



# SIERRA CLUB

## LONE STAR CHAPTER

To: Senate Committee on Finance, Honorable Joan Huffman, Chair

Re: SB 1, 24-25, Texas Railroad Commission

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The Lone Star Chapter of the Sierra Club is pleased to offer these brief comments on the Railroad Commission's budget for 24-25 contained in SB 1. The Sierra Club has approximately 30,000 members in Texas and has long been engaged at rulemakings and efforts to improve the agency. In particular, we have long called for improvements in their public transparency, enforcement and information sharing. We have been pleased with the investment made in recent years by the Legislature in upgrading the databases and IT at the agency, and the recent improvements in providing the public with additional information on enforcement and inspections, hearings and cases and geographic information.

We remain concerned that additional information related to enforcement has been lost in the transition, including information that was contained in a previous rider in the RRC's budget that provided quarterly information on specific company violations, complaints, and resolution of complaints, and believe that directing the agency to produce a quarterly report on enforcement, to go along with its annual enforcement report would be an improvement.

In terms of SB 1 itself, we are largely supportive of the agency's base budget and exceptional item requests. This is an agency that is still struggling to hire enough people, update its technology, procure enough vehicles, and inspect enough wells and pipelines. The 24-25 base proposal and exceptional items would help get us further along. In particular we are in strong support of the requests related to the Mainframe Transformation (\$21.5 million), Inspection/Enforcement Tracking and Reporting System (\$3 million), and the exceptional item (\$3.5 million plus \$1.8 million for vehicles) related to extra pipeline inspectors to meet both federal and state new requirements on gathering lines. The Commission has also created a new division related to buttressing its efforts to weatherize and modernize its infrastructure and the Sierra Club supports the extra resources needed to inspect critical infrastructure to assure our gas supply is available during climate extremes.

## **Well Plugging Must Remain a High Priority**

We would note specifically our support for the federal funding resulting from the IJJA to buttress both the orphan well plugging program as well as brownfield cleanup. **SB 1 does contain approximately \$63 million per fiscal year from federal funds for well plugging which will benefit many communities and landowners in Texas and help our environment.** We would support some flexibility to allow the RRC to take advantage of performance bonuses that may be available in both programs, particularly if other states do not use their full allotment of federal funding. With some 8,000 orphaned wells waiting to be cleaned up, and many more in line for the future, the potential to get up to \$348 million in federal dollars over the coming years is a short-term fix to a long-term program. We were pleased that the Commission is planning to use the federal dollars to augment the existing funding coming to the state-plugging fund, as opposed to supplanting funding from federal dollars. We would note that the provisions of the federal orphan well program are clear that federal dollars should not be used to replace state-led efforts. We would support adding a performance efficiency measure on well plugging. Thus, given the federal funding becoming available, the goal to plug 2,000 wells in FY 2024 and 2,200 wells in FY 2025 is actually low and state-managed plugging and federal-funded state-managed plugging should both be shown separately with goals for each.

Indeed, the state must do even more to locate and plug wells irregardless of the new federal IJJA monies. The RRC should be directed to create a latitude and longitude geocoded databases of abandoned and orphaned wells, and be directed to monitor plugged wells. We would ask for exceptional funding to accomplish this task.

## **Increase funding at the OGCRF**

We appreciate that SB 1 as filed does increase funding from the GR-dedicated OGCRF compared to previous sessions, allocating \$77.7 million in 2024 and \$71.2 million in 2025. Still, Sierra Club continues to believe that the Legislature should continue to make progress on moving the Commission to a self-funded agency, and we would support statutory reform to increase funding to the Oil and Gas Cleanup and Regulatory Fund. We are separately supporting legislation to increase bonding levels and increase the caps on administrative fines. We would note that even though the vast majority of funding under strategy C.2.1 will come from GR-dedicated and federal funding, there is still more than \$35 million in this strategy that is coming from GR.

Specifically, while outside the provisions of this LAR, we believe that the legislature should consider removing or raising caps related to administrative fines, permit fees and bonding amounts, and then allowing that money to flow into the OGCRF. Moving some administrative fines into the RRC base budget would allow money industry is paying to support more inspectors and more enforcement. Fees and fines are still too low at the agency. *As an example, bonding fees were set in 1989 and only cover approximately 16 percent of the costs of capping and plugging wells, administrative fines were set in 1983 and about a tenth of administrative fines at the EPA, and some permit fees are incredible low given staff time reviewing complex*

*permits*. Raising or removing caps would allow either additional funding to be made available to the Commission, or lower the amount of General Revenues that is proposed in the LAR.

