The EU Methane Regulation in the Context of Energy Security and Competitiveness

This briefing assesses, based on existing studies and reports, whether the EU Methane Regulation (EUMR) could undermine the EU's security of supply and competitiveness.

The available evidence does not support claims that methane standards threaten European energy supply. The EU remains a highly attractive export destination for oil and gas. Where supply risks exist, they are driven primarily by geopolitics, infrastructure constraints and physical chokepoints, not environmental regulations.

Recent geopolitical developments illustrate this clearly. European oil and gas prices have repeatedly risen sharply in response to geopolitical events and supply disruptions. These price shocks are a structural feature of fossil fuel markets and are unrelated to climate legislation. The war in the Middle East is another reminder that Europe's dependence on imported fossil fuels remains a core vulnerability for its energy security.

Against this backdrop, the EU Methane Regulation adopts a phased implementation approach designed to avoid market disruption. The regulation is based on transparency, gradual compliance pathways and proportionate penalties rather than border restrictions. It allows suppliers to continue accessing the European market while progressively improving methane performance.

The points below respond to arguments put forward in the recent Wood Mackenzie report, commissioned by the International Association of Oil & Gas Producers (IOGP).

1. The EUMR does not threaten EU energy security

The EUMR does not cut off imports.

The EUMR establishes clear obligations for companies importing fossil fuels into the EU but does not introduce bans or trade restrictions on non-compliant cargoes. When importers fail to comply, Member States may investigate and impose penalties that must be "effective, proportionate and dissuasive" while explicitly safeguarding security of supply.[1]

The EUMR therefore contains no border-blocking mechanisms and no legal basis for stopping cargoes from entering the European market. Its enforcement architecture relies on financial penalties rather than physical trade restrictions.

Even under the most ambitious penalty frameworks currently discussed (Denmark), the economic impact on suppliers would remain moderate relative to normal fluctuations in oil and gas prices.[2] In practice, exporters are more likely to absorb compliance costs or improve methane performance in order to maintain access to the European market.

Methane mitigation is also economically rational. Reducing methane leakage decreases product loss and often pays for itself through improved operational efficiency. When gas prices are high, the value of captured gas increases further, shortening the payback period for mitigation investments.

Predictions of supply shortages caused by the EUMR assume that non-compliant volumes would be physically excluded from the European market. This assumption does not reflect the legal design of the EUMR, which relies on penalties rather than import bans.

Companies already have a pathway to comply.

The current absence of formal regulatory equivalence for exporting countries does not materially affect security of supply. Companies can independently meet the monitoring, reporting and verification (MRV) requirements by reporting emissions at Level 5 under the Oil and Gas Methane Partnership (OGMP) 2.0 framework. Many companies exporting to the EU are already participating in this system and are therefore well positioned to meet the requirements established by the EUMR.

OGMP 2.0 already includes more than 150 companies representing approximately 45 per cent of global oil and gas production and over 80 per cent of LNG flows.[3] Assets responsible for 1,000 billion cubic metres of natural gas supply in 2025 are expected to reach Level 5 by 2030. This volume is roughly equivalent to the entire global net trade of natural gas.[4] The EU will have no issue finding exporters who can comply with the MRV requirements.

---

[1] Official Journal of the European Union. Regulation on the reduction of methane emissions in the energy sector. Article 33. Available here.

[2] Ecologic Institute (2025). Penalty Regimes for Violations of the EU Methane Regulation in Selected EU Member States. Debunking the "unmanageable liability" claim. Chapter 2. Available here.

[3] Oil and Gas Methane Partnership 2.0 (2026). Membership. Available here.

[4] Oil and Gas Methane Partnership 2.0 (2026). OGMP 2.0 on track to deliver measurement-based methane emissions reporting for one-third of global oil and gas supply by 2030. Available here.

