

Investor Statement Urging Gov. Michelle Lujan Grisham's State Agencies to Strengthen Draft Rules to Reduce Methane Waste and Pollution from the Oil and Gas Industry

As the undersigned investors, representing more than \$102 billion in assets under management, we write today to urge the New Mexico Environment Department (NMED) and Energy Minerals and Natural Resources Department (EMNRD) to strengthen draft Ozone Precursor and Methane Regulations to limit waste and pollution from the oil and gas industry.

While addressing the public health and economic impacts of the COVID-19 pandemic remains paramount at this time, we welcome Governor Michelle Lujan Grisham's continued efforts to cut energy waste and mitigate climate change – another impending public health and economic challenge – by reducing air and methane pollution from oil and gas operations. In fact, today's current public health crisis makes smart, cost-effective policies to cut air pollution and reduce greenhouse gas (GHG) emissions even more important.

In support of these goals, we urge our portfolio companies to support comprehensive, statewide air and methane pollution rules that address all oil and gas operators in New Mexico and support strengthening New Mexico's draft rules. The next iteration of the draft rules should eliminate loopholes that effectively exempt the vast majority of wells from oversight by the NMED, including leak detection and repair requirements, which are the single-most effective tool for reducing leaks.

Fortunately, these fixes are economic and eminently achievable. A recent [analysis](#) by Synapse Energy Economics found that for every dollar invested by New Mexico's oil and gas industry in emissions reductions, the proposed rules without any exemptions would offer the state a return on investment of more than 30%. This includes at least \$126 million in public health benefits, \$1.2 billion in avoided air quality nonattainment costs, and \$730 million of captured methane gas between 2020 and 2030 that would generate \$99 million in royalties to the state.

As investors, we collectively direct billions of dollars with a view to ensure sound financial returns for our beneficiaries. We recognize the significant financial risks posed by climate change as well as the enormous economic opportunities provided by low-carbon and climate-resilient technologies, markets and business models. The oil and gas sector is the largest industrial source of methane emissions in the U.S. and the largest source of GHG emissions in New Mexico. Therefore, it is critical that methane emissions from this sector are appropriately and comprehensively addressed.

Methane mitigation technologies have proven themselves cost-effective when implemented, driving additional revenue through the capture of an otherwise lost product. Moreover, improvements in technologies continue to drive declines in the capital and operational costs of methane mitigation, making them more affordable to producers large and small. As New Mexico's oil and gas industry recovers, strong air and methane pollution standards support global competitiveness in a world with increasingly stringent climate policies and corporate GHG emissions reduction goals.

Investors have made engagement with oil and gas companies on methane a key priority in recent years, working with companies to set targets and align their operational practices accordingly. Yet, while some companies are demonstrating leadership on managing methane emissions, industry performance is not uniform. A recent [analysis](#) by the Environmental Defense Fund (EDF) found that oil and gas operations in New Mexico emit at least one million metric tons of climate-warming methane a year and hundreds of thousands of tons of smog-producing volatile organic compounds (VOCs). Without a level playing field, the poorest performers will shape the public narrative on natural gas, overshadowing proactive measures of industry leaders and risking the industry's social license to operate. As the second largest producer of

oil and ninth largest of natural gas, New Mexico has a key role to play in setting leading standards for other states to follow.

Unfortunately, the draft Ozone Precursor and Methane Regulations put forward by NMED and EMNRD fail to honor Gov. Lujan Grisham's commitment to protect the health of New Mexico families and the climate. We write today to urge the agencies to strengthen the draft rules in the following ways:

- NMED's rule would exempt the vast majority of wells in New Mexico from leak detection and repair requirements – one of the most effective ways to limit oil and gas pollution. Two proposed exemptions in the draft rules – one for low producing or stripper wells and the other for sites below a 15 ton per year pollution threshold would collectively mean 95% of the wells in New Mexico would go unchecked. NMED should remove these loopholes.
- EMNRD has set an appropriate goal that 98% of all gas be captured. However, if that requirement is not set by locality, for companies with operations in both the San Juan and Permian Basins, all of the reductions could occur in the Permian. This would disproportionately impact Navajo and Latino communities in the San Juan Basin. EMNRD should set the goal on the basis of locality such as county or basin.
- EMNRD should also improve enforcement provisions, including automatic triggers taking meaningful action to motivate companies to comply, denying drilling permits for applications without firm agreements for pipeline capacity, and removing exemptions for venting which is far more damaging to the climate than flaring. Meanwhile, routine flaring should be eliminated and only occur when absolutely necessary to protect health and safety. And in order to address waste and pollution from flares a requirement to use enclosed combustors or flares equipped with auto igniters or continuous pilots and capable of achieving a 98% destruction removal efficiency should be added.

We appreciate Gov. Lujan Grisham's leadership and NMED and EMNRD's efforts to move forward these important regulations. The finalization of strong regulations will help New Mexico's oil and gas sector maintain its viability while addressing the economy-wide risks of climate change.

Sincerely,

As You Sow

Boston Common Asset Management

Boston Trust Walden

Capricorn Investment Group

Committee on Mission Responsibility Through Investment of the Presbyterian Church U.S.A.

Congregation of Sisters of St. Agnes

Corporate Responsibility office - The Province of Saint Joseph of the Capuchin Order

Dana Investment Advisors

Domini Impact Investments LLC

Dominican Sisters of Grand Rapids

Dominican Sisters of Mission San Jose

Dominican Sisters of San Rafael

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EverWatch Financial

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Miller/Howard Investments, Inc.
Missionary Oblates International Pastoral Investment Trust
Natural Investments
NEI Investments
New Mexico State Treasurer's Office
Northwest Coalition for Responsible Investment
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Region VI Coalition for Responsible Investment
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Sisters of Charity of Nazareth
Sisters of Saint Joseph of Chestnut Hill, Philadelphia, PA
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Skye Advisors LLC
Socially Responsible Investment Coalition
Trillium Asset Management
Trinity Health
United Methodist Women
Ursuline Convent
Vert Asset Management

For more information or to contact the signatories, please contact Emily Duff at Ceres (duff@ceres.org).