

Fact Sheet

Final Rule: Waste Emissions Charge for Petroleum and Natural Gas Systems

Action

- The U.S. Environmental Protection Agency (EPA) is issuing a final rule to facilitate compliance with provisions of the Inflation Reduction Act that require the Agency to collect an annual Waste Emissions Charge (WEC) on methane emissions from oil and natural gas facilities that exceed specific levels of emissions and methane intensity specified in the IRA.
- The WEC will work in concert with EPA’s Clean Air Act rules for oil and natural gas facilities, and with other provisions of the IRA, to incentivize and encourage reductions in harmful air pollution and waste from oil and natural gas operations. The final rule includes calculation procedures, exemptions, and reporting requirements related to the WEC.

Background

- In August 2022, the Inflation Reduction Act of 2022 (IRA) was signed into law. Section 60113 of the IRA amended the CAA by adding section 136, “Methane Emissions and Waste Reduction Incentive Program for Petroleum and Natural Gas Systems.” CAA section 136(c) directs the Administrator of EPA to impose and collect a WEC on methane emissions that exceed statutorily specified waste emissions levels from an owner or operator of an “applicable facility.” The waste emissions level is a facility-specific amount of methane emissions (metric tons) calculated using segment-specific methane intensity levels defined in CAA section 136(f)(1)-(3) and the amount of natural gas (or oil, in certain circumstances) that the facility sends to sale. EPA released a proposed rule to facilitate compliance with the WEC on January 26, 2024.
- The WEC is a key component of EPA efforts to reduce domestic methane emissions. In March 2024, EPA issued a [final oil and gas rule](#) under the Clean Air Act to sharply reduce methane emissions and other harmful air pollution from new and existing oil and gas operations.
- In the IRA, Congress built a framework of additional measures under the Methane Emissions Reduction Program – including the WEC and funding for financial and technical assistance – to complement EPA’s oil and gas rule and ensure reductions in methane from this sector. These measures incentivize affected facilities to reduce emissions in advance of compliance requirements under the oil and gas rule. For example, this final rule allows facilities to be entirely exempt from the WEC if they are in compliance with the oil and gas rule and certain other conditions are met.
- The WEC is calculated with the input of data reported to EPA under subpart W of the

Greenhouse Gas Reporting Program. As directed by Congress in the IRA, in May 2024, EPA published a [final rule](#) revising subpart W to increase the accuracy of reported methane emissions from the oil and natural gas industry.

- In addition to creating the WEC, the IRA provides more than \$1 billion to accelerate the transition to no- and low-emitting oil and gas technologies. Through this program, EPA is partnering with the U.S. Department of Energy to provide financial and technical assistance to promote the adoption of available and innovative oil and gas technologies—including funds to mitigate emissions at low-producing conventional wells and other oil and gas infrastructure, to support methane monitoring and measurement nationwide, and to provide transparent emissions data to impacted communities.

Overview

- The WEC is specifically tailored to impose a charge on high-emitting oil and gas facilities to incentivize actions to reduce wasteful methane emissions while EPA and states work toward full implementation of the CAA rule.
- The WEC is required by CAA section 136(e) to apply to emissions occurring in year 2024 at \$900 per metric ton of methane, increasing to \$1,200 per metric ton of methane in 2025, and to \$1,500 per metric ton of methane in 2026 and in the years after. The WEC only applies to the subset of a facility's emissions that exceed the levels set by Congress, and that are not exempt from the charge.
- An applicable facility, as defined in CAA section 136(d), is a facility within the following industry segments (as defined in 40 CFR part 98, subpart W): onshore petroleum and natural gas production, offshore petroleum and natural gas production, onshore natural gas processing, onshore petroleum and natural gas gathering and boosting, onshore gas transmission compression, onshore natural gas transmission pipeline, underground natural gas storage, liquefied natural gas import and export equipment, and liquefied natural gas storage. Only applicable facilities that report more than 25,000 metric tons of carbon dioxide equivalent under subpart W would be subject to the WEC.

Final Requirements

- EPA is finalizing methodologies for calculating the amount by which a facility's reported methane emissions are below or in exceedance of the waste emissions threshold, and the total WEC owed by a facility owner or operator.
- EPA is also finalizing approaches for implementing the three exemptions created by Congress, which may lower a facility's WEC or exempt the facility entirely from the charge.
 - *Unreasonable Delay*: This exemption applies to methane emissions caused by unreasonable delay in environmental permitting of gathering or transmission infrastructure necessary for offtake of increased volume as a result of methane emissions mitigation implementation.
 - *Plugged Wells*: This exemption applies to the methane emissions from wells that have been permanently shut-in and plugged in the previous year in accordance with all applicable closure requirements.
 - *Regulatory Compliance*: This exemption applies to facilities that are subject to and in compliance with methane emissions requirements promulgated pursuant to CAA sections 111(b) and (d), when and if certain statutorily specified conditions are met.
- EPA is finalizing that a facility owner or operator is the WEC obligated party, or entity responsible for payment of any charge.
- EPA is finalizing an approach for allowing the netting of emissions across facilities under common ownership or control, as required by Congress. Under the netting provisions, emissions from facilities that are below the waste emissions threshold can be used to "net" against, or reduce, the emissions from facilities under common ownership or control that exceed the waste emissions threshold. EPA is finalizing provisions that allow netting at the parent company level, wherein WEC obligated parties with the same parent company may transfer emissions between one another. If a WEC obligated party's emissions are less than or equal to zero after netting, no WEC is owed.
- EPA is finalizing a requirement that the WEC must be quantified and paid through a WEC filing submitted no later than August 31 of each calendar year for methane emissions that occurred in the previous calendar year. The WEC filing would include information relevant to calculating the WEC, such as identification of facilities included in netting, eligibility for exemptions from WEC, and supporting information necessary for EPA to verify the WEC filing. As required by Congress, the WEC first applies to emissions that occur in the 2024 reporting year (i.e., 2024 calendar year).
- The WEC is calculated primarily using data reported under subpart W. While the revised methodologies for calculating emissions under subpart W are required beginning in the 2025 reporting year, the final subpart W rule allows reporters to voluntarily use the revised

methodologies to calculate 2024 emissions that will be used to determine any charges owed under the WEC's first year.

- EPA is finalizing that the WEC filing, remittance of applicable WEC, and any other submittals be submitted electronically.
- Waste Emissions Charge revenues will go to the general Treasury, as required by the Miscellaneous Receipts Act. The revenue does not go to EPA and EPA does not control how Waste Emissions Charge revenue is used.

More Information

- For an unofficial prepublication version of this action, please visit our Web site: <https://www.epa.gov/inflation-reduction-act/methane-emissions-reduction-program>. The *Federal Register* notice for this proposal will be posted on this webpage when it is available.
- EPA will hold webinars providing an overview of the final rule. Further details will be announced on our website: <https://www.epa.gov/inflation-reduction-act/methane-emissions-reduction-program>.