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Chevron stands alone with Trump on methane rollback

By Jean Chemnick
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Chevron Corp. appears to be the only oil major that's opposed to federal regulation of methane, a gas that when leaked from fossil fuel wells has an outsize influence on the climate.

The California-based company has been cagey about its position on two rules killed by EPA last month that will leave large swaths of the oil and gas industry unregulated for methane.

While competitors like BP PLC, Royal Dutch Shell PLC and Exxon Mobil Corp. have challenged the Trump administration's move to dismantle the rules, Chevron has remained publicly silent.

A company spokeswoman told E&E News that Chevron wants regulations that are "science-based, cost-effective, and are within the legal authority, and follow the regulatory process of, the respective regulatory body."

She declined to clarify if Chevron supports methane rules covering the entire oil and gas supply chain — a policy endorsed by virtually all other oil majors, and included in the now-defunct Obama-era rule.

The Trump rule finalized this month won applause from smaller, independent oil and gas producers and the American Petroleum Institute (API) for focusing on volatile organic compounds, thereby leaving transmission, storage and older infrastructure unregulated.

Representatives of Chevron attended meetings with White House and EPA staff to discuss the rule last year and again in July. The meetings were requested by API, a trade group that opposed the Obama regulations.

API has argued that the rule — which exempts oil and gas transmission and storage and avoids future regulation of existing infrastructure — is justified based on the amount of methane leakage by the industry. The group also says the Trump rules pass a cost-benefit test and are legally defensible.

Chevron and ConocoPhillips were the only oil majors at API's July 24 meeting with administration officials. A joint Office of Management and Budget meeting usually indicates overlapping interests, and other majors including Shell took separate meetings. But ConocoPhillips told E&E News last month that in the absence of a carbon price, "we support the direct federal regulation of methane emissions from oil and gas operations."

Chevron, meanwhile, has lobbied the Trump administration to embrace voluntary methane efforts instead.

On Feb. 23, 2017, Chevron's CEO at the time, John Watson, wrote to Scott Pruitt, who had been confirmed as EPA administrator the prior week, asking him to "refocus methane regulations, particularly those that impact existing sources, to encourage voluntary approaches."

The Obama EPA had finalized rules limiting methane the previous year, and had taken preliminary steps toward regulating the existing sources responsible for the bulk of the industry's leakage.

Watson complained that the rules were too "prescriptive" and estimated that they cost Chevron $50,000 for every ton of carbon dioxide equivalent that they prevented from leaking into the atmosphere. He proposed meeting with Pruitt to discuss that and other issues.

The Chevron spokeswoman said the $50,000 figure is based on the overall cost of Chevron's leak repair program and total emissions from leaks "as estimated using EPA methods." She didn't provide the figures. And she didn't say how — or whether — Chevron's position had changed.

Watson is viewed by observers as having been staunchly resistant to regulation of any kind. His successor, Michael Wirth, is seen as more willing to engage on climate issues, and in two-plus years at the helm of the company, he's appeared on panels at Climate Week in New York and CERAWeek by IHS Markit in Houston to discuss his company's efforts to shrink its greenhouse gas footprint.

Chevron has also joined voluntary initiatives like the Oil and Gas Climate Initiative and pledged to align its operations with the Paris Agreement, which it says it supports.

The 2015 global climate pact calls for an end to net emissions in the second half of this century; that would require the sharp curtailment of fossil fuel use.

Meanwhile, Chevron continues to invest in new natural gas plays — including its acquisition of Noble Energy Inc., which will expand Chevron's operations in the Permian Basin. The company claims that its greenhouse gas intensity commitments put it on a Paris trajectory, including a pledge by 2023 to cut the methane intensity of its operations between 20% and 25% compared with its 2016 baseline.

But Danielle Fugere, president of stakeholder advocacy group As You Sow, described that as "less than ambitious." In fact, the company has already exceeded its 2023 goal.

Fugere said shareholders have had a hard time pinning Chevron down on its commitments. She said the company has tended to suggest in meetings that it remains a member of API despite disagreements with the trade group's climate positions — but it has been unclear about what those disagreements are.

"It's very difficult for us as shareholders to understand specifically what their position is, but we have become increasingly concerned about lobbying done by trade associations while companies might say they stand for Paris goals and yet the institutions are lobbying against those very laws and regulations," Fugere said.

Being aligned with the Paris Agreement should mean adhering to its goals of limiting warming at a safe level, she said, not simply tracking with national commitments.

"I think that they are just marching to their own drummer here," said Timothy Smith, director of ESG Shareowner Engagement, referring to Chevron's position on methane regulation. "They decided for their own reasons — that we should probe them on — that their position should be different from Exxon's or others' on methane."

Exxon published a blog post after the methane rollback was finalized last month trumpeting its support of the Obama approach.

"In our view, the move EPA announced misses the mark, especially since the agency will no longer take action on existing sources," it stated.

Smith was involved earlier this summer in securing the passage of a Chevron shareholder's proposal to require a report on the company's climate lobbying activities — and that it align its expenditures with the temperature goals of Paris. He expects that report this month.

Chevron is also a signatory to the methane guiding principles — a framework agreed to by most of the major petroleum companies. They pledge to "advocate for sound methane policies and regulations that incentivize early action, drive performance improvements, facilitate proper enforcement, and support flexibility and innovation."

Ben Ratner, who leads the business transition team for the Environmental Defense Fund, said Chevron's position on methane regulation is incompatible with those principles.

It also brings up the question, he said, of whether Chevron's performance in capturing methane is lagging behind its competitors.

"Unless and until they take a responsible stand consistent with their prior commitments, people are going to be left to guess and to fill in their reasons for why Chevron is breaking its word," Ratner said.

Chevron's methane performance is not viewed to be lacking — at least not in the Permian. It does less flaring than almost any other company operating in the largest U.S. oil field, according to the Texas Railroad Commission, which regulates oil and gas development in the Lone Star State.

And it has said flaring — which is widespread in the Permian — shouldn't be routine, and that producers should have the capacity to transport gas to market before they begin drilling.

Consulting company GaffneyCline included Chevron in a recent report on companies that operate in the Permian with the lowest rates of flaring.

"For them to step out, for a major international oil company to step out and say that, to me really says a lot," said Jennifer Stewart, who authored the report for GaffneyCline. "And it sets the bar for the other companies, for their peers."

Still, Chevron opposes an effort by the Texas Railroad Commission to clamp down on flaring through regulation — plans environmentalists are already panning as too lax.

"The industry needs to step up, not because the government forces us to do so, but because it's the right thing to do," the Chevron spokeswoman said.

The methane rollback last month comes against a backdrop of industry pain stemming from the coronavirus outbreak and its economic aftermath.

While majors generally haven't celebrated the move, Amy Myers Jaffe, managing director of the Climate Policy Lab at the Fletcher School of Law and Diplomacy at Tufts University, said that some within the industry think deregulation will offer oil and gas a lifeline.

"Regulatory relief has not brought about a renaissance in the oil and gas industry in the South, in Texas and Louisiana and Oklahoma," she said. "If anything, they're in worse shape now than they've ever been."