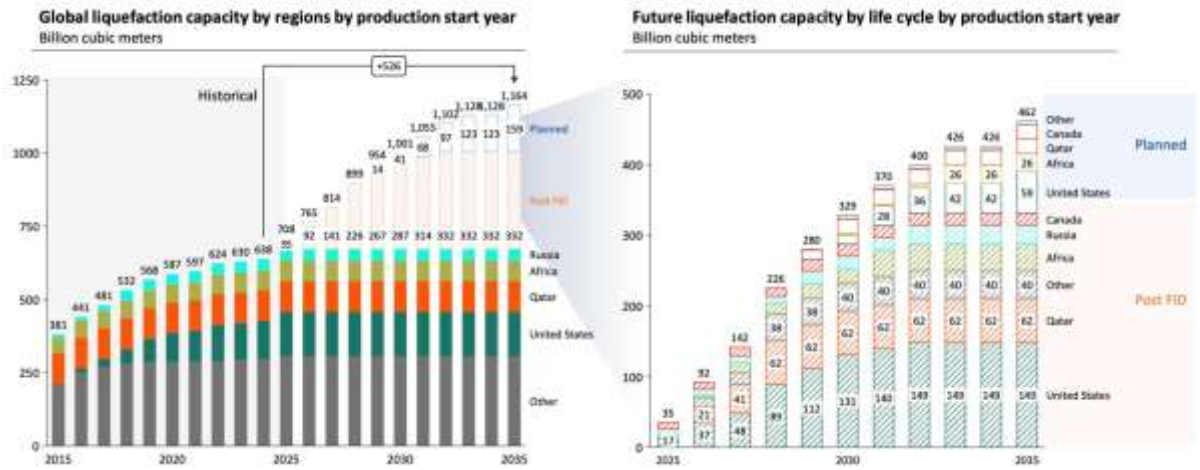
2. Market trends reinforce the EU's position as a buyer

The EU is moving towards a more comfortable supply position.
EU gas demand is expected to decline over time as energy efficiency improves, electrification expands and renewable energy continues to grow.[5] At the same time, global LNG capacity is expanding rapidly and will continue to increase through the late 2020s.[6]

These structural trends are expected to shift the balance of global gas markets. The EU will move from being undercontracted by 49 bcm in 2023 to being over-contracted by roughly 30-40 bcm from 2027-2030. In this context, Europe does not face a structural shortage of gas supply. On the contrary, existing LNG contracts are expected to exceed projected demand within the next few years.

Looking specifically at the US, where significant LNG expansion is confirmed up to 2035, investors are reliant on premium EU markets to recoup investment costs. These projects depend on the relatively high prices in Europe to ensure profitability, giving additional incentive for US producers to align with EUMR obligations. We are moving towards a buyer's market.

This expansion improves Europe's ability to diversify suppliers and strengthens its bargaining position in global markets. This means the EU can progressively prioritise lower-methane supply without inducing abrupt supply distortions.



[Source: forthcoming study by CATF]

Figure 1: *LNG supply will outpace demand growth in the late 2020s and early 2030s, with Qatar and the US leading global liquefaction capacity building*

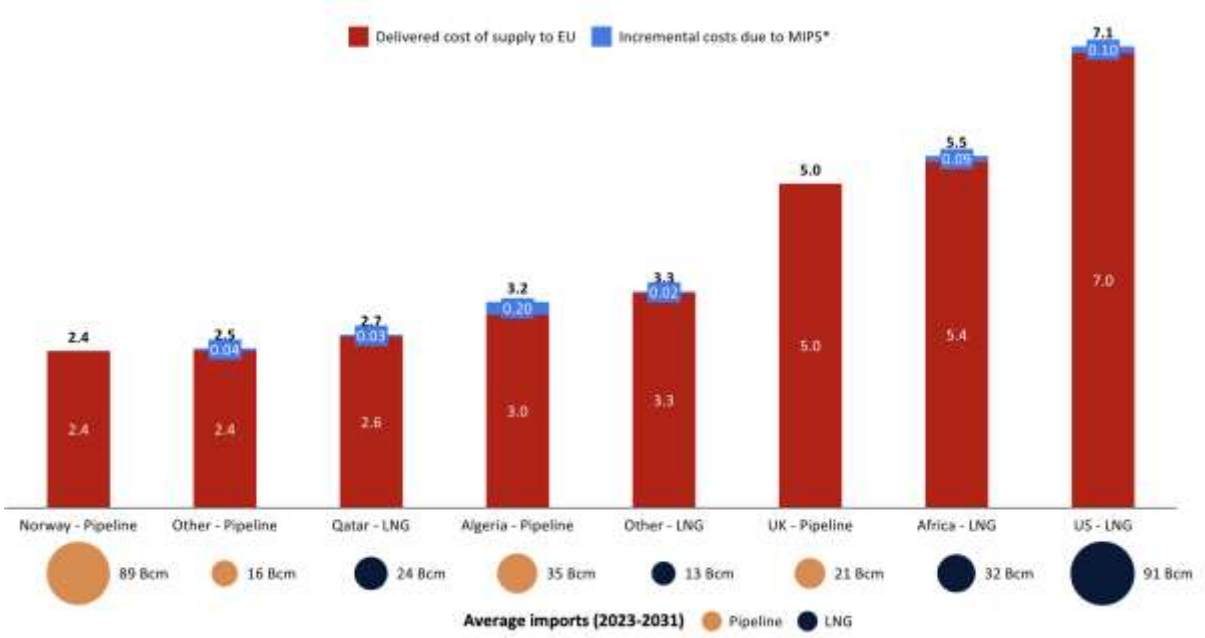
[5] Ember (2025). EU national targets show gas in decline. Available here.
Strategic Perspectives (2026). The risk of gas overdependency in the EU. Available here.
Eurostat (2026). Natural gas supply statistics. Available here.
[6] ACER (2024). Analysis of the European LNG market developments: 2024 Market Monitoring Report. Available here.

