

Defending the EU Methane Regulation - Response to Eurogas

The EU Methane Regulation is a groundbreaking legal framework setting out a global benchmark for methane emissions monitoring and mitigation for both domestically produced and imported fossil fuels. Drastically cutting methane emissions can slow the near-term rate of global warming, helping to avoid tipping points and extreme climate impacts.

The Regulation represents a straight-forward and common-sense approach to reduce methane emissions in the energy sector and prevent the waste of fossil gas. Against the backdrop of increasing geopolitical uncertainty, stakeholders with vested interests have sought to delay and undermine the legal framework, unsettling the hard-won progress on this super pollutant. This cannot be allowed to happen. The EU Methane Regulation is feasible and gradual by design, providing ample time for an industry already committed to adaptation. The text was drafted with industry challenges in mind, and the focus should now shift to constructive engagement with all relevant stakeholders to ensure effective implementation.

A delay to the implementation of the EU Methane Regulation, or a weakening of the rules on imports, is neither necessary nor justified. Below, we address and refute key arguments presented by Eurogas in its recent position paper.

1. Market volatility and competitiveness

Eurogas claims that the EU Methane Regulation will negatively impact the EU gas market by reducing supplier options, increasing volatility, and putting European companies at a disadvantage compared to global competitors with less stringent regulations on fossil fuels. Yet, these concerns ignore the EU's strong market leverage and declining gas demand. Entering into a large number of new long-term contracts risks creating stranded assets and locking the EU into a level of gas consumption that is incompatible with existing climate targets.

- The EU imports over half of all globally traded fossil gas, giving supplier countries a strong economic incentive to comply with EU regulations rather than risk losing access to the world's largest market.¹ The assertion that the EU Methane Regulation would weaken Europe's competitive position, given its outsized demand, is incorrect.
- The EU gas market is undergoing significant structural changes. Multiple scenarios have come to the same conclusion- EU gas consumption is declining; and will continue to do so. This decrease has even accelerated since the 2022 energy crisis.² LNG demand will drop from over 120 billion cubic meters (bcm) per year in 2024 to below 60 bcm per year before 2030 under the REPowerEU strategy.³ Given this trajectory, concerns about reduced supply options are misplaced as demand is expected to significantly decrease, meaning fewer imports will be required. The EU will be in a position to choose which countries to import fossil gas from. We are moving from a seller's market to a buyer's market.
- Gas supply from existing projects in the EU, Norway and Algeria, along with existing contracts from other suppliers, is expected to exceed demand by 2035.⁴ Any new long-term contracts extending

beyond 2035, in addition to not being compatible with the climate neutrality objective, risk exacerbating an already forecasted gas surplus, contradicting arguments about the need for long-term contracts over secondary purchases.

- Article 12 setting out the MRV requirements, in which importers must achieve equivalency with, is based on the Oil and Gas Methane Partnership (OGMP) 2.0 framework. This is the most widely recognised reporting framework, hosted by the UN Environment Programme, with 150 companies across 90 countries, including many from major gas-exporting nations to the EU. Several member companies have already achieved the “gold standard” of reporting in 2024, demonstrating the feasibility of these requirements and underscoring that arguments such as “the system is unworkable” are unfounded.
- Importers can protect themselves by including model clauses in new contractual arrangements with producers and exporters 28(3), which can ensure that penalties potentially being imposed on them for infringing on Article 28(1) are passed on to their contractual partner.

2. Security of supply

Eurogas suggests that implementing the EU Methane Regulation too quickly could create risks to EU energy security by limiting supply options and driving up costs, arguing that compliance costs will burden exporters and potentially reduce the availability of gas for EU markets, when in reality compliance costs are minimal, as methane mitigation could unlock significant additional gas supplies without new extraction. Furthermore, Article 33(2) specifies that fines for violations of Articles 28 and 29 are only to be applied as long as they don't endanger security of supply, meaning that they would not constrict the EU's options in a supply emergency.

