



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

OFFICE OF  
ENFORCEMENT AND  
COMPLIANCE ASSURANCE

7/28/16

Dr. Jill Lewandowski (VAM-OEP)  
U.S. Department of the Interior  
Bureau of Ocean Energy Management  
45600 Woodland Road  
Sterling, VA 20166

Dear Dr. Lewandowski:

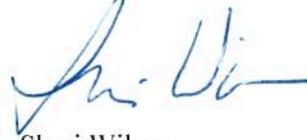
EPA is following up on our May 2, 2016 letter commenting on the Bureau of Ocean Energy Management's draft Programmatic Environmental Impact Statement (PEIS) on the Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2017 to 2022 (CEQ No. 20160061). The draft PEIS assessed the potential environmental impacts of a range of program alternatives aimed at establishing a schedule that will be used for considering where and when oil and gas leasing may be appropriate over a five year period. The proposed program contains a proposed lease sale schedule that includes 13 sales in six OCS planning areas. This includes 10 sales in the combined Gulf of Mexico Program Area, and one sale each in the Chukchi Sea, Beaufort Sea, and Cook Inlet Program Areas offshore Alaska. No lease sales are proposed for the Pacific or Atlantic OCS.

Thank you for the extension of time for EPA to comment on the draft PEIS. We appreciate BOEM's sending EPA the enclosed Memo outlining the type of analysis BOEM intends to conduct to analyze indirect greenhouse gas (GHG) emissions related to the refining, distribution, and end-use combustion of oil and gas produced from the OCS. The BOEM memo states that the analysis will address estimated GHG emissions from active leases from previous Programs prior to 2012, leasing under the current 2012-2017 Program, and new leasing proposed under the 2017-2022 Program, and states that a complementary analysis will be prepared for the no action alternative for the 2017-2022 program. We understand the analysis will be provided in a separate technical report that will be incorporated by reference and summarized in the final PEIS and subsequent lease sale environmental documents.

This type of analysis will provide more complete information on indirect impacts of the leasing program and allow for better informed decision-making. We appreciate BOEM's undertaking this analysis, which is called for under NEPA, and is particularly appropriate here because the potential indirect GHG emissions associated with processing, distribution, and end-use consumption of oil and gas produced on the OCS are likely to be significant. While the general approach outlined in the Memo and the analysis that BOEM expects to complete will result in a much more informed analysis, the draft PEIS as submitted does not contain sufficient information on indirect GHG emissions for EPA to fully assess the environmental impacts of this proposal, so EPA has rated the draft PEIS as "EC-2" (Environmental Concerns/Insufficient Information). A summary of EPA's rating definitions is also enclosed.

EPA will review the forthcoming technical analysis and final PEIS related to this proposal when they are completed. If you have any questions regarding our comments, please contact Karin Leff of the Office of Federal Activities at (202) 564-7068.

Sincerely,



Shari Wilson  
Acting Director  
Office of Federal Activities

Enclosures



# United States Department of the Interior

BUREAU OF OCEAN ENERGY MANAGEMENT

WASHINGTON, DC 20240-0001

JUN 27 2016

## Memorandum

To: William Y. Brown  
Chief Environmental Officer

Renee Orr  
Chief, Office of Strategic Resources

From: Abigail Ross Hopper   
Director

Subject: Analyzing Downstream Greenhouse Gas Emissions in Support of Outer Continental Shelf Oil and Gas Program and Leasing Decisions

After considering input from Bureau of Ocean Energy Management's (BOEM) senior leadership team (among others), and having considered the comments received to date on the 2017-2022 Outer Continental Shelf (OCS) Oil and Gas Program, I have concluded that it is appropriate for the bureau to consider downstream greenhouse gas (GHG) emissions related to the processing, distribution, and end-use consumption of oil and gas produced on the OCS. I direct the Office of Environmental Programs (OEP) to begin estimating downstream GHGs so that the analysis can be made available to the public at the time the Final Programmatic Environmental Impact Statement (EIS) is published later this year. Once this analysis is complete, the bureau will also need to make sure that future decision documents regarding programs or lease sale decisions appropriately consider this analysis and implications of downstream GHG emissions.

### Background

In recent Five Year EISs and program documents, BOEM has quantified GHG and black carbon emissions that were expected to result from OCS activities contemplated in a Program. At the Five Year and lease sale stages, the bureau addresses the potential for increased susceptibility or vulnerability to environmental impacts from oil and gas activities because of a changing climate. However, the analyses supporting these decisions have not included a quantitative analysis of the GHG emissions that could result from the refinement, distribution, and end-use combustion of oil and gas that is estimated to be produced as a result of the OCS activities considered in a Program (*i.e.*, downstream GHG emissions). The U.S. Environmental Protection Agency, environmental NGOs, members of Congressional subcommittees, and other stakeholders have recommended BOEM begin addressing downstream GHG emissions and related climate change effects in its environmental documents.

Downstream GHG emissions are not unique or specific to OCS activities; rather, GHGs, regardless of source, are a significant domestic and global challenge to which OCS related consumption is but one incremental contribution. Therefore, it is critically important that any

discussion of downstream GHG emissions that stem from OCS production is framed in a broader context. At the same time, BOEM should consider energy demand and supply absent the next program (2017-2022) and address how energy market substitutes and/or energy conservation would contribute to differences in GHG emissions.

