



California State Teachers'
Retirement System
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August 9, 2017

Mr. Peter Tsirigotis
U.S. Environmental Protection Agency
Office of Air Quality Planning and Standards
Sector Policies and Programs Division (D205-01)
Research Triangle Park, NC 27711

Dear Mr. Peter Tsirigotis,

Re: Comments on Proposed Rule: Oil and Natural Gas Sector: Emission Standards for New, Reconstructed, and Modified Sources: Stay of Certain Requirements
Docket No. EPA-HQ-OAR-2010-0505

I am writing on behalf of the California State Teachers' Retirement System (CalSTRS) to the comment solicitation request on the U.S. Environmental Protection Agency's (EPA's) proposed rule staying certain requirements of the Emission Standards for New, Reconstructed and Modified Sources in the Oil and Natural Gas Sector for two years.¹

CalSTRS' mission is to secure the financial future and sustain the trust of California's educators. We serve the investment and retirement interests of approximately 914,000 plan participants. CalSTRS is the largest educator only pension fund in the world with a global investment portfolio valued at approximately \$208.7 billion as of June 30, 2017. The long-term nature of CalSTRS' liabilities, its overall stewardship of the fund, and the CalSTRS Board's fiduciary responsibility to act in the best interest of our members, makes the fund have a vested interest in regulatory issues that can materially impact CalSTRS portfolio.

As a long-term largely index-based shareholder, we have a vested interest in the success of the oil and gas industry. Measures to limit methane emissions are consistent with sound business practices and long-term company value. We see a viable role for natural gas in the transition to a lower carbon economy, but that role is dependent on low methane emissions across the natural gas supply chain. This point is emphasized by the International Energy Agency, which has stated that "the potential for natural gas to play a credible role in the transition to a decarbonized energy system fundamentally depends on minimizing [methane] emissions."² Unrestricted methane

¹ 82 Fed. Reg. 27,645 (June 16, 2017).

² Faith Birol, "World Energy Outlook Special Report: Energy and Climate Change." International Energy Agency. IEA, June 15, 2015,

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emissions harm natural gas's long term ability to compete with the rise of ever cheaper and cleaner forms of energy.

Given the serious impacts of a warming climate, significant economic risk is inherent in the threat of global warming. Reducing methane emissions now, from an important energy source such as natural gas, is an important step in countering this long-term risk to the global financial system. While some companies are leading in the effort to reduce methane emissions, commonsense policies like those the EPA proposes to delay are needed to ensure all in industry are tackling this problem on a level playing field.

The proposed stay of compliance deadlines and the corresponding expected increase in methane emissions, represent measurable harm to investors who have positioned their portfolios with these regulations in mind. Upending the level playing field created by a set of uniform national standards will lead to unnecessary uncertainty for companies and investors.

EPA's emissions control requirements recover a saleable resource that can generate positive economic returns and improve profitability. CalSTRS regularly speaks with oil and gas companies operating in the U.S., some of which are proactively tackling this issue and proving the cost-effectiveness of emission reduction measures that could and should be implemented by all in industry. In the U.S., 8 million metric tons of natural gas are emitted into the atmosphere each year through uncontrolled leaks and intentional releases—representing \$1.5 billion worth of product. Regular Leak Detection and Repair (LDAR) is essential because direct measurement is a most important operational practice to identify and fix accidental leaks. Companies that have adopted a regular LDAR program have found these best practices have led to a significant reduction in leaks over time.

Further delaying measures that aim to address the needless loss of valuable resource represent an enormous financial loss for industry, consumers, and investors alike. We recommend that the EPA not adopt the proposed rule staying these provisions.

Sincerely,



Anne Sheehan
Director of Corporate Governance
California State Teachers' Retirement System

Cc: Brian Rice, Portfolio Manager, Corporate Governance
Travis Antoniono, Investment Officer, Corporate governance