transaction Confirmation Exhibit A and Proforma Attestation Exhibit B will be drafted for August 18th meeting.
	7. After completion and adoption of addendum and related documents as standard, work to continue to develop electronic dataset version of addendum including associated Technical Implementation of Business Process (TIBP) instructions.

Next meeting work efforts:

* Confirm date/time (**Thursday, August 18, 2022, at 2-4 PM)**
* Request for group review and comment of the 07/21/2022 draft addendum.
* SC working documents for SC discussions will be posted for participants review approximately prior SC meeting.

**Parking Lot**:

* 06/24/2022 **EDF** comments on naming convention: “Contractually Certified Gas”
* 06/24/2022 **Project Canary** comment on naming convention “Responsibly Sourced Gas”
* 06/24/2022 **MiQ** comments include proposal for NAESB adoption of “Principles” in to support the addendum standard.
* ES Comments: We support the current way in which the document operates in terms of transferring CG and environmental attributes rather than title to the CG certificates (which is not workable for many types of Certificates). We also like that the CG Attestation provides support and substantiates that the contract quantity is tied to specific volumes of CG.
Structurally, while there are references throughout to the document being an “addendum,” at times the document appears modeled as special provisions to the NAESB rather than an addendum. We have a preference for an addendum rather than special provisions as CG special provisions could conflict with an individual company’s standard special provisions and cause confusion. For instance, the provisions in Section 17 are potentially overly broad such that they don’t have much to do with CG specifically and could conflict with existing special provisions.
SPL: Agree with this comment
* MiQ Comments: MiQ has several fundamental comments about the current version. Aside from our general remark on the use of the term RSG (marketing hype, not neutral, leads to greenwashing accusations), we also have serious worries about the contractual language. As currently written the Addendum permits arbitraging by sub standards which will lead (and has lead) to greenwashing and cherry picking accusations by NGO’s or outside stakeholders and allows for conflict. In short it will create to a highly contested market, such as is the case for Carbon Offsets. It should be in everybody’s interest to avoid such an outcome since it will delay the creation of liquid markets and methane abatement.
SPL—what are the options? Doing nothing because of accusations, some of which may be legitimate, some of which may not, doesn’t seem like the correct answer to not coming up with a facilitating contract
* Review Section 1.3 CG Transaction Confirmations under Base Contract Section 1.2 to clarify CG Transaction Confirmations fall within Section 1.2.
* Review anticipated practice for CG Addendum either as (1) new Base Contract with CG Addendum, or (2) an CG Addendum to an existing Base Contract.
* MiQ: Under the current construction of section 2.43 (now 2.39), both facilities and wells are permitted. Only facilities, in their entirety, should be considered eligible for certification. Well certification creates a risk of cherry picking by a variety of stakeholders. Operators being able to self-select (i.e.., cherry pick) a sub-set of wells or equipment within a facility undermines certification results, the certification process, as well as a functioning market. Allowing well certification invites operators to simply certify or disclose emissions only on those assets with the lowest inherent emissions and does not drive transparency or reductions for remaining assets and further decouples the attributes of the certificate from the physical gas sourced from a given producer. Currently, civil society organizations are actively scanning certified operators and critiquing the occurrence and/or lack of transparency, reporting, or certifications of emissions from pads or equipment adjacent to certified wells. These critiques will only increase over time.
* **7/18/22 EDF** comment on NAESB Process and Practices
1) NAESB has correctly explained that it is a neutral standards-making body. However, because there are no national standards governing certified gas, this effort will, by default, set the rules of the road for transacting certified gas. As was raised during the June 24, 2022 meeting, industry will view the Certified Gas Addendum as being “blessed” by NAESB. Given the heightened importance of this effort and the risks that a subpar addendum will have on the development of the certified gas market, EDF urges NAESB to revisit its process for resolving the more difficult issues, allow participants the opportunity to comment on and revise the accompanying Frequently Asked Questions (FAQ) document, and commit to reviewing the Certified Gas Addendum after two years of experience with the nascent certified gas market.
2) NAESB’s commitment to developing an accompanying FAQ document could provide an important pathway forward to resolve some of these concerns. EDF respectfully suggests that NAESB allow interested participants to review and comment on the FAQ document. In addition, NAESB should commit to revisiting the addendum in two years after the industry gains additional experience with the certified gas market. Explaining that this effort is only a preliminary first step, and could be revised in the future after more experience is gained, will enhance the legitimacy of this effort.
* 7/19/22 EDF - **Independence.** An essential characteristic of a robust certification program is that it must be accompanied by verification from a credible and independent third party. Several certifiers have noted the importance of this attribute. For example, Project Canary is now offering “an additional layer of 3rd party data to produce unassailable emissions performance reports.” MiQ’s guidance for auditors makes clear that “[a]uditors must maintain true independence and avoid conflict of interest, financial, personal, reputational, or otherwise, within the certification process.” For a certification program to be deemed credible, there must be an appropriate degree of independence between the Certification Authority and (1) the Operator, (2) the technology or data provider, and (3) the auditor or validator. NAESB should ensure that such independence is reflected at all of these levels in the Addendum.