About MiQ

MiQ is a global, independent, non-profit with a mission to facilitate a rapid reduction in methane emissions from the oil and gas industry through increased transparency of emissions, enabling buyers and sellers to differentiate natural gas according to its emissions intensity. Methane emissions from the oil and gas sector have a massive impact on climate change. The oil and gas industry alone emits over 84 million tons of methane each year, which equates to the emissions from the world’s on-road transport fleet.

MiQ has established a universally applicable certification standard for assessing methane emissions performance, which provides a framework for the grading of a gas producer’s emissions management across three criteria:

- methane emissions intensity;
- enhanced monitoring technology deployment; and
- improved company practices for methane emissions avoidance.

Natural gas assets are audited by third-party independent auditors against the MiQ Standard for Methane Emissions Performance, resulting in an asset-level certification grade from A to F, with A indicating low emissions and good performance, and F indicating higher emissions and lower performance. Producers that have their facilities audited can obtain MiQ Certificates for the grade achieved, allowing them to market their gas to buyers as certified gas, and in many cases generating a premium. This differentiated market for natural gas incentivizes improvements in emissions performance across the industry.

MiQ Certificates are issued to producers’ accounts on the MiQ Digital Registry. Once issued, producers can transfer MiQ Certificates to buyers to evidence the emissions intensity of its gas production. End users can retire MiQ Certificates to evidence their Scope 3 emissions in their voluntary GHG reporting.

Rapid adoption of MiQ Certification

MiQ has seen rapid adoption of the MiQ Program since its launch in early 2021. As of March 2022, MiQ has issued close to 300bcf of MiQ Certificates to US onshore producers. In addition, MiQ has built recognition and adoption of MiQ Certification across the global natural gas industry. By early Q2 2022, it will be possible to certify assets along the natural gas supply chain, evidencing the full end-to-end supply-chain emissions intensity.
How MiQ certification works

Certifying its assets enables a producer to be seen in the market as a leader when it comes to abating methane emissions in the oil and gas industry, helping to manage the industry’s emissions and enabling it to market its MiQ-Certificated gas as a differentiated product. The steps to achieving MiQ certification are:

- defining the asset to be certified (where the operator seeks to certify only part of its portfolio)
- engaging an MiQ-approved auditor and completing the initial asset audit
- registering with the MiQ Digital Registry
- providing the completed audit report to MiQ
- receiving MiQ Certificates that can be transferred to buyers
- confirming the asset grade every 12 months

Once a producer has identified a facility for certification, it can start marketing its certified production immediately (on a forward basis). Production of certified gas can start as soon as the initial audit of the asset is complete and approved by MiQ, typically within two months of initial discussions.

Identifying an appropriate asset boundary

It is important for all market participants to ensure credibility of the certification process. MiQ seeks to ensure that an appropriate asset boundary is determined and agreed, to ensure that there is no ‘cherry-picking’ whereby a producer certifies only its lowest-emission assets, for example or a low emissions subset (“a couple of wells”) of an asset.

The MiQ Standard defines an onshore facility as all the natural gas production equipment located within a single geologic field under common ownership or control by an operator (including leased, rented, or contracted activities). The asset must either be owned or operated by the producer, where the producer holds primary responsibility for its operation. Production may be associated with oil or natural gas liquids. Assets must generally have been operating for a minimum of one year prior to the initial audit. Any deviation from these requirements must be approved by MiQ.

Audits

An initial audit is carried out prior to the issuance of any MiQ Certificates and is valid for 12 months of certificate issuance. The audit must be undertaken by an audit company accredited by MiQ. A list of accredited auditors is available on the MiQ website, and a contacts can be provided upon request. The auditor will review the producer’s emissions data and calculations, its training and reporting procedures, as well as monitoring plans and other documentation. It will include desk-based review of these items as well as on-site visits and interviews with the operations team and other personnel.

A final audit is undertaken at the end of the 12-month issuance period to verify the emissions performance of the site. The final audit will either confirm the grade assessed in the initial audit or adjust the grade based on actual performance against the MiQ Standard. The same auditor will carry out the initial audit and the final audit. At the same time, an update of the initial audit for the upcoming 12-month period takes place if certification is continuing.

The MiQ Digital Registry

MiQ Certificates are issued into the producer’s account on the MiQ Digital Registry. Once issued, producers can transfer MiQ Certificates to their buyers’ accounts on the registry. There are two methods for transacting:

1. To sell certified gas, the underlying gas transaction is no different from a normal gas transaction under standard gas trading documentation (such as NAESB). The only adjustment required additional language for the obligation to deliver to the buyer the relevant quantity of MiQ Certificates.
2. MiQ Certificates can also be sold separately to the physical gas as an ‘unbundled’ transaction, much like entering into a swap to hedge the gas price and separately selling the physical gas at index.

The MiQ Digital Registry provides a “single source of truth” and tracks MiQ Certificates from issuance to retirement. Tracking the certificates in the registry is crucial to providing credibility to buyers and the market by ensuring that certificates cannot be sold again once used (‘retired’) by an end-user, and to ensure that only one certificate is issued for each unit (MMBtu) of gas production (avoiding ‘double-counting’).

