

Mine Methane Capture Compliance Offset Protocol Technical Working Group

California Air Resources Board

May 3, 2013

2:00 - 4:00 PDT

Conference Call Information

- Meeting agenda and slides posted at:
<http://www.arb.ca.gov/cc/capandtrade/protocols/mmcprotocol.htm>
- Call-in numbers:
 - Domestic line: 1-800-779-6985
 - International line: 1-210-234-9678
 - Passcode for both: 38593

Agenda

- Overview of goals for Technical Working Group (TWG) and introduction of participants
- Mineral rights on federal and private lands
 - BLM lease requirements and allowances for mines on federal land
 - Regulatory jurisdiction
 - Presence and absence of state legislation on coal mine methane (CMM) ownership rights
- Eligibility of pipeline injection
 - Revisiting common practice
 - Viability of additionality thresholds
 - Distinction between project types (underground, surface, abandoned)
- Agenda setting for future TWG discussion topics

Goals for Mine Methane Capture Technical Working Group

- Technical working groups provide a forum for:
 - Communication of technical expertise
 - Issue discussion and problem resolution
- Issues to be addressed:
 - Inclusion of projects at mines situated on federal lands
 - Ownership rights for CMM and determination of who can serve as an Offset Project Operator (OPO)
 - Eligibility of pipeline injection as an eligible end use for each project type and under various mine conditions
 - Determination and appropriate application of a leakage discount factor
 - Establishing physical offset project boundaries
- Monthly meetings during protocol development process

Mineral Rights Issues on Federal Lands

- Confirm staff's understanding of Bureau of Land Management (BLM) practice as it pertains to coal and gas leases
 - BLM requires coal lease holders to obtain separate lease for the development of coal bed methane (CBM) wells under the Mineral Lease Act of 1920 (MLA).
 - Destruction of VAM and gob gas do not require a gas lease.
- Outstanding questions:
 - Methane extracted via pre-mining drainage on federal land: Has it been deemed “waste mine methane” and therefore covered in a standard BLM coal lease? Does the seniority of gas and coal leases play a role in determining ownership?
 - Do leases commonly distinguish between a lessee's right to “produce and sell” and the right to “produce and destroy” CMM?

Mineral Rights Issues on Federal Lands

- Confirm staff's understanding of relationship between mine operators and federal regulators
 - MSHA is the primary regulator of mines. Both the role of MSHA and its relationship with mine operators does not vary between mines on federal lands and privately owned land.
 - BLM does not have jurisdiction to exercise operational control (outside of the permitting process) at mines on federal lands.
- Outstanding questions:
 - Does the granting or revising of coal leases trigger the NEPA requirement for an Environmental Impact Assessment?
 - Is the sale of CMM extracted from federal land subject to the collection of royalty payments?
 - How are split surface and subsurface ownership issues resolved?

Mineral Rights Issues on Private Land

- Confirm staff's understanding of mineral rights issues on private land
 - Privately owned mining lands fall under the jurisdiction of state governments. States without their own regulation are subject to the National Energy Policy Act of 1992 (EPACT), although most states have opted out of adopting the federal language.
 - States where a coal lease is deemed sufficient for CMM ownership: Alabama, Illinois, Montana, and Pennsylvania
 - States where a gas lease is required to determine CMM ownership: Kentucky and Wyoming
- Outstanding questions:
 - Does legislation pertaining to coal and gas leases and CMM ownership exist in other states not cited above?
 - How are split surface and subsurface ownership issues resolved?

Eligibility of Pipeline Injection

- ARB is considering making pipeline injection an eligible end use but must ascertain the additionality of crediting this form of CMM destruction
 - Since the March 28, 2013 workshop, staff has been examining whether or not pipeline injection is common practice for mines with drainage systems
 - If pipeline injection is deemed business as usual based on the mine's classification, well characteristics, or project type it would not be additional and therefore not an eligible end use
 - Rather than uniformly prohibiting crediting of projects that inject into a pipeline, it may be appropriate to apply certain additionality thresholds.
 - Developers of existing protocols have studied the utility of performance standards based on methane concentration, gas quality, methane liberation rates, and well life

Eligibility of Pipeline Injection

- Confirm understanding of existing pipeline injection practices at active underground mines
 - Utilization of drainage systems are largely, if not exclusively, based on the geological realities and the need to meet safety regulations
 - If feasible, based upon gas quality, flow rate, and distance from pipeline infrastructure, mines with drainage systems inject collected methane into a natural gas pipeline
- Outstanding questions:
 - ARB is aware that some of the previously mentioned metrics for assessing the additionality of pipeline injection have been studied and deemed irrelevant or insufficient, or pose foreseen practical problems. Informed opinions on the development and application of such threshold metrics are welcomed.
 - What is common practice for surface and abandoned mine projects?

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