### **Let's go big.. On inspections**

The proposed budget for oil and gas monitoring and inspections stays flat at \$63.7 million over the biennium, in line with the Governor's request to keep budgets flat. However, there continues to be a need for more oil and gas inspectors and field staff. Thus, in addition to the need to monitor wells that have been plugged, the agency is still in need of more basic oil and gas inspectors. In their enforcement strategy, the agency has set a goal to inspect every oil and gas well every four to five years, though in reality under the improved budgets, the RRC had been managing to inspect wells once every three years. Indeed, they have set a goal to inspect 37.50 percent of all wells every year. In all they expect to conduct about 1,900 inspections each year. The Sierra Club believes the legislature should set a goal of inspecting all wells once every two years, or covering 50 percent of the wells each year. Thus, we would be supportive of adding an exceptional item to inspect more wells, and a specific exceptional item for monitoring plugged wells, which we believe could utilize federal funding.

We would support an additional \$10 to \$15 million in Strategy C.1.1 to cover a larger percentage of oil and gas wells and associated facilities.

### **RRC will need to participate in produced water risk assessment studies**

No standards for any use have ever been developed specifically with produced water in mind, therefore it's important that as we consider recycling produced water in novel ways (both inside and outside of oil and gas operations) that the state fully participates in risk assessment.

RRC will need significant support to participate in pilot projects set up by the Texas Produced Water Consortium. The Texas Produced Water Consortium's report found that there is significant study and standards development required prior to "verifying or recommending their application for beneficial use outside of the oil & gas industry." (p. 83) Moreover: "[u]nderstanding the composition of the produced water, development of new analytical methods for characterization of unknown constituents and the risks these constituents can pose are all important topics and active areas of research that the Consortium will continue to take into account in its future research and pilot work." (p. 84) Additional staff to supervise the establishment and study of standards that go toward beneficial reuses outside of surface discharge. will be immediately needed if the state decides to press forward with pilot projects. Even if the state does not immediately begin pilot projects, it is likely that RRC will still need additional FTEs to study fitness-for-purpose standards and site-specific water issues across the state.

### **Air pollution is also important.**

We would also note that the Commission has continued to face examples of operators that flare and vent methane without seeking permits, or bust through their permit exceptions. Thus, we would encourage the Legislature to make inspections with fly-overs, and hand-held thermal imaging cameras to be a priority of the Commission. We believe these efforts could be coordinated with the EPA and the TCEQ since there is joint authority over air pollution. While SB 1 proposes to eliminate a study and strategic plan on flaring data, there is a continued need to understand the large-scale flaring of methane gas even beyond what is authorized by the agency. We would support specific efforts to study, inspect and lower air emissions in the oil and gas patch, even as the federal government works on new methane rules. ***Indeed, assuming the administration finalizes methane rules, RRC will need to coordinate with TCEQ on a State Implementation Plan to meet the methane standards and may need additional employees and resources to meet the new regulations.***

### **More vehicles needed... can they be alternatively-fueled?**

The Commission is requesting more vehicles for their inspectors and field staff and the Sierra Club has no objection. However, given the significant amount of federal funds (and state funds) now available for electric vehicle charging, alternatively-fueled vehicles including natural gas, hydrogen, fuel cell and electric vehicles, we believe that the Commission should be directed to study the potential to consider purchases of alternatively-fueled vehicles, including electric. Such vehicles generally have lower maintenance and fuel costs, and there may be federal funding to lower the cost to the state of Texas, while helping to support jobs and clean our air.

The Sierra Club supports the Commission's SB 1 base budget and exceptional item requests but would ask for:

- additional quarterly information on inspections and enforcement,
- more money for oil and gas inspectors,
- additional performance standards for plugging wells, and
- special attention to air pollution and the potential for alternatively-fueled vehicles.

Finally, we continue to call on the Legislature to bolster Fund 5155 (Oil and Gas Regulatory and Clean Up Fund) by raising caps in statutes so that the Commission relies less on general revenue. We look forward to working with the Governor and Legislature on implementing these changes and making the Commission more transparent, responsive to the public and fully enforce our laws.