Ownership of MiQ Certificates is transferred to the buyer by making a transfer from the seller’s account to the buyer’s account on the MiQ Digital Registry, much like transferring money from a bank account. Once transferred, the buyer can sell the MiQ Certificates to another buyer, hold them in its account, or retire the certificates. End-users
MiQ Certificates to evidence their purchase of certified gas and their Scope 3 emissions in their corporate GHG reporting (e.g., for CDP, SBTI, GHG Protocol, etc.). Once retired, MiQ Certificates can no longer be transferred.

There is currently no sign-up cost or transfer fee for users of the MiQ Digital Registry.

## Certification timeline

<table>
<thead>
<tr>
<th>Phase</th>
<th>Description</th>
<th>Typical timeline</th>
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<tbody>
<tr>
<td><strong>Introduction to MiQ</strong></td>
<td>The MiQ team will introduce MiQ certification and provide the information required to allow the producer to assess the suitability of MiQ certification for its needs.</td>
<td>1 week</td>
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<tr>
<td><strong>Asset identification</strong></td>
<td>Where the operator seeks to certify only part of its portfolio, MiQ will assess the proposed selection against the requirements of the MiQ Standard.</td>
<td>1 week</td>
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<td><strong>MiQ Certification Agreement</strong></td>
<td>Once a producer has decided to proceed with MiQ certification, the producer and MiQ sign an agreement (MoU) detailing at a high level how they will collaborate to achieve certification.</td>
<td>1 week</td>
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<tr>
<td><strong>Appointment of auditor</strong></td>
<td>Producer requests quotes from MiQ-accredited auditors and engages its chosen auditor for the audit of the asset.</td>
<td>1 week</td>
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<tr>
<td><strong>Initial audit</strong></td>
<td>Producer compiles information for the auditor.</td>
<td>8 weeks</td>
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<tr>
<td><strong>MiQ Digital Registry onboarding</strong></td>
<td>Auditor undertakes the audit of the asset against the MiQ Standard. The producer receives the audit report, which includes scoring, the overall certification grade for the asset and recommendations for future improvement. In parallel, the producer registers with the MiQ Digital Registry. The registry carries out a know-your-customer check on the producer. Once complete, the producer and the registry sign an agreement for access to the registry and the producer is given access to the registry.</td>
<td>8 weeks</td>
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<tr>
<td><strong>Audit report</strong></td>
<td>Once the audit report is finalised, the producer uploads it to the MiQ Digital Registry.</td>
<td></td>
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<td><strong>Time taken to achieve certification</strong></td>
<td>3 months</td>
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<tr>
<td><strong>Certification issuance (monthly)</strong></td>
<td>Each month, the producer provides gas production data from the asset to the MiQ Digital Registry, against which MiQ Certificates are issued. The form of evidence for the production data will be agreed by MiQ and the producer before the certification period.</td>
<td>12 months</td>
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<tr>
<td><strong>Final audit</strong></td>
<td>The auditor verifies the operations during the previous 12 months. The asset grade is amended or confirmed in the MiQ Digital Registry.</td>
<td>2–4 weeks</td>
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Resourcing

The producer will need to involve several of its functional teams to achieve MiQ Certification, typically involving members from the producer's production/operations, commercial, ESG/sustainability, legal and communications teams, as well as management for any necessary internal approvals. The process typically does not require upfront systems integration or tech build out although the producer may want to consider this as part of the project.

Costs and fees

MiQ does not charge any fees or costs until the producer has successfully applied to the MiQ Digital Registry, wherupon a quarterly fee is charged for each production asset. Fees for producers are typically less than 1/50th of a penny per MMBtu. Current fees are available at miq.org/documents.

The Producer will be responsible for any costs relating to the provision of information and data for the audits and for the cost of the audit itself.

Public data

Limited information relating to certified assets is made publicly available on miqregistry.org, such as asset name, asset location, operator, annual capacity, audit company, certification period and certification grade of each certified asset. Additionally, anonymised aggregated data (such as total MiQ certificate issuances) may be published on miqregistry.org and miq.org and used in MiQ’s public communications.

Further information

This document provides a high-level summary of the process for achieving MiQ certification for natural gas producers. Further information is available at miq.org. In particular, the MiQ Standard for Methane Emissions Performance – Onshore Production and the MiQ Program Guide should be consulted to gain a deeper understanding of the MiQ Standard and implementation of the MiQ Program, which are available at miq.org/documents.

Please contact info@miq.org for additional information or to arrange a conversation with one of our team.

Relevant documents

The MiQ Standard for Onshore Production is available at: https://miq.org/document_categories/miq-standards/.

The MiQ Digital Registry fee schedule, MiQ Digital Registry access agreement and the MiQ Program Guide are available at: https://miq.org/document_categories/miq-program-fees/.

Template trading agreements for MiQ Certificates are available at: https://miq.org/document_categories/other/.