

Comments Submitted to the NAESB Wholesale Gas Quadrant Contracts Subcommittee by: MiQ 9/29/22 Meeting



29 September, 2022

MiQ and Equitable Origin jointly submits these comments of the latest version of the NAESB Certified Gas Draft Addendum, to be discussed by the NAESB Wholesale Gas Quadrant Contracts Subcommittee on September 29, 2022. Thank-you for the opportunity to provide these comments, and to participate in the Draft Addendum construction process.

MiQ applauds NAESB in its aim to create an Addendum for certified gas. We believe in the power of markets to accelerate methane abatement and a generally agreed upon format for bilateral transactions. This will encourage liquidity and will lead towards a functioning market.

We support NAESB's decision to remove a central source of market confusion by changing the nomenclature from responsibly sourced gas to certified gas (CG), and urge the Subcommittee to continue with this naming convention.

As background, methane emissions on a global scale equate to seven Gtons of CO₂e, assuming a 20yr GWP, the equivalent of eight times the emissions equivalent from airlines, or 1.3 times the total emissions of the United States on an annual basis. Certification of natural gas will provide transparency to abate eighty percent this decade if global oil and gas operations can meet a methane intensity of 0.2 percent leakage or less.

NAESB should not risk this key goal by creating confusion in the markets with lower standards, imprecise definitions, policies that allow for inherent conflicts of interest, or approaches that would lead to critiques of greenwashing. The information listed below consists of high-level comments that address concerns with some of the language and structure of the latest version of the Draft Addendum.

Facilities Definition

MiQ has refined its recommendation for the definition of 'Facilities' in Section 2.47, below. The following provides a further explanation of the importance of defining the scope of certification to *all* natural gas production equipment (including wells) in a producer's operating basin. Anything less than this – for example, the certification of only a subset of wells within a basin – serves to confuse the market as to exactly what Certified Gas represents. For both emissions reduction and market efficiency reasons, a variety of certification and standard-setting organizations already require that facility-wide certifications be undertaken. Efforts to include self-selected and well-based certification runs against the tide of the market and are not representative of them.

To maximize market certainty, and to decrease confusion amongst the public, regulators, and other stakeholders, MiQ recommends defining 'Facilities' consistent with the language already used in a regulatory context by the U.S. Environmental Protection Agency (see ' (40 CFR Part 98 (§98.238))). This approach is consistent with that already used by a variety of certification and standard-setting organizations, including Equitable Origin, MiQ, OGMP, and ONE Future.

- *See language recommendation in table below.*

Methane Intensity Requirements – Section 2.49 & Exhibit A

MiQ makes two recommendations for the Methane Intensity component of the draft addendum's Exhibit A.

First, MiQ supports the current definition for Methane Intensity (Section 2.49), with one change: substituting 'certified production site' with 'certified facility.'

Second, the Exhibit A of the draft addendum should include a requirement that the contract must include the specific formula used by the parties to determine methane intensity.

- See language recommendation in table below.

ESG Attributes – Exhibit A

MiQ has a position consistent with Equitable Origin. We recommend removing all categories under "Other ESG Attributes" in Exhibit A and leaving fields for specific contract terms to be specified.

Registry Tracking System – Exhibit A

MiQ recommends eliminating the fields for 'yes' and 'no' for Registry Tracking System under Exhibit A, and requiring that a digital registry be utilized for all transactions of CG.

Monitoring of CG – Exhibit A

MiQ recommends that the draft addendum Exhibit A does not include pre-determined choices for monitoring technology type, but instead provides a field where monitoring technology type can be provided. The current construction could be read to preference particular technology types (e.g., Continuous) at the expense of other technologies that are not listed. The NAESB contract should be technology neutral.

Comments on the Addendum

Section	Section Language	MiQ/EO Comments
2.47	See draft addendum	Recommended Replacement Language for 2.47: Facility(ies) means all natural gas production equipment associated with all wells that the person or entity owns or operates in a basin, and this shall be considered one facility.
2.49	The total volume of methane emissions from the certified production site divided by the total volume of gas produced at that production site.	Recommended Replacement Language for 2.49: The total volume of methane emissions from the certified facility divided by the total volume of gas produced at that production site.
Exhibit A Requirement – Methane Intensity	n/a	Recommended Requirement for Exhibit A: Include formula for determining methane intensity of CG under contract.
Exhibit A Requirement – Registry Tracking System	See draft addendum Exhibit A – Registry Tracking System	Recommended Change: Eliminate 'yes' and 'no' options for Registry Tracking System Recommended Requirement: Require that all CG transactions utilized a digital registry system and required contract to indicate which is being utilized (along with tracking or identification information.)

Exhibit A Requirement – Monitoring	See draft addendum Exhibit A - Monitoring	Recommended Change: Eliminate 'On Site', 'Continuous', and 'Other' as options under Monitoring of CG Recommended Requirement: Require that all CG transactions indicate all monitoring technology types are used for the CG.
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Submitted by:



Georges Tijbosch, Chief Executive Officer, MiQ

