



Erik Milito
Group Director
Upstream and Industry Operations

1220 L Street, NW
Washington, DC 20005-4070 USA
Telephone 202-682-8273
Fax 202-682-8033
Email militoe@api.org

February 10, 2016

Abigail Hopper
Director, Bureau of Ocean Energy Management
U.S. Department of the Interior
1849 C Street N.W.
Washington, D.C. 20240

Re: Bureau of Ocean Energy Management’s “Clean Air Reporting and Compliance” Proposed Rule

Dear Director Hopper:

The American Petroleum Institute (API) has been monitoring the development of the Bureau of Ocean Energy Management’s (BOEM) proposed rule titled, “Clean Air Reporting and Compliance.” API represents over 650 oil and natural gas companies, leaders of a technology-driven industry that supplies most of America’s energy, supports more than 9.8 million jobs and 8 percent of the U.S. economy, and, since 2000, has invested nearly \$2 trillion in U.S. capital projects to advance all forms of energy, including alternatives. Many of our members operate offshore production facilities in the central and western Gulf of Mexico and off the coast of Alaska and will be directly impacted by this proposed rule.

BOEM should not fundamentally alter the current Air Quality Regulatory Program (AQRP) when the agency and neighboring states have repeatedly concluded that offshore emission sources do *not* contribute significantly to onshore air quality. As such, not only is there no justification to warrant major changes to the existing regulatory program, but it is incumbent upon the agency to avoid introducing unintended and unnecessary consequences to a such a vital contributor of total US oil production.

To communicate these concerns, API met with the Office of Management and Budget on January 13th. During that meeting, API made the following recommendations:

1. BOEM should not proceed with the proposed rule until the agency completes its two air modeling studies (AK-13-01 and GM-14-01), which the agency has committed nearly \$4

million, that were undertaken with the specific intent of informing whether or not *any* regulatory change is warranted.

2. If BOEM chooses to proceed, despite the seemingly inevitable outcome the proposed rule would require future amendment to incorporate the conclusions of its modeling projects, the agency should instead pursue an Advanced Notice of Proposed Rulemaking (ANPRM) to allow industry adequate opportunity to work with the agency, based on the suggested regulatory changes, to provide technical feedback and allow development of a robust cost impact analysis.

To be clear, API does not object to the AQRP revisions to reflect changes to the National Ambient Air Quality Standards as promulgated by USEPA for onshore areas or the transfer of authority for offshore Alaska from USEPA to BOEM. However, further expansion of the regulatory program (e.g., new monitoring/reporting requirements, lower exemption thresholds, grouping of emission sources, etc.) is not only unwarranted to assure offshore sources do not have a significant impact on onshore air quality, but the agency has failed to demonstrate the need for an expanded regulatory program. Additional modeling requirements *alone* on existing facilities could cost \$130-260 million, and this does not include an additional \$6-12 million of additional modeling costs for new/revised exploration plans approved by the agency any given year. Since offshore sources have not been demonstrated to impact onshore air quality, these additional expenditures will serve an administrative function only and not provide any real environmental benefit. Failure by the agency to consider the timing and implementation of any such changes to the existing program, when there is limited agency staff available to process applications and complete administrative work associated with revised permit requirements, represents a potential flaw in the agency's attempt to fundamentally change the existing regulatory framework.

More than 2,600 existing facilities could be impacted by this rule and retrofitting any with additional emission controls, not conceding the technical feasibility of doing so based on space and weight restraints, can easily amount to *millions of dollars per facility*. These costs are further exacerbated by the inevitable disruption of production if these existing facilities were forced to shut in production to meet tighter emission control requirements that, to date, have not been warranted to avoid significant impacts to onshore air quality.

Again, we strongly urge BOEM to first complete the air modeling studies intended to inform this rulemaking. If the agency does proceed, we encourage the agency to pursue an ANPRM to allow industry adequate opportunity to work with the agency, based on the suggested regulatory changes, to provide technical feedback and allow development of a robust cost impact analysis. BOEM has been developing this proposed rule since 2012 (first time it was published in the Unified Agenda) which is a good indication that it will be a substantial document. In addition, based on the limited information we do have about the proposed rule, exemption thresholds will be updated, additional modeling will be required, and the rule will apply to all facilities (no grandfathering of existing facilities will be allowed). For all the reasons listed, we request a minimum of 180 days to review the proposal and to allow adequate time to develop meaningful comments. API is committed to work with BOEM and provide the needed

operational expertise to help avoid significant unintended consequences that would prevent our members from continuing to meet our nation's energy demands.

Please contact me if you have any questions. We greatly appreciate your consideration of these recommendations and look forward to a favorable response.

Best regards,

A handwritten signature in dark ink, appearing to read "Erik Milito", with a stylized flourish at the end.

Erik Milito

cc:

Janice Schneider, Assistant Secretary for Land and Minerals Management, U.S. Department of the Interior

Dan Utech, Deputy Assistant to the President for Energy and Climate Change