



# Methane Capture: Options for Greenhouse Gas Emission Reduction

**Kelsi Bracmort**

Analyst in Agricultural Conservation and Natural Resources Policy

**Jonathan L. Ramseur**

Analyst in Environmental Policy

**James E. McCarthy**

Specialist in Environmental Policy

**Peter Folger**

Specialist in Energy and Natural Resources Policy

**Donald J. Marples**

Specialist in Public Finance

September 17, 2009

Congressional Research Service

7-5700

[www.crs.gov](http://www.crs.gov)

R40813

## Summary

Research on climate change has identified a wide array of sources that emit greenhouse gases (GHGs). Among the six gases that have generally been the primary focus of concern, methane is the second-most abundant, accounting for approximately 8% of total U.S. GHG emissions in 2007. Methane is emitted from a number of sources. The most significant are agriculture (both animal digestive systems and manure management); landfills; oil and gas production, refining, and distribution; and coal mining.

As Congress considers legislation to address climate change by capping or reducing GHG emissions, methane capture projects offer an array of possible reduction opportunities, many of which utilize proven technologies. Methane capture projects (e.g., landfill gas projects, anaerobic digestion systems) restrict the release of methane into the atmosphere. The methane captured can be used for energy or flared. Methane capture challenges differ depending on the source. Most methane capture technologies face obstacles to implementation, including marginal economics in many cases, restricted pipeline access, and various legal issues.

Some of the leading methane capture options under discussion include market-based emission control programs, carbon offsets, emission performance standards, and maintaining existing programs and incentives. At present, methane capture technologies are supported by tax incentives in some cases, by research and demonstration programs in others, by regulation in the case of the largest landfills, and by voluntary programs. Congress could decide to address methane capture in a number of different ways, including (1) determining the role of methane capture in climate change legislation; (2) determining whether methane capture should be addressed on an industry-by-industry basis; and (3) determining if current methane capture initiatives will be further advanced with legislative action regardless of other facets of the climate change policy debate. What role methane capture would play in prospective legislation to control GHGs—whether methane sources would be included among those covered by a cap-and-trade system, for example, whether they would be a source of emission offsets from sources not covered by cap-and-trade, or whether their emissions might be subject to regulation—is among the issues that Congress faces.

A few government programs have supported the capture of methane to mitigate climate change. The Methane-to-Markets Partnership, administered by the Environmental Protection Agency (EPA), is an international initiative to reduce global methane emissions. EPA also oversees a variety of voluntary programs related to the Methane-to-Markets initiative (e.g., Coalbed Methane Outreach Program, Natural Gas STAR Program, Landfill Methane Outreach Program, AgSTAR Program).

This report discusses legislative alternatives for addressing methane capture, sources of methane, opportunities and challenges for methane capture, and current federal programs that support methane recovery.

## Contents

Introduction .....	6
Policy Options for Addressing Methane Capture .....	6
Market-Based Emission Control Programs .....	6
Carbon Offsets .....	8
Emission Performance Standards .....	9
Maintain Existing Programs/Incentives .....	9
Legislative Proposals Concerning Methane Capture .....	10
Methane: A Primer .....	12
Global Warming Potential .....	13
Sources of Methane.....	13
Domestic .....	13
International.....	14
Methane Use and Storage.....	15
Opportunities and Challenges for Methane Capture.....	16
Agriculture.....	17
Landfill Gas.....	17
Oil and Natural Gas .....	18
Coalbed Methane .....	19
Concerns Applicable to All Sources.....	20
Federal Support for Methane Capture.....	20
Methane-to-Markets Partnership .....	20
Voluntary Methane Programs .....	21
Federal Energy Management Program.....	21
Tax Incentives.....	21
DOE Methane Hydrate Research and Development.....	22

## Figures

Figure 1. 2007 U.S. Sources of Anthropogenic Methane Emissions .....	14
Figure 2. U.S. Underground Natural Gas Storage Facilities, Close of 2007 .....	16

## Tables

Table 1. Selected Sources of U.S. Methane Emissions and Potential Number of Entities Subject to Emission Control Program.....	7
Table 2. Selected Legislation Proposed in the 111 <sup>th</sup> Congress Relevant to Methane .....	11
Table 3. Top Five Methane-Emitting Countries in 2005 .....	15
Table 4. U.S. Methane Emissions by Source.....	16

## **Appendixes**

Appendix. World Methane Emissions by Sector in 2005..... 24

## **Contacts**

Author Contact Information ..... 25

## Introduction

In the climate change policy debate, methane capture projects have garnered attention for their ability to mitigate greenhouse gas emissions. Methane capture projects prevent the release of methane, a potent greenhouse gas, into the atmosphere. The captured methane is generally flared or used for energy purposes.<sup>1</sup> The U.S. Environmental Protection Agency (EPA) has identified four sources of methane with the greatest potential for capture in the near term: landfills, coal mines, agriculture, and oil and gas systems. The amount of methane captured from each will depend on legislative developments, economics, technology, and outreach.

Methane (CH<sub>4</sub>) constituted approximately 8% of U.S. greenhouse gas emissions in 2007.<sup>2</sup> Anthropogenic (human-related) sources of methane in the United States include enteric fermentation,<sup>3</sup> landfills, natural gas systems, coal mines, and manure management. Efforts to reduce emissions of methane—the second-most important greenhouse gas after carbon dioxide (CO<sub>2</sub>)—could play a significant role in climate change mitigation.

This report will discuss the policy options for addressing methane capture (and their implications), legislative proposals for methane capture, domestic and international sources of methane, opportunities and challenges for methane capture, and federal programs that support methane capture.

## Policy Options for Addressing Methane Capture

Congress may employ multiple strategies to encourage or require methane capture as part of climate change legislation: market-based approaches, such as a cap-and-trade program or emissions fees; carbon offsets or credits as a complementary design element of a market-based approach; emission performance standards; and/or maintaining existing programs and incentives.<sup>4</sup> Policymakers may consider using different strategies for different methane emission sources. These strategies and related issues are discussed below.

### Market-Based Emission Control Programs

One option for policymakers is to include methane emission sources as covered entities in a market-based greenhouse gas (GHG) emission control program. Market-based mechanisms that limit GHG emissions can be divided into two types: those that focus on quantity control (e.g., a cap-and-trade program) and those that focus on price control (e.g., emissions fees, often called a

---

<sup>1</sup> Flaring is the combustion of the gas without commercial purposes. Flaring produces carbon dioxide which is a less potent greenhouse gas than methane.

<sup>2</sup> Environmental Protection Agency, *2009 U.S. Greenhouse Gas Inventory Report*, April 2009, <http://www.epa.gov/climatechange/emissions/usinventoryreport.html>.

<sup>3</sup> Enteric fermentation is the production and release of methane via eructation (burping) and flatulence as ruminant animals digest their feed.

<sup>4</sup> The climate-changing impact of multiple greenhouse gases is commonly measured and compared using their global warming potential as expressed in units of carbon dioxide equivalent. Therefore, many concepts and actions are preceded with the word carbon which may actually account for an assortment of greenhouse gases in both quantity and quality (e.g., carbon tax, carbon offset).

carbon tax). Although each approach has its own set of advantages and disadvantages,<sup>5</sup> both would place a price on methane emissions from covered sources. To the extent that they are able, covered entities (those subject to the cap or fee) would likely pass the emissions price through to consumers. For example, if solid waste landfills were subject to a cap or fee based on methane emissions, the landfill operators would likely raise the price of waste disposal to account for the new cost of emissions.

Recent cap-and-trade and carbon tax proposals<sup>6</sup> have generally not applied to methane emissions from the primary sources of such emissions. A main argument for excluding some of these groups concerns the administrative costs of covering them under an emissions program. As **Table 1** indicates, the number of methane emission sources is relatively large compared to their total contribution to U.S. GHG emissions. This is particularly the case for methane emissions from the agriculture sector.

