

The BLM Venting & Flaring Rule: An Annual Net Revenue Loss of \$110 million

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- The rule would result in at most \$3.86 million in additional natural gas royalties, but would reduce federal and state taxes by \$114 million annually
- The amount of gas lost amounts to about 2.6 days of U.S. production over a decade
- The rule chases associated gas valued at an estimated \$951.3 million over a decade but puts at risk oil valued at \$6.1 billion
- Policies that assume 100% capture can be achieved don't account for the operational, safety, infrastructure constraint, and bureaucratic needs to vent or flare.

Taxpayers for Common Sense (TCS) is a liberal group formed in the 1990s in reaction to the success of conservative taxpayers groups like the Tax Foundation that support sound fiscal policies. TCS appears to advocate for policies that achieve greater return to the treasury, but really pursues an agenda of greater control of the private sector by the federal government.

The Bureau of Land Management's (BLM) venting and flaring rule is a case in point. TCS advocates for more federal red tape of the oil and natural gas industry by claiming what appear to be larger returns to the treasury. A dive into the numbers shows that the supposed benefits from the rule are quite low, and that the rule would put at risk much larger revenues from oil. It focuses on very low emissions rates at the well pad, 0.038% to 0.042% according to a University of Texas/Environmental Defense Fund study, while shutting down many existing wells and driving new development off federal lands.

A TCS piece entitled [Gone with the Wind: How Taxpayers are Losing from Wasted Gas](#) states that in the decade between 2006 and 2015, 189.4 billion cubic feet (Bcf) of natural gas was lost from federal lands at a market value of \$951.3 million and would have garnered \$183 million in royalties, calculated at a price averaged over the decade. That sounds like a lot until 189.4 Bcf is put in context with daily U.S. production of 71.8 Bcf a day, making it about 2.6 days' worth of production lost over an entire decade. Likewise, the royalties supposedly lost represent a small .92% of the \$20 billion returned by the industry over that same decade. Another number TCS throws around in [uncited opinion pieces](#) is a \$330 million value of natural gas lost from federal lands, but does not explain why that number differs from the report.

TCS ignores the operational, safety, infrastructure and bureaucratic reasons that natural gas has to be flared or vented at times. One reason is agency delays in permitting the gas gathering lines and pipelines necessary to capture the gas. Flaring must occur while waiting for those lines to be approved and built. Venting is sometimes necessary to release pressure and avoid the risk of explosion. Gas must also be flared during pipeline and gas plant maintenance. In fact, it is quite amazing that industry is estimated to have lost only 2.6 days' worth of production over the 3,652 days of a decade!

BLM estimates \$23 million in additional royalties would be gained from the rule annually. However, [an analysis from economist John Dunham](#) using actual market prices of natural gas prices found \$3.68 million in new royalties at the most, but would shut in 112.4 million barrels of oil, worth \$6.1 billion at today's oil price. JDA found that BLM woefully underestimated the costs of the rule, and only showed a large benefit by using untenable Social Cost of Methane calculations. The \$3.68 million in additional

royalties would be offset by \$114 million in lost federal and state taxes. **Fiscal conservatives should not support a rule that would result in a net tax benefit of minus \$110 million.**