- Importers are provided significant flexibility under Article 27(1) to provide basic information available to them or otherwise set out why the information is unavailable and the actions it will take to obtain such.
- Analysis from Clean Air Task Force and Rystad Energy indicates that the cost of compliance for exporters for a methane intensity standard aligned with what is in the EU Methane Regulation would average only €0.07 per million British Thermal Units (MMBtu) for gas and €1.33 per barrel for oil.⁵ Due to the low marginal costs for abatement, producers would choose to reduce emissions rather than face increased costs due to a moderate penalty.
- The International Energy Agency has found that if exporters to the EU were to put in place measures to limit flaring, they could increase gas exports by more than 45 bcm using existing infrastructure. This is equivalent to almost one-third of Russian gas exports to the EU in 2021.⁶ A study from Capterio and the Columbia Center on Sustainable Investment found that by capturing gas from flaring, venting and leaking just from North Africa, namely Algeria, Libya, Tunisia and Egypt, Europe could substitute up to 15% of Russian gas within 12-24 months.⁷ Capturing this wasted gas would represent an income of \$29 billion per year, on top of the climate and health benefits of limiting methane emissions. Methane abatement across the full supply chain therefore represents an opportunity to access more resources without extracting more.

3. MRV equivalency timeline

Eurogas argues the need to accelerate the process for determining MRV equivalence, citing this tool as essential to ensuring “continued, reliable, and stable supply of gas to Europe.” This builds on pressure from US LNG exporters towards Commissioner Jorgensen to weaken the requirements for regulatory equivalence. These arguments are based on misunderstandings regarding the purpose, scope, and applicability of MRV equivalence, as well as incorrect assumptions concerning the impact of the EU’s MRV obligations on competitiveness and potential trade diversion. As this rule will underpin the credibility of the import intensity standard, it would be unwise to compromise or undermine it in any way:

- The process for determining equivalency depends on numerous interlinking factors. First and foremost, it must depend on the processes for MRV standardisation through ISO/CEN, and the Commission’s subsequent delegated acts. In lay-mans terms, the standard must be set before determining what is equivalent to the standard.
- The second compliance mechanism with Article 28 is a third country regulatory system being assessed as equivalent by the European Commission in accordance with 28(5-8). Many of the companies operating in countries that supply gas to the EU are OGMP 2.0 compliant and are likely to meet this threshold without any issues. Other companies will be able to meet it easily until 2027, when MRV equivalence is actually applied. The elephant in the room here is the US, which has signalled that it may attempt to roll back its EPA methane regulations and the methane waste emissions charge; however, many subnational policies remain in place and rolling back federal regulations is a process likely to take years. Caving into US pressure now to weaken MRV equivalence would embolden the new US government to further deregulate the methane pollution of its oil and gas industry, and disincentivise other major exporters from developing their own MRV frameworks, as intended.
- MRV requirements for importers only enter into force in 2027, providing ample time for industry adaptation and implementation, as well as for the Commission to outline the procedure for establishing third country equivalence via an implementing act in accordance with Article 28(6). For this reason, no adjustment to the calendar is needed. Until then, exporters are only required to share basic information on names and addresses of exporters, whether measurements, measures, reporting and verification are being undertaken and, where available, the emissions and methods. It further requests information on model clauses in supply contracts and any information on methane intensity. If they fail to do so, they will only need to provide a sound justification for the failure and the actions undertaken to obtain such information.

4. Tracking origin of gas

Eurogas argues that the data reporting requirements in the regulation are complex and difficult to implement, making compliance unrealistic for many exporters. It claims that the industry lacks the necessary tracking mechanisms and that determining origin of volumes is difficult due to co-mingling of volumes in supply chains, and that additional time is needed before enforcement begins. However, tracking requirements in the EU are commonplace in the EU and suitable solutions exist to enable compliance.