**Table 1. Selected Sources of U.S. Methane Emissions and Potential Number of Entities Subject to Emission Control Program**

Methane Emission Source	Percentage of U.S. GHG Emissions (2006 data)	Potential Applications	
		Entity	Number
CH <sub>4</sub> from livestock (enteric fermentation)	1.8	Cattle operations <sup>a</sup>	967,440
CH <sub>4</sub> from landfills	1.8	Landfills <sup>b</sup>	1,800
CH <sub>4</sub> from natural gas systems	1.5	Natural gas processors	530
CH <sub>4</sub> from coal mines	0.8	Active coal mines <sup>c</sup>	1,374
CH <sub>4</sub> from manure management	0.6	Cattle operations; Swine operations <sup>d</sup>	967,440 65,640

**Source:** CRS analysis of data from USDA and EPA.

- a. U.S. Department of Agriculture, *Farms, Land in Farms, and Livestock Operations: 2007 Summary* (2008).
- b. EPA, *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2006* (April 2008), citing BioCycle, *15<sup>th</sup> Annual BioCycle Nationwide Survey: The State of Garbage in America* (2006).
- c. Methane from underground mines, which accounts for about 61% of coal mine methane, is removed through ventilation systems for safety reasons. These emissions would be easier to monitor under an emission control program than aboveground coal mine methane emissions. Number of active coal mines from Energy Information Administration (EIA), “Coal Production and Number of Mines by State and Mine Type,” at <http://www.eia.gov>.
- d. U.S. Department of Agriculture, *Farms, Land in Farms, and Livestock Operations: 2007 Summary* (2008). Other animals—chickens, horses, and sheep—contribute approximately 10% of the total emissions from manure (EPA, *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2006* (April 2008), table 6-6).

Although an even larger number of sources (e.g., industries, automobiles, buildings) generate CO<sub>2</sub> emissions, the vast majority of CO<sub>2</sub> emissions can be addressed by subjecting a relatively small number of entities to an emissions cap. This opportunity exists for CO<sub>2</sub> emissions, because policymakers could apply the emissions cap *upstream* of the actual emissions, typically where the

<sup>5</sup> See CRS Report R40242, *Carbon Tax and Greenhouse Gas Control: Options and Considerations for Congress*, by Jonathan L. Ramseur and Larry Parker.

<sup>6</sup> See CRS Report R40556, *Market-Based Greenhouse Gas Control: Selected Proposals in the 111<sup>th</sup> Congress*, by Jonathan L. Ramseur, Larry Parker, and Brent D. Yacobucci.

emission inputs are produced or enter the U.S. economy.<sup>7</sup> Under this approach, policymakers could address CO<sub>2</sub> emissions from fossil fuel combustion and non-energy uses—in aggregate 82% of U.S. GHG emissions—by covering fewer than 2,500 entities.<sup>8</sup> For most methane sources, particularly in the agriculture sector, an analogous opportunity does not exist.

In addition, some of the source categories identified in **Table 1** may be more amenable to emissions coverage than others. For example, roughly 25% of the methane emissions from natural gas systems comes from field production,<sup>9</sup> which may be impractical to monitor and measure accurately.<sup>10</sup> The remaining 75% primarily involves accidental releases sometimes referred to as fugitive emissions.<sup>11</sup> Landfill methane may offer fewer challenges in terms of measurement, but the largest landfills are already reducing methane emissions pursuant to landfill gas reduction requirements established by the Clean Air Act (42 U.S.C. 7401 *et seq.*).<sup>12</sup>

## Carbon Offsets

Policymakers could encourage methane capture activities by allowing methane abatement as an eligible offset project or as an emission (or tax) credit in a GHG emission control program, such as a cap-and-trade system or carbon tax. A carbon offset is a measurable reduction, avoidance, or sequestration of GHG emissions from an emission source not covered by a cap-and-trade system. Most of the recent cap-and-trade proposals have allowed offsets (under varying conditions) as a compliance alternative.<sup>13</sup>

Offsets would likely make an emissions program more cost-effective by (1) providing an incentive for non-regulated sources to generate emission reductions and (2) expanding emission compliance opportunities for regulated entities. The main concern with offset projects is whether or not they represent real emission reductions. For offsets to be real, a ton of CO<sub>2</sub>-equivalent emissions reduced from an offset project should equate to a ton emitted from a capped source, such as a smokestack or exhaust pipe, and would not have occurred without the regulatory incentive. This objective presents challenges because some offset projects are difficult to measure.

---

<sup>7</sup> An upstream approach would apply the cap to fossil fuels when they enter the U.S. economy, either at the mine, wellhead, or another practical “chokepoint” in the production chain. Imported fuels would be addressed at their point of entry into the United States.

<sup>8</sup> For more on these issues, see CRS Report R40242, *Carbon Tax and Greenhouse Gas Control: Options and Considerations for Congress*, by Jonathan L. Ramseur and Larry Parker.

<sup>9</sup> As described by EPA, “wells are used to withdraw raw gas from underground formations. Emissions arise from the wells themselves, gathering pipelines, and well-site gas treatment facilities such as dehydrators and separators. Fugitive emissions and emissions from pneumatic devices account for the majority of CH<sub>4</sub> emissions. Flaring emissions account for the majority of the non-combustion CO<sub>2</sub> emissions.” EPA, *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2006* (April 2008).

<sup>10</sup> See, e.g., Gilbert Metcalf and David Weisbach, *The Design of a Carbon Tax* (June 2008), Tufts University and the University of Chicago.

<sup>11</sup> EPA, *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2006* (April 2008).

<sup>12</sup> Landfill gas New Source Performance Standards (NSPS) went into effect in 1996. See U.S. Environmental Protection Agency, “Standards of Performance for New Stationary Sources and Guidelines for Control of Existing Sources: Municipal Solid Waste Landfills,” 61 *Federal Register* 9914, March 12, 1996.

<sup>13</sup> For more information pertaining to carbon offsets, see CRS Report RL34436, *The Role of Offsets in a Greenhouse Gas Emissions Cap-and-Trade Program: Potential Benefits and Concerns*, by Jonathan L. Ramseur.

However, some methane capture projects, such as those from landfills or coal mines, are generally considered to be of higher quality (more credible) than other offset types. These projects are relatively easy to measure and verify, and in many cases would likely not occur if not for the financing provided by an offset market. Therefore, the challenge of proving “additionality” is easier to overcome.<sup>14</sup>

The advantage some methane capture projects have over other GHG mitigation activities may spur policymakers to control these methane releases directly (via some of the options discussed), instead of encouraging abatement through an offset market. Moreover, allowing certain activities as offsets, while imposing emission controls or caps on others, may raise issues of fairness. For example, why should specific GHG emission sources, such as electricity generators, be capped while other sources, such as landfill or animal feedlot methane, have the potential to generate financial gain for owners and/or operators through the offset market?

## **Emission Performance Standards**

Another option for policymakers is to require emission performance standards for particular methane emission sources. This approach has historically represented the core of U.S. federal air pollution policy. New legislation would not be required to pursue the standards approach. The ability to limit methane emissions already exists under various Clean Air Act authorities that Congress has enacted, a point underlined by the Supreme Court in an April 2007 decision, *Massachusetts v. EPA*. Although the current EPA Administrator has stated a preference for controlling GHG emissions through new legislation, the agency has begun to take actions that could lead to GHG emission performance standards from particular sources.<sup>15</sup>

Pursuant to Clean Air Act authority, EPA would achieve emission reductions by setting emission performance standards on each source of pollution, or requiring that sources use a particular type of technology, such as the “best available control technology.” Although emission performance standards have proven to be effective through decades of experience, source-by-source regulation often cannot achieve, by itself, a desired emission reduction target at the least collective cost. Moreover, performance standards can be difficult to adjust as circumstances (e.g., technologies) change. On the other hand, they may be less expensive where measurement, administrative, or transaction costs are high relative to emission control costs. This approach may be a practical option for certain specific sources of methane emissions.

## **Maintain Existing Programs/Incentives**

As discussed later in this report, the federal government currently supports several programs that stimulate methane capture. In addition to these initiatives, which are generally voluntary in

---

<sup>14</sup> Additionality refers to whether the offset project represents an activity that is beyond what would have occurred under a business-as-usual scenario. In other words, would the emission reductions or sequestration have happened anyway? Additionality is generally considered to be the most significant factor that determines the integrity of the offset.

