

Eurogas Recommendations

Ensuring EU Security of Affordable Supply in Light of the Methane Emissions Regulation

3 March 2025

The European Union's Methane Emission Regulation (MER) represents an important step in aligning climate ambitions with global energy trade. Eurogas fully supports the MER's overarching goals of reducing methane emissions and ensuring sustainable energy imports. However, the Regulation's timeline, uncertainties and extraterritorial implications create significant challenges for the flexibility and security of the EU's gas supply, particularly as the EU seeks to replace Russian gas imports by 2027.

Observed impact

Blocking Contracts and Increasing Risk: The Regulation is already preventing certain gas supply contracts from being signed. Uncertainties regarding compliance with requirements yet to be defined, liability risks, and potential penalties (up to 20% of the importer's annual turnover) make it difficult for parties to assess risks and move forward with agreements. For example, parties negotiating import contracts today are required to comply with methane intensity calculation methodologies that are still to be specified by secondary legislation.

Reducing Supply Options: The regulation restricts the pool of available suppliers on top of limiting access to (long-)term contracts for EU importers, at a time where the EU aims to diversify away from Russian energy by 2027. In particular, the requirement for third-country producers to adopt MRV-equivalent systems within a shortened timeframe could pose a significant challenge.

Increasing Exposure to the European Gas Markets: By complicating access to (long-)term contracts, the Regulation could disincentivise EU importing activities towards greater reliance on gas procurement within the EU gas system e.g. in the spot market and subject to its volatility and supply risks.

Complexity in Reporting Requirements, Not Environmental Ambition: While some producers may not be able to meet the environmental standards in time, a key issue is the **unworkable reporting requirements**, including for operators that are able to meet those requirements.

Weakening Europe's Competitive Position: Regions are competing on a global market for a finite supply. The added uncertainty and liability risk from the Regulation may give **third-country markets with fewer restrictions** a competitive edge, further complicating the EU's diversification efforts.

To ensure energy security and affordability while supporting diversification objectives, clarifications, guidance and targeted adjustments to the MER are necessary. These should be implemented while aiming to avoid unnecessarily undermining the environmental ambition of the Regulation.

Distortion of competition and restriction of flexibility options

- **The MER Chapter 5 requirements have a differentiated impact between imports under existing long-term contracts and secondary purchases by EU importers.** Indeed, if the holder of a long-term contract signed before 4 August 2024 is also the EU importer, the import will fall under the specific provisions designed to safeguard existing contracts – Article 28 (2). If, however, another EU importer subsequently wants to purchase some of this volume through a shorter-term secondary purchase contract, that import would have to comply with the ‘full’ MRV equivalence requirements under Article 28 (1).
- **This further creates a specific competitive disadvantage for EU companies in terms of market access and adds complexity for EU companies relying on shorter-term or secondary transactions.** Without access to these options, EU importers could lose opportunities of flexibility, increasing dependence existing contracts or more volatile spot markets. This complexity would **bring limited benefits from an environmental perspective** as the gas could in any case theoretically be imported to the EU by the long-term contract holder.
- **Eurogas recommends adjusting the calendar of entry into force of the Chapter 5 requirements with the publication of the necessary secondary legislation to enable compliance and avoid impacting the market during a sensitive period. At least, in case no adjustment is being made on the Chapter 5 requirement entry into force, a grace period should be defined for the application of penalties until the necessary secondary legislation is in place.**

The challenge of tracking the origin of gas

- **The Methane Emissions Regulation requires the identification the origin/environmental attributes of natural imported gas.** Traceability might also be of relevance in areas such as Low Carbon Fuels production and certification, as well as ESG reporting. **This is an important matter, requiring the attention and efforts of policymakers.**
- Tracing the origin of pipeline gas and LNG to specific production facilities can be extremely challenging for certain value chains due to the comingling of gas from multiple sources at liquefaction terminals, pipeline networks, and storage facilities, combined with complex processing and trading steps. The lack of regulatory requirements for tracking origin, along with dynamic market conditions and logistical constraints, further complicates traceability. **It should be ensured that the detrimental impact on current gas trading practices and on Security of Supply remains limited and to avoid market framework reforms in third countries. Any solution must work in existing (pipeline and LNG) gas markets and their regulatory. It should be efficient and effective with low cost to industry and consumers to enable large scale adoption by the market.**
- To that end, Eurogas consider that the possibility to rely - **on a voluntary basis** - on a certification system based on Book-And-Claim, or on an adapted Mass Balancing, should be explored¹. For an approach based on Mass-Balancing, **evolutions should be considered compared to the Mass-Balancing practiced in the EU for biofuels, bioliquids and biomethane.** Notably, such approach implies accepting foreign interconnected gas system² as single mass balancing at a global level and the focus should be on the injection and withdrawal in such systems, not on the tracking of the molecules/certificates and their trades inside such systems. Such evolutions would be necessary to minimise the impact on trading and avoid market framework reforms in producers’ countries.

¹ Nevertheless, said approaches may not be required in all situations: for instance, if there is a contractual link between the producer and importer or if both are part of the same undertaking, the origin of the gas can easily be identified and therefore, there is no need for any of said approaches.

² A concept already part of the EU legislation, at least for the EU grid, detailed in Regulation 2022/996

The need to accelerate MRV equivalence

- **Considering the EU's reliance on gas imports, it is key for the EU institutions to have a close dialogue with exporting countries to identify solutions to key challenges resulting from EU legislation.** This has been major concerns expressed by several of the EU's suppliers regarding the MER. **For instance, the US Department of Energy and Environmental Protection Agency³ have recently asked the European Commission to initiate a dialogue on regulatory equivalence under the MER, flagging it as essential to ensure a continued, reliable and stable supply of gas to Europe⁴.** This, at a time when the European Commission called for US LNG to replace Russian imports⁵.
- **Eurogas recommends adopting a pragmatic approach regarding regulatory equivalence, to ensure compliance can be ensured rapidly to not endanger Security of Supply and avoid distortion between supply routes. It is critical to underline that non-EU third producing countries and companies do not find themselves liable to implement these measures, which puts EU players at a disadvantage compared to other global players. Thus, the MER requirements could soon have an impact on producing assets straddling different regional markets.**

The importance of clarification

- **Eurogas welcomes the European Commission communication on open questions related to the Regulation, notably through a Q&A⁶ and a workshop⁷.**
- **Eurogas underlines the need to continue such initiatives. There are still open questions, and new ones notably following the answers provided in the Q&A. The industry remains committed to participate to this constructive dialogue.**

³ [DOE & EPA letter to EC](#), US DOE (November 2024)

⁴ [Trump EPA Directive Puts US Methane Policy in Crosshairs](#), Energy Intel (February 2025)

⁵ [EU may consider replacing Russian LNG imports with those from US, von der Leyen says](#), Reuters (November 2024)

⁶ [Methane regulation import requirements Q&A final](#), European Commission (December 2024)

⁷ [Workshop: Import requirements of the EU Methane Regulation](#), European Commission (October 2024)