



October 24, 2022

North American Energy Standards Board
801 Travis Street
Suite 1675
Houston, TX 77002

Re: Comments on Certified Gas Addendum Parking Lot

Dear Mr. Sappenfield:

Environmental Defense Fund (EDF) respectfully submits the following comments on the NAESB Certified Gas Addendum parking lot. The purpose of these comments is to ensure that the items set for potential vote accurately capture the issue and EDF's position. Per the preferences expressed by NAESB during the last meeting, EDF's comments appear in redline edits to the current parking lot language.

EDF Proposed Edits to Parking Lot

- Discussion and possible Vote on NAMING convention for Addendum
 - a. EDF "Contractually Certified Gas" or "Independently Certified Gas." Either of these terms would allow the parties flexibility in contracting while also making clear to customers, regulators, and investors that the commodity transacted is not subject to a mandatory and enforceable regulatory regime and in no way guarantees emissions reductions.
 - b. **Project Canary** "Responsibly Sourced Gas"
 - c. **MiQ**: do not use term RSG (marketing hype, not neutral, leads to greenwashing accusations)
 - d. Retain placeholder: "Certified Gas"

- Discussion and possible Vote on terms and conditions related to "Facility(ies)":
 - a. MiQ: Proposed modification to "Facility(ies)" definition 2.47 and Exhibit A
 - b. EDF: Multiple certifiers could be used for one facility and/or well. One could certify the methane intensity, while another could certify one or more of the other ESG Attributes under a Certificate. The definition of "Facilities" should cover all natural gas production equipment (including wells) in a producer's operating basin, consistent with the existing definition of "facility" promulgated by the U.S. Environmental Protection Agency. See 40 C.F.R. §

98.238 (“Where a person or entity owns or operates more than one well in a basin, then all onshore petroleum and natural gas production equipment associated with all wells that the person or entity owns or operates in the basin would be considered one facility.”).

c. EDF: If the definition of “Facilities” does not cover all natural gas production equipment, NAESB should include the following language on Exhibit A, under “Facility(ies) or Well(s) Information:” “The production of these assets represents a % share of the entire production portfolio of seller. The company-wide methane intensity of Seller’s production assets is %.”

- Discuss and possible vote on approach for **Certificates, Certification, and Verification requirements and definitions**

a. EDF: Certification program needs verification from an independent third party, “Verification Provider.”

a.b. EDF: 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.

b.c. Industry “best” practice for the CG transaction market:

- Addendum terms and conditions should require Certificates issued by a Certificate Authority,
- Certificates shall be verified by an independent third party, and
- Certificates **shall** be recorded in a “registry” or equivalent electronic database to track the certificate from initial creation/issuance by a Certification Authority, certificate transfers under a transaction, and ultimate retirement of a certificate, as applicable.

e.d. COP - Addendum as strictly a **transactional tool** between buyers and sellers and structured in a way to maximize transactional possibilities.

- COP supports broader language to allow for transactions that utilize frameworks that provide measurement, reporting, and verification but don’t classify themselves as certifiers (e.g. OGMP). The currently contemplated draft forecloses the opportunity to utilize such frameworks and can unnecessarily pressure entities to use a narrow set of frameworks despite delivering the same or better results,
- ii. NAESB should strive to develop contracts that simply facilitate transactions and allow the marketplace to define deal structure.

d.e. EDF: If the Addendum is strictly a transactional tool, the accompanying FAQ document must make clear that NAESB is not promulgating standards related to certified gas—it is simply aiming to facilitate transactions. Thus, if Certified Gas is to be used to meet federal or state certified gas programs, it would need to independently comply with the requirements and standards of those programs.

f. ES: CG Attestation provides support and substantiates the contract quantity is tied to specific volumes of CG.

- **OTHER Terms:**

- a. Section 3.5 – CG Transaction identifying party responsible for Registry Tracking System, if applicable (option for Buyer/Seller no to specify any Registry Tracking System. Also Exhibit A – option under Registry Tracking System to designate “No”
 - i. EDF: The qualifying language “if applicable” should be removed. As made clear in the FAQ document, “registry tracking systems should be used since it is anticipated that CG transactions may require participation in a registry tracking system by buyers in the CG markets.” Requiring use of a registry will allow for more uniform and consistent tracking of CG transactions, and increased transparency will benefit this nascent market.
- b. Section 16.1 – Alternative name for CG Spot Price as the value of the CG without certification under disqualified CG.
- c. Exhibit A; CG ESG Attributes: retain Buyer/Seller identifying the Methane Intensity Maximum % value. Review to confirm definition of methane intensity.
- d. Exhibit B: Attestation/ Transfer of Certificate: Review if Exhibit B anticipated to be of regular use.

- **FAQs:**

- a. Review current FAQ document posted for 10/06/2022 meeting.
- b. EDF: There should be an opportunity to discuss and vet the FAQ document. NAESB should commit to revisiting the addendum in two years after the industry gains additional experience with the certified gas market, e.g., producers.

- **Additional Principles**

- a. **MiQ:** NAESB adoption of “Principles”. No suggested principles for review.

- **General Comments:**

- a. MiQ: Addendum permits arbitraging by sub standards which will lead (and has lead) to greenwashing/cherry picking accusations by outside stakeholders and allows for conflict.
- b. SPL reply to MiQ:—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.

EDF thanks NAESB for the opportunity to submit these comments and looks forward to continuing to engage in this process.

Sincerely,

/s/ Natalie M. Karas

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