<sup>15</sup> For more information on these developments, see CRS Report R40585, *Climate Change: Potential Regulation of Stationary Greenhouse Gas Sources Under the Clean Air Act*, by Larry Parker and James E. McCarthy; Environmental Protection Agency, “EPA Finds Greenhouse Gases Pose Threat to Public Health, Welfare / Proposed Finding Comes in Response to 2007 Supreme Court Ruling,” press release, April 17, 2009, <http://yosemite.epa.gov/opa/admpress.nsf/0/0EF7DF675805295D8525759B00566924>.



nature, since 1996 the Clean Air Act has imposed air emission standards on large solid waste landfills. However, as discussed below, the vast majority of landfills are not covered under the Clean Air Act, and there is room to increase the amount of methane captured from solid waste landfills. Moreover, the primary objective of these standards is to reduce the hazardous air pollutants and non-methane organic compounds contained in landfill gas, not to reduce methane emissions for climate-related reasons. Regardless, as mentioned above, the existing Clean Air Act authorities could be used to address a wider universe of methane sources, for the express purpose of controlling GHG emissions.

Because methane can be used as an energy source, the existing marketplace provides some incentive to capture methane for this purpose. If a GHG emission control program were enacted, such a program would increase this incentive by raising the price of traditional high-carbon energy sources (e.g., coal) relative to captured methane. The strength of the incentive would depend on the stringency of the enacted emission control program.

## Legislative Proposals Concerning Methane Capture

Members of the 111<sup>th</sup> Congress have introduced more than 40 bills related to methane emissions. One group of bills would specify methane as a greenhouse gas, promote biogas production, support landfill gas recovery projects, and address or promote methane capture.<sup>16</sup> Another set of bills not related to methane capture would, among other provisions, for example, prohibit permit issuance under the Clean Air Act for methane emissions from biological processes associated with livestock operations, or expand methane hydrate research.<sup>17</sup> **Table 2** provides a summary of selected legislation pertaining to methane capture and methane in general, and shows the range of objectives addressed.

H.R. 2454, which passed the House on June 26, 2009,<sup>18</sup> contains numerous energy provisions, including a GHG emission cap-and-trade system. If enacted, the cap-and-trade program may allow some methane capture activities to generate offsets. However, some methane sources may be subject to emission performance standards. One enacted piece of legislation (P.L. 111-5, the American Recovery and Reinvestment Act of 2009) extended and expanded existing incentives for open-loop biomass and landfill gas electricity production and created a new incentive for the same activities.

---

<sup>16</sup> Biogas consists of 60%-70% methane, 30%-40% carbon dioxide, and trace amounts of other gases.

<sup>17</sup> Methane hydrates—a mixture of water and natural gas—are a potentially huge global energy resource.

<sup>18</sup> See CRS Report R40643, *Greenhouse Gas Legislation: Summary and Analysis of H.R. 2454 as Passed by the House of Representatives*, coordinated by Mark Holt and Gene Whitney.

**Table 2. Selected Legislation Proposed in the 111<sup>th</sup> Congress Relevant to Methane**

Bill (Short Title)	General Purpose	Comments
<b>A. Bills to Capture Methane</b>		
H.R. 1158 (Biogas Production Incentive Act of 2009)	To promote biogas production, and for other purposes.	The biogas must contain at least 52% <i>methane</i> .
H.R. 3202 (Water Protection and Reinvestment Act of 2009)	To establish a Water Protection and Reinvestment Fund to support investments in clean water and drinking water infrastructure, and for other purposes.	Considers the installation of small renewable energy generators for methane capture as an eligible activity for climate change adaptation and mitigation grants.
H.R. 1342 (Landfill Greenhouse Gas Reduction Act)	To amend the Solid Waste Disposal Act to provide for the reduction of greenhouse gases, and for other purposes.	Allows for the collection of a fee on solid waste received by a solid waste landfill and requires the local government to use the revenues generated by such fees for entities to undertake approved GHG reduction projects within its jurisdiction (e.g. landfill gas recovery projects).
H.R. 3534 (Consolidated Land, Energy, and Aquatic Resources Act of 2009)	To provide greater efficiencies, transparency, returns, and accountability in the administration of Federal mineral and energy resources by consolidating administration of various Federal energy minerals management and leasing programs into one entity to be known as the Office of Federal Energy and Minerals Leasing of the Department of the Interior, and for other purposes.	Any coal lease issued on lands for which the United States owns both the coal and gas resources shall include a requirement that the lessee recover the coal mine methane associated with the leased coal resources to the maximum feasible extent, taking into account the economics of both the mining and methane capture operations.
H.R. 2454 (American Clean Energy and Security Act of 2009)	The four titles of the legislation cover clean energy, energy efficiency, reducing global warming pollution, transitioning to a clean energy economy, and adaption to climate change.	<p>Coal mine <i>methane</i> used to generate electricity at or near the mine mouth is considered a qualifying energy resource (e.g., source of usable energy).</p> <p>The carbon dioxide-equivalent of 1 ton of <i>methane</i> is 25 metric tons.</p> <p>Sec. 732, "Establishment of an Offsets Program," may include greenhouse gas reductions achieved through the destruction of <i>methane</i> and its conversion to carbon dioxide.</p> <p>Under Title VIII, "Additional Greenhouse Gas Standards," the Administrator shall include in the inventory each source category that is responsible for at least 10% of the uncapped <i>methane</i> emissions in 2005. The inventory required by this section shall not include sources of enteric fermentation.<sup>a</sup></p>

Bill (Short Title)	General Purpose	Comments
<b>B. Other Bills Concerning Methane</b>		
H.R. 1426	To amend the Clean Air Act to prohibit the issuance of permits under Title V of that act for certain emissions from agricultural production.	No permit shall be issued under a permit program under this title for any carbon dioxide, nitrogen oxide, water vapor, or <i>methane</i> emissions resulting from biological processes associated with livestock production.
H.R. 2996 (Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010)	Making appropriations for the Department of the Interior, environment, and related agencies for the fiscal year ending September 30, 2010, and for other purposes.	Section 420 of the Senate committee-reported bill prohibited funds in the bill and other acts from being used to promulgate or implement any regulation requiring the issuance of permits under Title V of the Clean Air Act for carbon dioxide, nitrous oxide, water vapor, or <i>methane</i> emissions resulting from biological processes associated with livestock production.
H.R. 3505 (American Energy Production and Price Reduction Act)	To increase the supply of American made energy, reduce energy costs to the American taxpayer, provide a long-term energy framework to reduce dependence on foreign oil, tap into American sources of energy, and reduce the size of the Federal deficit.	Definition of Air Pollutant- Section 302(g) of the Clean Air Act (42 U.S.C. 7602(g)) is amended by adding the following at the end thereof: `The term `air pollutant` shall not include carbon dioxide, water vapor, <i>methane</i> , nitrous oxide, hydrofluorocarbons, perfluorocarbons, or sulfur hexafluoride.
S. 719 (Surface Estate Owner Notification Act)	To direct the Secretary of the Interior to notify surface estate owners in cases in which the leasing of federal minerals underlying the land are to be used for oil and gas development.	Lease may mean a lease that provides for development of oil and gas resources (including coalbed <i>methane</i> ) owned by the United States.
S. 1462 (American Clean Energy Leadership Act of 2009)	To promote clean energy technology development, enhanced energy efficiency, improved energy security, and energy innovation and workforce development, and for other purposes.	Contains amendments to the Methane Hydrate Research and Development Act of 2000 (P.L. 106-193).

**Source:** Prepared by CRS.

a. Inventory refers to the annual tracking of greenhouse gas emissions and removals from various sources.