### Approach

In its draft guidance on how to assess climate change and GHG emissions in NEPA analyses, the Council on Environmental Quality (CEQ) has stated that agencies should be guided by a “rule of reason” in determining how downstream GHG emissions should be addressed, encouraging the quantification of GHG emissions when useful to decision-making. Having considered this draft guidance and other input, I have decided the bureau should quantify downstream GHG emissions expected to result from the refining, distribution, and end-use combustion of oil and gas that is estimated to be produced from the OCS.

The bureau’s analysis should address estimated downstream GHG emissions from active leases from previous Programs (pre 2012-2017), leasing under the current 2012-2017 Program, and new leasing under the 2017-2022 Program. The relative GHG emissions contribution from the 2012-2017 and 2017-2022 Programs should be distinguishable so that the results can be readily used to inform lease sale decisions remaining in the 2012-2017 Program, or for those proposed in 2017-2022 Program. A complementary analysis should be prepared for the no action alternative for the 2017-2022 Program. This integrated approach will allow the bureau to acknowledge how existing and proposed OCS Five Year Programs affect downstream GHG emissions.

Commenters on the Five Year EIS and Program documents recommended that an analysis of the social cost of carbon be incorporated into BOEM’s Five Year Program analysis. Although it is not expressly required under CEQ’s draft guidance or Section 18 of the OCS Lands Act, OEP and the Office of Strategic Resources (OSR) should consider whether the social cost of carbon should be added to the Program document for informational purposes.

OEP should work with OSR to identify the appropriate methodology and inputs, including production estimates, for quantifying downstream emissions and the social cost of carbon. Production estimates should be consistent with major assumptions in other Program and lease sale analyses. OEP should also work with OSR to consider if the estimates of downstream GHG emissions, under a program or no program context, could be affected by the introduction of new climate change policy, including how any policy change may in turn implicate longer-term demand and supply.

Across BOEM leadership, there was a clear consensus that a separate, stand-alone technical report would be the most appropriate and efficient way to communicate this analysis. That report should be incorporated by reference and briefly summarized in the Five Year Programmatic EIS under development now and subsequent lease sale environmental documents. The benefit of this approach is that the analysis can be consistent and efficiently incorporated into relevant documents.

Please provide an interim progress report by July 12, 2016, that provides an overview of analytical methods for quantifying the downstream GHG emissions and your recommendation on whether the social cost of carbon should be incorporated into the 2017-2022 Five Year Program.

## **SUMMARY OF EPA RATING DEFINITIONS\***

This rating system was developed as a means to summarize the U.S. Environmental Protection Agency's (EPA) level of concern with a proposed action. The ratings are a combination of alphabetical categories for evaluation of the environmental impacts of the proposal and numerical categories for evaluation of the adequacy of the Environmental Impact Statement (EIS).

### **ENVIRONMENTAL IMPACT OF THE ACTION**

#### ***"LO" (Lack of Objections)***

The EPA review has not identified any potential environmental impacts requiring substantive changes to the proposal. The review may have disclosed opportunities for application of mitigation measures that could be accomplished with no more than minor changes to the proposal.

#### ***"EC" (Environmental Concerns)***

The EPA review has identified environmental impacts that should be avoided in order to fully protect the environment. Corrective measures may require changes to the preferred alternative or application of mitigation measures that can reduce the environmental impact. EPA would like to work with the lead agency to reduce these impacts.

#### ***"EO" (Environmental Objections)***

The EPA review has identified significant environmental impacts that should be avoided in order to provide adequate protection for the environment. Corrective measures may require substantial changes to the preferred alternative or consideration of some other project alternative (including the no action alternative or a new alternative). EPA intends to work with the lead agency to reduce these impacts.

#### ***"EU" (Environmentally Unsatisfactory)***

The EPA review has identified adverse environmental impacts that are of sufficient magnitude that they are unsatisfactory from the standpoint of public health or welfare or environmental quality. EPA intends to work with the lead agency to reduce these impacts. If the potentially unsatisfactory impacts are not corrected at the final EIS stage, this proposal will be recommended for referral to the Council on Environmental Quality (CEQ).

### **ADEQUACY OF THE IMPACT STATEMENT**

#### ***"Category 1" (Adequate)***

EPA believes the draft EIS adequately sets forth the environmental impact(s) of the preferred alternative and those of the alternatives reasonably available to the project or action. No further analysis or data collection is necessary, but the reviewer may suggest the addition of clarifying language or information.

#### ***"Category 2" (Insufficient Information)***

The draft EIS does not contain sufficient information for EPA to fully assess environmental impacts that should be avoided in order to fully protect the environment, or the EPA reviewer has identified new reasonably available alternatives that are within the spectrum of alternatives analysed in the draft EIS, which could reduce the environmental impacts of the action. The identified additional information, data, analyses, or discussion should be included in the final EIS.

#### ***"Category 3" (Inadequate)***

EPA does not believe that the draft EIS adequately assesses potentially significant environmental impacts of the action, or the EPA reviewer has identified new, reasonably available alternatives that are outside of the spectrum of alternatives analysed in the draft EIS, which should be analysed in order to reduce the potentially significant environmental impacts. EPA believes that the identified additional information, data, analyses, or discussions are of such a magnitude that they should have full public review at a draft stage. EPA does not believe that the draft EIS is adequate for the purposes of the NEPA and/or Section 309 review, and thus should be formally revised and made available for public comment in a supplemental or revised draft EIS. On the basis of the potential significant impacts involved, this proposal could be a candidate for referral to the CEQ.

\*From EPA Manual 1640, Policy and Procedures for the Review of Federal Actions Impacting the Environment