Fossil fuels prices are driven by geopolitics, not climate regulations.

The volatility observatory in European markets in the last decades has been driven by geopolitical shocks rather than climate policy. Conflicts, infrastructure disruptions and shifts in global demand patterns have repeatedly triggered large price swings.

For example, recent geopolitical tensions have caused sharp increases in oil and gas prices despite the absence of new environmental regulations. Such price movements reflect the structural volatility of fossil fuel markets. This context is important for evaluating the potential economic impact of the EUMR. Even under conservative assumptions, compliance costs associated with the EUMR are extremely small compared with normal price fluctuations.

From 2031, the first year of full fee implementation, the highest estimated cost impact on EU consumer gas prices is approximately €0.07/MMBtu, less than 1 per cent of Rystad Energy's price forecast of €7.80/MMBtu. While the potential price impacts are slightly higher for crude volumes, the potential price impact remains minimal, equating to about one cent per litre of diesel or petrol. For the United States (US) specifically, based on the average methane intensity of US gas production, the methane import performance standard could increase supply costs by approximately €0.10/MMBtu.[7] These figures are negligible when compared with the price increases routinely triggered by geopolitical events.



[Source: CATF]

Figure 2: *Predicted cost of abatement compliance with EU Methane Regulation (blue bars) is a trivial fraction of total cost of supply (red bars), and is easily absorbed in exporters profit margins* [8]

[7] Rystad Energy Consulting, Clean Air Task Force (November 2023). *Impact of EU methane import performance standard.* Available here.

[8] Clean Air Task Force and Rystad Energy. "Impact of EU Methane Import Performance Standard: Impact Assessment Report." 2023. Available here.

3. The EUMR supports EU competitiveness

Concerns about competitiveness generally focus on energy affordability. However, methane compliance costs are extremely small relative to overall supply costs and typical price volatility in global energy markets.

The EU also remains one of the world's largest and most valuable energy markets. In 2025, the EU spent approximately €396 billion on fossil fuel imports.[9] This purchasing power creates strong incentives for exporters to comply with European regulatory requirements rather than risk losing access to the market.[10]

Large oil and gas producers currently operate with significant profit margins, providing ample scope to absorb methane monitoring and mitigation costs. Any decision to pass those costs on to consumers would therefore reflect commercial choices rather than regulatory necessity.

At the same time, methane mitigation improves operational efficiency by reducing product loss. As a result, methane abatement is widely recognised as one of the most cost-effective climate interventions available.

4. Delay could create greater risks than implementation

The greatest risk to energy security and competitiveness is regulatory uncertainty rather than methane transparency.

The EUMR has been designed with a phased implementation timeline that allows companies and authorities to prepare for compliance. Importers will not need to submit their first verified emissions report until May 2028, providing several years for measurement systems and verification protocols to be established.

Delaying the EUMR at this stage would undermine the regulatory certainty required for investment and contracting decisions. Many exporters are already preparing to comply with the requirements and are investing in methane measurement and mitigation systems.

Stable and predictable rules are therefore the best way to ensure smooth market adjustment.

[9] CREA (2026). EU fossil fuel imports and CO2 Emissions in 2025. Available here.
[10] Eurostat. EU Imports of Energy Products - Recent Developments. Available here. Eurostat. Where Does Our Energy Come From? Available here. Eurostat (2020). Shedding Light on Energy in the EU: A Guided Tour of Energy Statistics, Section 2.3: From Where Do We Import Energy and How Dependent Are We? Available here.

Conclusion

Claims that the EU Methane Regulation will undermine security of supply or competitiveness are not supported by the available evidence. Energy price volatility is driven by geopolitics, while global gas supply is expanding and the EU remains a premium market for exporters. Rather than reopening agreed legislation, the priority should now be on steady implementation to provide regulatory certainty.

For more information

Jack Corscadden
Environmental Investigation Agency
Climate Campaigner
jackcorscadden@eia-international.org

Kim O'Dowd
Environmental Investigation Agency
Senior Climate Campaigner
kimodowd@eia-international.org