## Methane: A Primer

Methane—a colorless, odorless gas with the molecular formula CH<sub>4</sub>—is produced by “methanogenic” bacteria that decompose organic matter in the absence of oxygen. Sometimes referred to as “marsh gas,” methane is flammable, can cause suffocation, and can be explosive in low concentrations in air. It is the primary component (70%-90%) of natural gas fuel. Roughly 24% of total U.S. energy consumed in 2008 was natural gas. Consumption is spread across a wide

array of economic sectors, with electric power generation and industrial consumption accounting for 28% of total consumption; residential use, 21%; and commercial use, 13%.<sup>19</sup>

## Global Warming Potential

Global warming potential (GWP) is an estimate of how much a greenhouse gas affects climate change over a quantity of time relative to CO<sub>2</sub>, which has a GWP value of 1. Methane is a potent greenhouse gas with a global warming potential of 25.<sup>20</sup> Over a 100-year timeframe, methane is 25 times more effective than CO<sub>2</sub> at trapping heat in the atmosphere. In other words, it takes 25 tons of CO<sub>2</sub> to equal the effect of 1 ton of CH<sub>4</sub>. Methane has a relatively short atmospheric lifetime (approximately 12 years) when compared to the atmospheric lifetime of carbon dioxide; thus efforts to capture methane from anthropogenic sources provide more near-term climate change abatement than capturing or reducing comparable amounts of CO<sub>2</sub>, but less multi-decadal abatement.

Once methane or other greenhouse gases are converted, using GWP or other methods, they can be expressed in a common unit of measurement: carbon dioxide-equivalent (CO<sub>2</sub>-eq. or CO<sub>2</sub>e). CO<sub>2</sub>e both takes into account the potency of each gas and expresses the quantity of the gas. Carbon dioxide-equivalent has been adopted as a principal unit of measurement to aggregate or make comparisons across greenhouse gases. CO<sub>2</sub>e expresses the tons of a greenhouse gas in the equivalent effect of tons of CO<sub>2</sub> on climate change (more specifically, on “radiative forcing”).<sup>21</sup> Once all gases are converted to CO<sub>2</sub>e, they can be compared or added together.

## Sources of Methane

### Domestic

The top three anthropogenic sources of the roughly 585 million metric tons CO<sub>2</sub>e of methane emitted in 2007 were enteric fermentation, landfills, and natural gas systems.<sup>22</sup> These three sources combined were responsible for about 64% of total U.S. methane emissions (see **Figure 1**). There are also natural sources of methane emissions, such as wetlands, and releases of natural gas from geologic formations. Natural sources of methane are generally assumed to account for 30% of an annual methane emissions inventory that includes natural and anthropogenic sources.<sup>23</sup>

---

<sup>19</sup> For more information on market conditions for natural gas, see CRS Report R40487, *Natural Gas Markets: An Overview of 2008*, by Robert Pirog; and the Energy Information Administration report *Natural Gas Year-In-Review 2008*, April 2009, [http://www.eia.doe.gov/pub/oil\\_gas/natural\\_gas/feature\\_articles/2009/ngyir2008/ngyir2008.html#consumption](http://www.eia.doe.gov/pub/oil_gas/natural_gas/feature_articles/2009/ngyir2008/ngyir2008.html#consumption).

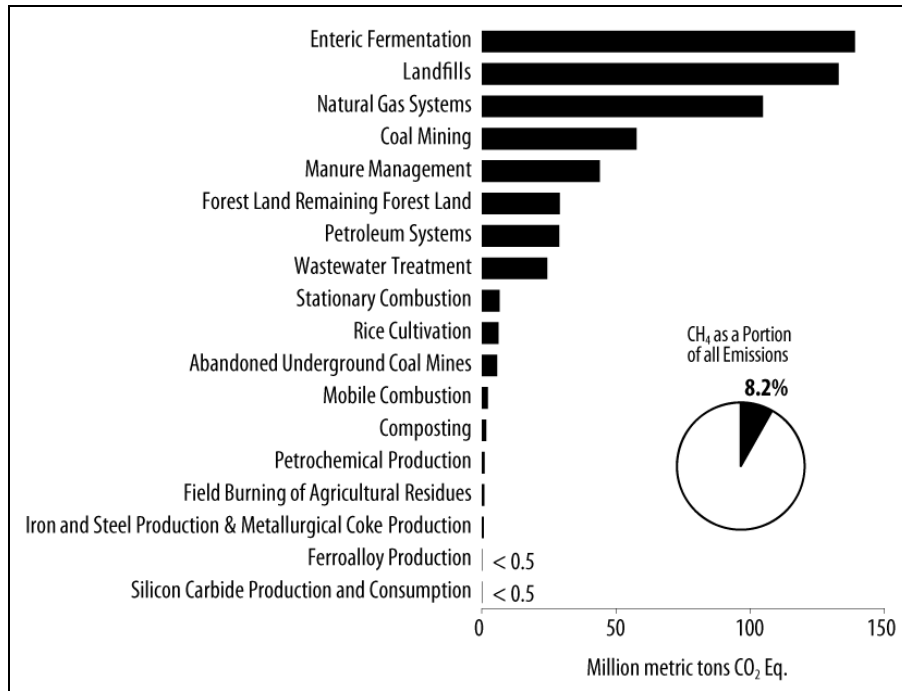
<sup>20</sup> The Intergovernmental Panel on Climate Change (IPCC) assigns methane a carbon dioxide equivalent, or global warming potential, of 25. Intergovernmental Panel on Climate Change, *Climate Change 2007: The Physical Science Basis* (2007), p. 212.

<sup>21</sup> “Radiative forcing” is defined as the change in the difference between incoming and outgoing radiation at the top of the troposphere. CO<sub>2</sub>e is not exactly equivalent to radiative forcing, but it is similar and easier to understand for policy purposes than the main alternative, watts per square meter (W/m<sup>2</sup>).

<sup>22</sup> 1 teragram = 1 million metric tons. A Tg CO<sub>2</sub>e (teragram of carbon dioxide equivalent) is a principal unit of measurement across greenhouse gases. See footnote 3 for the definition of enteric fermentation.

<sup>23</sup> Kathleen Hogan, *Current and Future Methane Emissions from Natural Sources*, United States Environmental Protection Agency, EPA 430-R-93-011, Washington, DC, August 1993.

**Figure 1. 2007 U.S. Sources of Anthropogenic Methane Emissions**



Source: U.S. EPA.

Note: The “forest land remaining forest land” category contains forest land that stays forest land based on IPCC guidance for defining inventory categories. Methane emissions from the category “forest land remaining forest land” are attributed to wildfires and prescribed fires on managed forest land.

## International

Methane accounted for nearly 17% of global greenhouse gas emissions in 2005.<sup>24</sup> Asia is reported as having emitted the most methane on a regional basis. China, India, the United States, the European Union, and Brazil are the top five methane-emitting countries (see **Table 3**). The agriculture sector is the leading source of methane emissions for the world (see **Appendix**).<sup>25</sup>

One analysis of global average atmospheric concentrations for methane indicates that, while growth leveled off for approximately a 15-year period beginning in the early 1990s, methane concentrations may have begun to increase again in 2007, possibly due to warmer temperatures in

<sup>24</sup> World Resources Institute, *Climate Analysis Indicators Tool (CAIT) Version 6.0.*, Washington, DC, 2009. Data quality for the global methane emission estimates reported varies due to uncertainty and possible inconsistency depending on reporting agencies adherence to data collection and interpretation for standardized definitions and measurements for each sector and territory.

<sup>25</sup> The World Resources Institute includes methane emissions from the following activities for the agriculture sector: enteric fermentation from livestock, livestock manure management, rice cultivation, and other agricultural sources. The sole exception, according to CAIT data compiled for 2005, is the United States, where the leading sources of methane—the fugitive emission sector and the waste sector (e.g., landfills, wastewater treatment)—surpass the agriculture sector slightly. However, 2007 data from EPA shown in **Figure 1** depicts the agriculture sector as the largest U.S. methane emission source. The World Resources Institute includes methane emissions from the following activities for the fugitive emission sector: oil and natural gas systems, and coal mining.

the Arctic and increased precipitation in the tropics.<sup>26</sup> Global methane emissions from natural sources are estimated at approximately 225 million metric tons of methane per year.<sup>27</sup>

**Table 3. Top Five Methane-Emitting Countries in 2005**

Country	Million MT (Tg) CO <sub>2</sub> e	% of World Total
China	853	13
India	548	9
United States	521	8
European Union	449	7
Brazil	389	6

**Source:** Climate Analysis Indicators Tool (CAIT) Version 6.0 (Washington, DC: World Resources Institute, 2009).

**Notes:** Excludes land use change.

## Methane Use and Storage

Methane may be captured in its pure form or as a component of biogas, depending on the source.<sup>28</sup> The methane captured can be “flared” (combusted without commercial purpose) or used to generate heat or electricity. Flaring the gas destroys the methane and yields carbon dioxide (CO<sub>2</sub>) and water.<sup>29</sup> The release of carbon dioxide as a result of flaring is less risky in terms of climate forcing than releasing the methane or biogas as is into the atmosphere.