- Tracking requirements on imports are commonplace in the EU, for example the EU Timber Regulation, EU F-Gas Regulation and EU Renewable Energy Directive. In order to demonstrate compliance with a methane intensity standard, Eurogas is arguing for a book-and-claim certification system, which would not provide for the accurate attribution of MRV practices and methane intensities to imported volumes. On the contrary, producers would be allowed to buy certificates from producers that already conduct state-of-the art MRV and are able to provide proof of relatively low emissions. The creation of a market for such certificates would not lead to any emissions savings even if double-counting of certificates could be prevented. In the US for example, low-intensity producers in Pennsylvania produce three times as much fossil gas as the US exports to the EU – a book-and-claim system would allow higher intensity producers in the Permian to “buy” their environmental attributes and avoid reducing emissions. The book and claim and mass-balancing solutions proposed by Eurogas would effectively eliminate incentives to reduce emissions.
- More suitable solutions do exist, such as [the trace-and-claim approach developed by the Clean Air Task Force](#). This approach would track environmental attributes along the commercial pathway - from a producer, to a broker or aggregator, to an LNG exporter, to an importer, or anyone who purchases the oil or gas. This system ensures a plausible pipeline path between the producer and the importer, and the approach akin to “following the money” instead of “following molecules.” We look forward to working with the European Commission and Eurogas to explore technical guidance on tracking that balances ease of implementation with accuracy and integrity of reporting.
- Through trace-and-claim, obtaining the necessary data on fossil fuels can be frictionless - even on spot markets or for other rapid transactions. Information on origins, MRV, and methane intensity can be made available as metadata on the oil and gas exchanges and purchasing portals. There are precedents for providing this type of metadata for exchange of energy products, most notably through the North American Energy Standards Board, which standardised contracts used for the majority of North American fossil gas purchases, and approved an addendum to their contract to detail the environmental attributes of certified natural gas.

Conclusion

Lengthy delays to the EU Methane Regulation are unnecessary and counterproductive. The Regulation was designed to be implemented without disrupting supply, imposing excessive costs or harming competitiveness. The EU would be well-advised to stay the course and ensure that this critical policy is implemented as planned.

References

1. Eurostat. *EU Imports of Energy Products - Recent Developments*. Available [here](#). Eurostat. *Where Does Our Energy Come From?* Available [here](#). Eurostat. *Energy Production and Imports – Statistics Explained*. 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](#).
2. The continent's gas demand [fell by 20%](#) between 2021 and 2024 thanks to renewables deployment and demand reduction policies. On the long-term picture, according to the Commission's impact assessment on RepowerEU,, EU gas demand is projected to decline by 29% in 2030 and 67% in 2040; according to [ACER](#), EU LNG demand reached its peak in 2024 and if all measures under the REPowerEU Plan are implemented, the EU gas demand will drop from 330 bcm in 2024 to 184 bcm in 2030. This means that the EU's reliance on spot LNG market will shift turning from a current under-contracted status to approximately 30 to 40 bcm 'over-contracted' commitments between 2027 to 2030 (in other words, the long term contracts concluded now will only need to oversupply exceeding the EU's actual demand needs). This also aligns with [JEFFA's](#) findings regarding the average utilisation rates of European LNG import terminals and the forecast that Europe's 2030 regasification capacity will be more than three times higher than its 2030 LNG demand.
3. Zero Carbon Analytics (January 2025). *The EU does not need new US LNG to replace Russian gas*. Page 3. Available [here](#).
4. Zero Carbon Analytics (January 2025). *The EU does not need new US LNG to replace Russian gas*. Page 3. Available [here](#).
5. Rystad Energy. *Impact of EU methane import performance standard*. Available [here](#).
6. IEA (2022). *The Energy Security Case for Tackling Gas Flaring and Methane Leaks*. Available [here](#).
7. Mark Davis, Perrine Toledano, Thomas Shorr. *North Africa Can Reduce Europe's Dependence on Russian Gas by Transporting Wasted Gas Through Existing Infrastructure*. Available [here](#).
8. European Commission (November 2024). *Statement of methane abatement partnership roadmap*. Available [here](#).