An Economist's Take on Greening Gas

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Conceptual Background

- think of a product or service that has varying quality
  - higher (lower) quality is “G” (“B”)
  - could be less polluting products
  - could be NG associated with lower methane emissions
- there are some consumer who would pay more for G products
- hard (impossible?) for these buyers to determine quality
- one resolution: product labels
  - 3rd party labels
    - Underwriter’s Laboratoires
    - Consumer Reports
  - environmental labels (a.k.a “ecolabels”)

Ecolabels

- Important class
  - could be government sponsored
    - many European countries
  - could be independently operated
  - key issue: credibility
- transparent standards are important
  - no hidden agenda
  - focused crieteria
    - multiple criteria $\rightarrow$ need method for weighting different issues
    - can lead to unpleasant results (labels as entry barriers)

What do producers know?

- do producers know they are type G?
  - if so: when? how?
  - do they take actions to be green?
    - obtain, deploy special equipment?
    - self-monitor?
- how will they convey that knowledge to consumers?
  - self-reporting is problematic
  - industry-sponsored programs may be viewed skeptically

Green Gas as a label?

some examples

- capture flowback gas
  - what if the firm is fracking multiple wells at a particular time
  - does “green” require capturing 100% of gas?
    - 0/1 vs. $\geq$ / $<$ x %
  - if not, where to draw the line?
  - is perfection realistic?
    - celiac vs. gluten intolerance
- finding, resolving leaks in supply chain
- super-emitters
  - bad eggs vs. bad luck?