Captured methane is stored chiefly underground as a constituent of natural gas. Underground storage options include depleted gas or oil fields, aquifers, or salt cavern formations<sup>30</sup> (see **Figure 2**). A less common option is the storage of natural gas in liquid form. Liquefied natural gas (LNG) is roughly one six-hundredth the volume of gaseous natural gas, allowing for transport by ship to areas that are inaccessible via a natural gas pipeline.<sup>31</sup>

<sup>26</sup> For more information, see CRS Report RL34266, *Climate Change: Science Highlights*, by Jane A. Leggett, and E.J. Dlugokencky, L. Bruhwiler, and J.W.C. White, et al., “Observational Constraints on Recent Increases in the Atmospheric CH<sub>4</sub> Burden,” *Geophysical Research Letters*, August 18, 2009.

<sup>27</sup> EPA prepared analysis using data from the Intergovernmental Panel on Climate Change, *Climate Change 2007: The Physical Science Basis Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, 2007*. <http://epa.gov/methane/sources.html#natural>

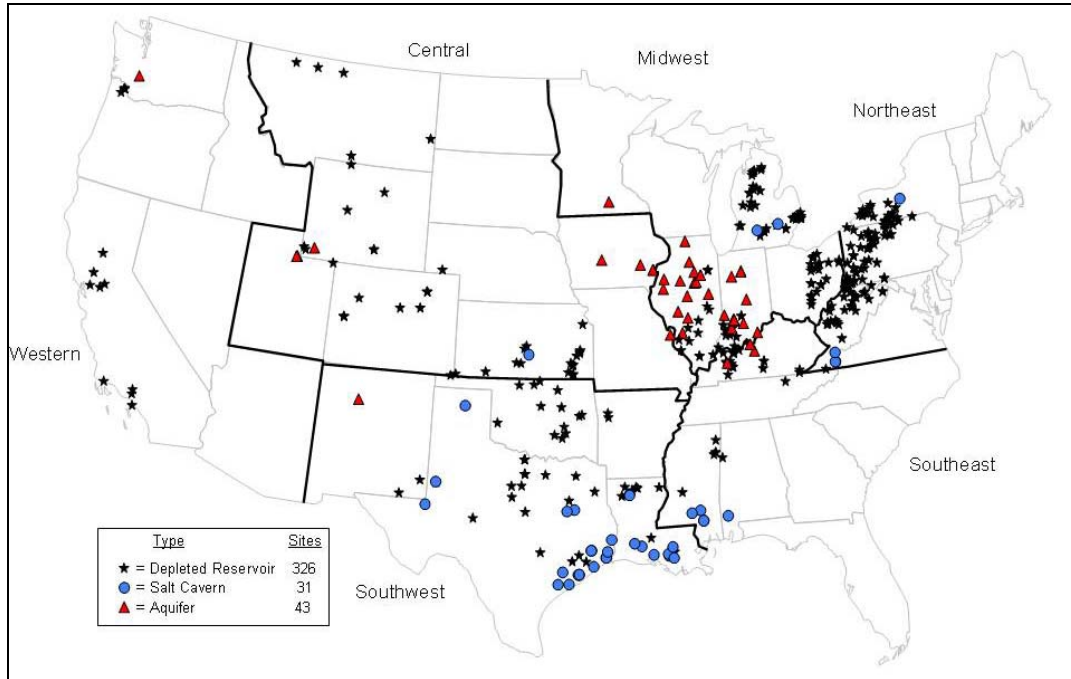
<sup>28</sup> Biogas consists of 60%-70% methane, 30%-40% carbon dioxide, and trace amounts of other gases.

<sup>29</sup> Stoichiometric equation for biogas combustion: CH<sub>4</sub> + 2O<sub>2</sub> → CO<sub>2</sub> + 2H<sub>2</sub>O.

<sup>30</sup> For more information on underground storage options, see <http://www.naturalgas.org/naturalgas/storage.asp>.

<sup>31</sup> Energy Information Administration, Department of Energy, *The Global Liquefied Natural Gas Market: Status & Outlook*, DOE/EIA-0637, December 2003.

**Figure 2. U.S. Underground Natural Gas Storage Facilities, Close of 2007**



**Source:** Energy Information Administration, Office of Oil & Gas, Natural Gas Division, Gas Transportation Information System, December 2008.

**Notes:** There are no natural gas storage facilities in Alaska or Hawaii.

## Opportunities and Challenges for Methane Capture

Capturing methane from various sectors of the U.S. economy requires different strategies because some strategies may be more economically feasible for specific emission sources or locations. Policy laid out in forthcoming climate change proposals may further provide technical and economic incentives to overcome barriers—past and present—to methane capture. The following section summarizes opportunities and challenges for methane capture from the top four sources of methane: agriculture, landfills, oil and natural gas systems, and coalbed methane (see **Table 4**).

**Table 4. U.S. Methane Emissions by Source**  
(million metric tons CO<sub>2</sub>e)

Source	2000	2005	2006	2007
Agriculture—Enteric Fermentation	134.4	136.0	138.2	139.0
Landfills	122.3	127.8	130.4	132.9
Natural Gas Systems	130.8	106.3	104.8	104.7
Coal Mining	60.5	57.1	58.4	57.6
Agriculture—Manure Management	34.5	41.8	41.9	44.0

**Source:** U.S. EPA, *U.S. Emissions Inventory 2009: Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2007*. See <http://epa.gov/climatechange/emissions/usinventoryreport.html>.

## Agriculture

Methane emissions from the U.S. agriculture sector are mostly attributable to enteric fermentation and manure management, the largest and fifth-largest sources of methane emissions in 2007, respectively.<sup>32</sup> Ruminant animals (e.g., cattle, sheep) are the major emitters of methane via enteric fermentation, a non-point source of methane emissions. The amount of methane emitted from enteric fermentation depends on the feed quality and amount of feed ingested by the animal. Options to reduce methane emissions from enteric fermentation include improved animal productivity and feed management.<sup>33</sup>

Some manure management systems (e.g., storage of liquid or slurry manure in a waste storage structure) are a point-source of methane emissions. Methane released from the anaerobic decomposition of manure depends mainly on the storage temperature, storage time, and manure composition. Methane emissions from some manure management systems may be captured with an anaerobic digestion system (AD system) that flares the gas or uses it for energy purposes.<sup>34</sup> Barriers to methane capture from manure management include limited technology and information exchange between agricultural producers and the technology transfer community, high up-front capital costs for AD systems, unsatisfactory technology reliability, and low rates paid by some utilities for the electricity generated.

## Landfill Gas

Landfills were the second-largest U.S. source of methane emissions in 2007.<sup>35</sup> Landfill gas—a mixture of roughly 50% methane and 50% carbon dioxide, but including small amounts of other gases—is released into the atmosphere if not captured. The amount of gas produced at any given landfill depends on the amount of organic material in the waste, the landfill’s design, the climate at the site of the landfill, and the operating practices used by the site’s operator. In general, large amounts of organic waste and high levels of moisture in a landfill lead to greater gas production.

Landfill gas is captured at the nation’s largest landfills.<sup>36</sup> A 1996 Clean Air Act regulation known as the “Landfill Gas Rule” established New Source Performance Standards and Guidelines that require landfills with a 2.5 million metric ton design capacity that accepted waste after November 8, 1987, to capture and burn the gas. The gas can either be flared or used for energy production—often it is used as fuel for electricity generation. As mentioned above, flaring is less damaging to the atmosphere than release of the methane.

---

<sup>32</sup> In other parts of the world methane emissions from rice cultivation are a major concern because rice is grown on flooded fields that produce anaerobic conditions to release methane. U.S. methane emissions from rice cultivation are minimal because the United States is not a major producer of rice.

<sup>33</sup> L. E. Chase, “Methane Emissions from Dairy Cattle,” *Mitigating Air Emissions from Animal Feeding Operations Conference*, IA, May 2008, [http://www.ag.iastate.edu/wastemgmt/Mitigation\\_Conference\\_proceedings/CD\\_proceedings/Animal\\_Housing\\_Diet/Chase-Methane\\_Emissions.pdf](http://www.ag.iastate.edu/wastemgmt/Mitigation_Conference_proceedings/CD_proceedings/Animal_Housing_Diet/Chase-Methane_Emissions.pdf).

<sup>34</sup> For more information on anaerobic digestion systems, see CRS Report R40667, *Anaerobic Digestion: Greenhouse Gas Emission Reduction and Energy Generation*, by Kelsi Bracmort.

<sup>35</sup> Environmental Protection Agency, *2009 U.S. Greenhouse Gas Inventory Report*, April 2009, <http://www.epa.gov/climatechange/emissions/usinventoryreport.html>.

<sup>36</sup> A common landfill gas capture system consist of an arrangement of vertical wells and horizontal collectors usually installed after a landfill cell has been capped. Without a gas collection system, the landfill gas would escape into the atmosphere.



In promulgating the 1996 rule, EPA said that the 2.5 million metric ton minimum “corresponds to cities greater than 100,000 people.” The agency also stated that the regulations “will only affect less than 5 percent of all landfills” but would reduce emissions of methane by 37% at new landfills, and by 39% at existing facilities.

In fact, partly as a result of tax incentives and voluntary programs, landfill gas capture projects are in operation at approximately 480 landfill sites as of December 2008.<sup>37</sup> This represents roughly 27% of the 1,754 municipal solid waste landfills reported in operation in 2007.<sup>38</sup>

Whatever success existing regulations, tax incentives, and voluntary programs may be having, a significant amount of methane continues to be emitted even at landfills subject to the Landfill Gas Rule. In addition, there are few methane capture projects at smaller landfills and at landfills that ceased operation before November 1987 (those not covered under the Clean Air Act). The latter group, numbering in the tens of thousands of sites, poses a particular challenge. Often, there is no responsible party who might implement a methane collection system if the site’s original owner is no longer in business. At other sites (e.g., sites owned by local governments), there may be no continuing stream of revenue to support installation and operation of the necessary equipment, since the landfill has closed. Further barriers to additional landfill gas capture may include high capital costs for equipment, low rates paid for the gas captured and/or electricity generated, permitting requirements, and liability concerns.<sup>39</sup>

## **Oil and Natural Gas**

Natural gas systems were the third-largest U.S. source of methane emissions in 2007. Methane can be released from natural gas systems during normal operations, maintenance, and unexpected system disorder. An array of technologies and suggested strategies to reduce methane emissions from various stages of natural gas system production is available.<sup>40</sup>

Additionally, methane is emitted during oil production, transportation, and refining. Options to reduce methane emissions from the oil sector include flaring, direct use, and reinjection of methane into oil fields. Offshore oil operations (oil platforms) tend to use captured methane directly because flaring is economically unattractive. Onshore oil operations usually inject the captured methane into a pipeline. Captured methane can also be injected into an oil production field to enhance future oil recovery. One analysis estimated the reduction efficiency (which is the percentage reduction achieved with adoption of a mitigation option) for flaring, direct use, and reinjection of methane to be 98%, 90%, and 95%, respectively.<sup>41</sup> The equipment used for

---

<sup>37</sup> Environmental Protection Agency, *Landfill Methane Outreach Program*, Energy Projects and Candidate Landfills, <http://www.epa.gov/lmop/proj/index.htm>.

<sup>38</sup> Environmental Protection Agency, *Municipal Solid Waste in the United States: 2007 Facts and Figures*, <http://www.epa.gov/epawaste/nonhaz/municipal/pubs/msw07-rpt.pdf>. The most recent report contains 2007 data.

<sup>39</sup> Lenders may hesitate to provide funding for landfill gas capture projects due to unease about possibly having to remediate a landfill under CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act; 42 USC 9607).

<sup>40</sup> Environmental Protection Agency, *Natural Gas STAR Program: Cost-Effective Opportunities to Recover Methane*, <http://www.epa.gov/gasstar/basic-information/index.html#sources>.

<sup>41</sup> Environmental Protection Agency, *Global Mitigation of Non-CO<sub>2</sub> Greenhouse Gases*, EPA 430-R-06-005, June 2006.

abatement has a technical lifetime of 15 years.<sup>42</sup> Barriers to methane capture from oil and natural gas systems include federal and state economic regulations, financial constraints, abatement technology cost, and abatement technology availability.

## **Coalbed Methane**

The coal mining sector was the fourth-largest source of U.S. methane emissions in 2007.<sup>43</sup> Most methane emissions from coal mining occur during the mining process in underground mining operations. The amount of methane released depends chiefly on the coal mine type (e.g., underground mine, surface mine, abandoned mine) and the mining operation type. Two techniques are available to capture methane emissions from coal mines: degasification (including enhanced degasification) and ventilation air methane systems.

A degasification system facilitates the removal of methane gas from a mine by ventilation and/or by drainage. Methane is captured through a series of vertical wells, horizontal boreholes, or gob wells drilled into the mine before or after mining operations.<sup>44</sup> A sizeable portion of the methane captured from degasification systems can be injected into a pipeline directly for energy purposes. Enhanced degasification uses the same approach as degasification systems, but has the capacity to extract lower-quality methane that must be cleaned and upgraded to meet “pipeline quality” gas criteria. Ventilation air methane (VAM) systems flush air into underground mines to keep methane concentration levels at or below 1%. VAM systems are necessary to provide safe working environments for miners because methane can be explosive in low concentrations in air. Methane captured from degasification systems has a higher methane concentration (30%-90%) than methane captured from ventilation air systems.

Methane captured from coal mines using the methods described above can be used to generate electricity on-site or for sale to utility companies. Of the estimated 9,294 coal mines (active underground, active surface, and abandoned underground) in the United States, about 580 are currently active underground coal mines, of which 50 have methane capture projects.<sup>45</sup> Barriers to methane capture from coal mines include legal issues, economic circumstances (e.g., high capital costs for equipment, low electricity prices), restricted pipeline capacity for transporting coalbed methane from the mines to natural gas markets, and difficulties with technology development. A primary barrier to methane recovery from coal mines is uncertainty regarding coalbed methane ownership, which exists in part because coalbed methane is located in the same stratum as the coal reserves, making a clear distinction for ownership difficult.<sup>46</sup> Older leases may not clearly specify whether the owner of the coal rights is also the owner of the coalbed methane. Ownership may lie with the owner(s) of the coal rights, owner(s) of the oil and gas rights, or surface owner(s). Ownership may also be an issue for federal lands in the West because developers of

---

<sup>42</sup> Technical lifetime is the length of time the equipment is expected to perform as intended.

<sup>43</sup> Environmental Protection Agency, *2009 U.S. Greenhouse Gas Inventory Report*, April 2009, <http://www.epa.gov/climatechange/emissions/usinventoryreport.html>.

<sup>44</sup> A gob well allows for the extraction of methane from the gob area of a mine.

<sup>45</sup> Environmental Protection Agency, *Methane to Markets Partnership Country Specific Strategy for the United States*, October 2008, [http://www.methanetomarkets.org/resources/coalmines/docs/coal\\_stratplan\\_us.pdf](http://www.methanetomarkets.org/resources/coalmines/docs/coal_stratplan_us.pdf). Most of these coal mines have been abandoned (8,000).

<sup>46</sup> Environmental Protection Agency, *Coalbed Methane Extra: Coal Mine Methane Ownership Issues*, EPA-430-N-00-004, 2007, [http://www.epa.gov/cmop/docs/fall\\_2007.pdf](http://www.epa.gov/cmop/docs/fall_2007.pdf).

federally owned coalbed methane must apply for a gas lease to implement a coal mine methane project via competitive leasing procedures open to all.

## **Concerns Applicable to All Sources**

Two impediments to methane capture cross-cut the top four anthropogenic sources of methane emissions: pipeline capacity, and the price offered by the electric power industry for electricity generated by captured methane. In addition to capacity, another issue is pipeline access for those wanting to purchase captured methane but not immediately adjacent to the methane capture source. In addition to price, other electricity industry issues of concern are competitiveness and the sale of excess power generated from captured methane.

## **Federal Support for Methane Capture**

Periodic reports to Congress from the executive branch, as well as hearing testimony, have conveyed the significance of methane capture since the early 1990s.<sup>47</sup> Congress and the executive branch have supported methane capture projects through voluntary programs, energy management programs, and research and development programs. This section highlights existing efforts.

### **Methane-to-Markets Partnership**

The Methane-to-Markets Partnership is an international initiative for methane capture and reuse from four sources: oil and gas, coal mines, landfills, and agriculture.<sup>48</sup> The partnership is administered by the U.S. Environmental Protection Agency (EPA), which supports the voluntary efforts of the 29 country partners. National governments, research institutions, and the private sector have collaborated since 2004 to develop cost-effective, near-term methane capture projects globally. The partnership receives its legal authority from the Clean Air Act, Section 103 (42 U.S.C. § 7403), and the National Environmental Policy Act (NEPA, 42 U.S.C. §§ 4321-4347). Approximately \$4.5 million was appropriated to the partnership for FY2009. Supplemental funding for the partnership is received from the U.S. Department of State. Other U.S. government partners—the Department of Energy, the Department of Agriculture, the Agency for International Development, and the Trade and Development Agency—have the discretion to provide funds to support the partnership. Financial support from government partners varies in amount and by fiscal year.

---

<sup>47</sup> Environmental Protection Agency, *Options for Reducing Methane Emissions Internationally, Volume 1: Technological Options for Reducing Methane Emissions*, EPA 430-R-93-006, July 1993; Environmental Protection Agency, *Opportunities to Reduce Methane Emissions in the United States Report to Congress*, EPA 430-R-93-012, October 1993. Nineteen hearings pertaining to methane have been held since 1990 including U.S. Congress, Senate Committee on Environment and Public Works, hearing on S. 1772, *Gas Petroleum Refiner Improvement and Community Empowerment Act*, 109<sup>th</sup> Cong., 1<sup>st</sup> sess., October 18, 2005, S.Hrg. 109-1001; and U.S. Congress, House Committee on Science, *Energy Research, Development, Demonstration, and Commercial Application Act of 2006*, 109<sup>th</sup> Cong., 2<sup>nd</sup> sess., July 28, 2006, H.Rept. 109-611.

<sup>48</sup> For more information on the Methane-to-Markets Partnership, visit <http://www.methanetomarkets.org>.

## Voluntary Methane Programs

EPA facilitates a number of voluntary programs related to the Methane-to-Markets initiative that seek to reduce domestic methane emissions from different sectors. Many of these programs receive broad legislative authority from the Clean Air Act, Section 103 (42 U.S.C. § 7403). EPA provides some technical assistance and educational material. The AgSTAR Program supports biogas capture and use at livestock operations managing liquid and slurry manures.<sup>49</sup> The Coalbed Methane Outreach Program (CMOP) works with the coalbed methane industry to reduce coal mine methane emissions via methane capture and reuse.<sup>50</sup> The Natural Gas STAR Program specializes in promoting the reduction of methane emissions from the oil production and natural gas sector.<sup>51</sup> The Landfill Methane Outreach Program (LMOP) encourages landfill gas energy projects.<sup>52</sup> The Natural Gas STAR Program, Coalbed Methane Outreach Program, and the Landfill Methane Outreach Program combined reduced methane emissions by approximately 64 million metric tons of CO<sub>2</sub>e in 2007 out of the roughly 324 million metric tons of CO<sub>2</sub>e of the methane emissions reported for the landfills, natural gas systems, petroleum systems, and coal mining categories.<sup>53</sup>

## Federal Energy Management Program

The Department of Energy's (DOE's) Federal Energy Management Program (FEMP) addresses energy management at federal facilities and DOE, as well as fleet and transportation management.<sup>54</sup> One component of the program is converting landfill gas to energy for use at federal facilities. DOE has implemented three landfill gas recovery projects. FEMP receives its legislative authority from the Energy Independence and Security Act of 2007 ( P.L. 110-140) and was appropriated \$22 million for FY2009.

## Tax Incentives

Several federal tax incentives subsidize methane capture from landfill and agriculture sources. These tax incentives are broadly broken down into three categories: (1) incentives to produce electricity from captured methane gas; (2) incentives to build facilities that produce electricity from captured methane gas; and (3) incentives to produce alternative fuels using captured methane gas.

Two federal tax incentives subsidize the production of electricity from methane. The production tax credit is allowed for the production of electricity from qualified energy resources at qualified

---

<sup>49</sup> For more information on the AgSTAR Program, see <http://www.epa.gov/agstar>.

<sup>50</sup> For more information on the Coalbed Methane Outreach Program, see <http://www.epa.gov/cmop/index.html>.

<sup>51</sup> For more information on the Natural Gas STAR Program, see <http://www.epa.gov/gasstar/index.html>.

<sup>52</sup> For more information on the Landfill Methane Outreach program, see <http://www.epa.gov/lmop>.

<sup>53</sup> AgSTAR Program reduced methane emissions—not available. However, the program has provided technical assistance for 135 operational anaerobic digestion systems, which generated approximately 332,100 megawatt-hours (MWh) of energy in 2008. Environmental Protection Agency, *ENERGY STAR and Other Climate Protection Partnerships 2007 Annual Report*, October 2008, <http://www.epa.gov/appdstar/pdf/2007AnnualReportFinal.pdf>; U.S. EPA, U.S. Emissions Inventory 2009: Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2007.

<sup>54</sup> For more information on the Federal Energy Management Program, see <http://www1.eere.energy.gov/femp>.

facilities, including open-loop biomass and municipal solid waste facilities.<sup>55</sup> In general, open-loop biomass and municipal solid waste facilities placed in service after August 8, 2005, and before December 31, 2013, may claim a tax credit equal to 1 cent per kilowatt-hour of electricity generated during the first 10 years of production.<sup>56</sup> In addition, a one-time investment tax credit equal to 30% of eligible investment costs is available, in lieu of the production tax credit, for open-loop biomass and municipal solid waste facilities placed in service after December 31, 2008.<sup>57</sup>

Three tax-preferred bond finance options exist to help finance methane capture facilities used to produce electricity. Qualified Energy Conservation Bonds (QECBs), Clean Renewable Energy Bonds (CREBs), and New Clean Renewable Energy Bonds (New CREBs) are a type of bond instrument, tax credit bonds, that offers the holder a federal tax credit instead of interest.<sup>58</sup> The rate of credit for CREBs is intended to be set such that the bonds need not be sold at a discount (for a price less than the face value) or with interest costs to the issuer, while the credit rate for QECBs and New CREBs is set for a credit rate of 70%. All three bond options are available to finance qualified energy production projects, including open-loop biomass facilities and landfill gas facilities. QECBs, CREBs, and New CREBs are all subject to national limits, \$2.4 billion, \$1.2 billion, and \$2.4 billion, respectively. CREBs and New CREBs are allocated by the Secretary of the Treasury to eligible projects in inverse to their size, while QECBs are allocated to the states based upon their share of total U.S. population. Issuing authority for QECBs is without expiration, while CREB and New CREB authority expires at the end of 2009.

In addition, two tax incentives are available where methane gas is used to as a production input for alternative fuels. Facilities with binding construction contracts in place before December 31, 2010, and placed in service before January 1, 2014, are eligible to expense one-half of the cost of qualified property in the facilities first year of service.<sup>59</sup> The remaining 50% of the cost is depreciated under an accelerated five-year depreciation period. Further, compressed or liquefied gas and liquid fuel derived from biomass is eligible for the 50 cent per gallon alternative fuel tax credit for fuel produced through December 31, 2009.<sup>60</sup>

## **DOE Methane Hydrate Research and Development**

Methane is not captured from naturally occurring gas hydrates because it is bound in the gas and not released. However, recent attention has been directed toward the extraction of methane from

---

<sup>55</sup> Internal Revenue Code (I.R.C.) Section 45. Municipal solid waste covers two types of power facilities: trash combustion facilities that burn trash directly to generate power, and landfill gas facilities that first produce methane, which is then burned to generate electricity. Anaerobic digestion systems are an example of an open-loop biomass system.

<sup>56</sup> The credit rate is adjusted each year for inflation. In addition, facilities placed in service prior to August 8, 2005, may claim the credit for the first five years of production. Further, the date in service break-point for certain open-loop biomass facilities is October 22, 2004.

<sup>57</sup> I.R.C. Section 48.

<sup>58</sup> Qualified Energy Conservation Bonds (QECBs), Clean Renewable Energy Bonds (CREBs) and New Clean Renewable Energy Bonds (New CREBs) are defined in I.R.C. Sections 54D, 54C and 54, respectively. See CRS Report R40523, *Tax Credit Bonds: Overview and Analysis*, by Steven Maguire, for more information on tax credit bonds.

<sup>59</sup> I.R.C. Section 179C.

<sup>60</sup> I.R.C. Section 45K.

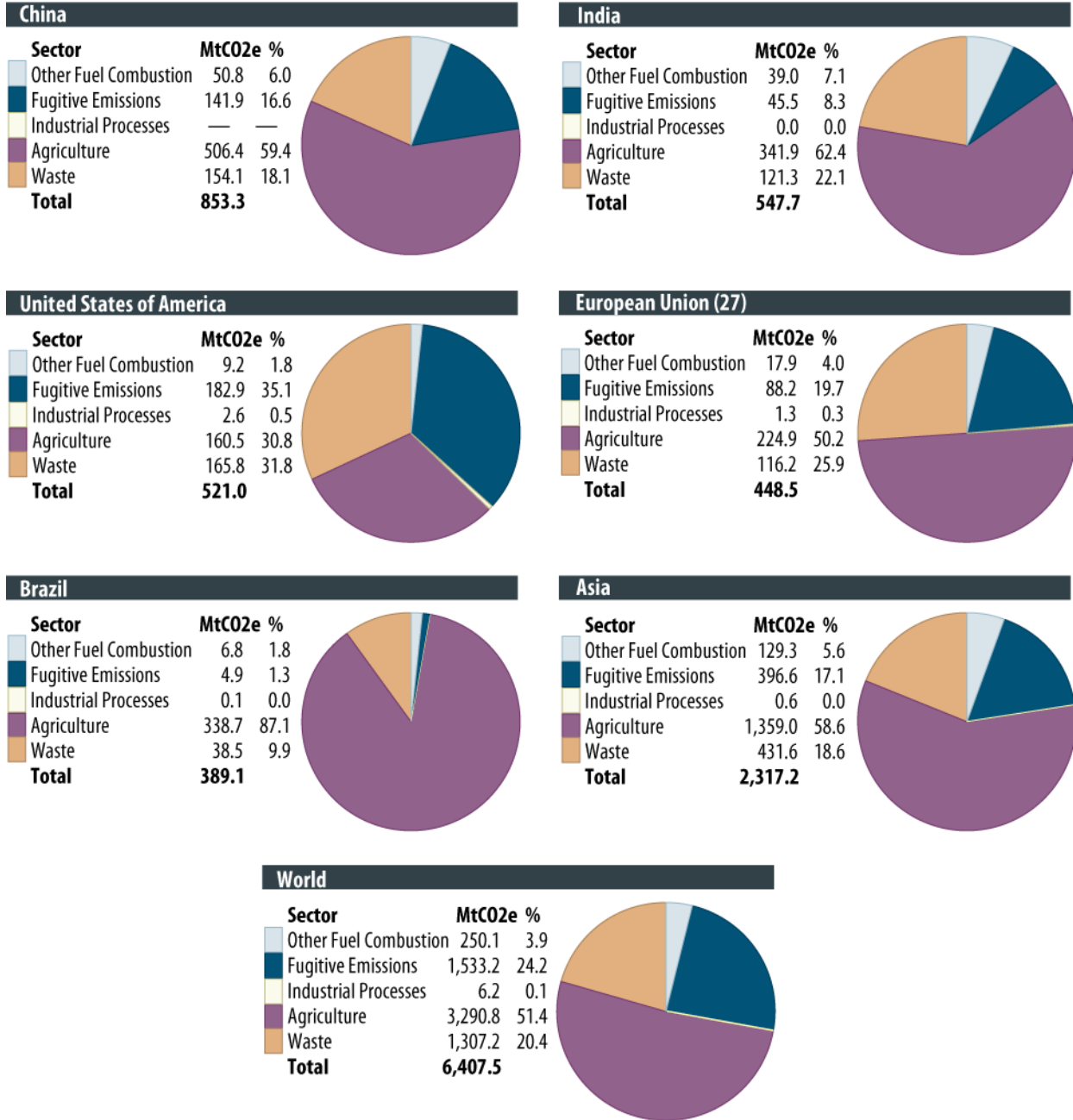
gas hydrates as a potential source of energy.<sup>61</sup> The objective of the DOE methane hydrate research and development program is to develop knowledge and technology to allow commercial production of methane from gas hydrates by 2015. The DOE program completed a Gulf of Mexico offshore expedition in May 2009 aimed at validating techniques for locating and assessing commercially viable gas hydrate deposits.<sup>62</sup> The program is planning a two-year Alaska production test beginning in the summer of 2009 to provide critical information about methane flow rates and sediment stability during gas hydrate dissociation. Both projects have international and industry partners. Since the enactment of the Methane Hydrate Research and Development Act of 2000 (P.L. 106-193), DOE has spent \$87.3 million through FY2008, or approximately 78% of the \$112.5 million authorized by law. The Omnibus Appropriations Act, 2009 (P.L. 111-8), provided \$20 million in FY2009 for natural gas technologies R&D, to include no less than \$15 million for gas hydrates R&D. The Obama Administration has requested \$25 million for the program in FY2009, or 62.5% of the \$40 million authorized by the Energy Policy Act of 2005 (P.L. 109-58). The gas hydrate R&D program is authorized through FY2010 under current law.

---

<sup>61</sup> Methane hydrates—a mixture of water and natural gas—are a potentially huge global energy resource. For more information on the DOE methane hydrate R&D program, see CRS Report RS22990, *Gas Hydrates: Resource and Hazard*, by Peter Folger; and <http://www.netl.doe.gov/technologies/oil-gas/FutureSupply/MethaneHydrates/rd-program/rd-program.htm>.

<sup>62</sup> On May 6, 2009, DOE announced it had completed a 21-day drilling expedition in the Gulf of Mexico in collaboration with the USGS and the Minerals Management Service. A preliminary announcement of the expedition results is available at [http://www.netl.doe.gov/technologies/oil-gas/FutureSupply/MethaneHydrates/2009GOMJIP/GOMJIP\\_Leg2Announcement.html](http://www.netl.doe.gov/technologies/oil-gas/FutureSupply/MethaneHydrates/2009GOMJIP/GOMJIP_Leg2Announcement.html).

## Appendix. World Methane Emissions by Sector in 2005



Source: Climate Analysis Indicators Tool (CAIT) Version 6.0 (Washington, DC: World Resources Institute, 2009).

## **Author Contact Information**

Kelsi Bracmort  
Analyst in Agricultural Conservation and Natural  
Resources Policy  
kbracmort@crs.loc.gov, 7-7283

Jonathan L. Ramseur  
Analyst in Environmental Policy  
jramseur@crs.loc.gov, 7-7919

James E. McCarthy  
Specialist in Environmental Policy  
jmccarthy@crs.loc.gov, 7-7225

Peter Folger  
Specialist in Energy and Natural Resources Policy  
pfolger@crs.loc.gov, 7-1517

Donald J. Marples  
Specialist in Public Finance  
dmarples@crs.loc.gov, 7-3739