

# FACTSHEET

## Energy Imports: The Missing Piece of the EU Methane Regulation Puzzle

### *An Independent Verification Body Required to Oversee Methane Emissions outside EU borders*



#### **Methane emissions are a top threat to the climate**

Deep cuts to human-caused methane emissions are a **top priority if we want to fix the climate crisis and slow the rate of global warming**. Methane has more than 80 times the warming power of carbon dioxide (CO<sub>2</sub>) over a 20-year period after it reaches the atmosphere. Time is of the essence and we need to act now. The **energy sector is responsible for roughly 40% of total anthropogenic methane emissions and oil, coal and fossil gas operations are the largest source of those emissions.**



#### **The EU needs a more ambitious Methane Regulation**

The European Commission's Methane Regulation Proposal, currently under discussion at the EU level, needs to be a bold instrument to cut methane emissions across the entire supply chain, while phasing out fossil gas by 2035 and accelerating the transition towards 100% renewables. The EU is among the biggest importers of fossil fuels, with **75 to 90% of the methane emissions associated with the EU energy consumption being emitted outside EU borders**. Only cleaning up EU domestic methane emissions would consequently ignore most of the problem.

So far the provisions discussed in the Methane Regulation Proposal to tackle emissions across the whole supply chain only include an information obligation for importers and are based on a **weak verification system, referring to the UNEP-led International Methane Emissions Observatory (IMEO) as verifier body** (article 10 of the Methane Regulation Proposal). This is not good news, considering its position is biased because of its connections with fossil fuel industries.



## What can be done?

**A study commissioned by CAN Europe** shows that it is legally possible to apply the EU domestic provisions on Monitoring, Reporting, and Verification (MRV), Leak Detection and Repair (LDAR), and Limits on Routine Venting and Flaring (LRVF) to operators located outside the EU. This can be done through clarifying the scope of the Regulation and strengthening the role of an independent verification body.

As large-scale efforts to tackle methane emissions, domestically and internationally, are urgently needed, **the Methane Regulation proposal cannot put the fossil fuels industry interests in the driver's seat or pursue the interests of the fossil companies, which seek to water down the Proposal. An independent and transparent verification body is necessary** to review methane emissions data transmitted by fossil fuel companies.

**An independent verification body is needed and the IMEO is not the answer.**



## What is the IMEO and what is its role in the Methane Regulation Proposal?

The IMEO was launched at the G20 Summit in 2021 with the aim of **collecting and integrating diverse methane emissions data streams**, i.e. through the reporting to the OGMP 2.0, so as to **create a public global database**.

According to the Methane Regulation Proposal, companies' methane emissions reports submitted to Member States should then be transmitted to the Commission and the IMEO, which will have a verification role. In addition, the **Commission will work with IMEO to create a Methane Supply Index (MSI)** for EU gas imports using the data embedded in the **EU Transparency Database**, a list of the EU importing companies and countries. Despite the fact that it is still unclear how such a mechanism or index will work in practice, the aim is to track the methane emissions of different gas supply sources at both EU and international levels. However, some doubts arise from giving such a strong role to IMEO.



## IMEO's secret love affair with the fossil fuel industry

To safeguard IMEO's credibility, the institution doesn't officially receive industry funding, **but its close link to fossil fuel companies that are members of the OGMP 2.0 casts questions over the independence of IMEO** as a verification body. Having a verification body inextricably tied to the oil and gas industry risks to 'legitimise' energy companies to keep investing in fossil fuels while cutting methane emissions.

It must also be taken into account that the **data transmitted to IMEO are collected according to the OGMP methodology, which is industry-guided** and greatly emphasizes oil and gas companies' estimates, instead of independently verified methodologies. The self-reporting numbers transmitted from the fossil fuel industry are vastly underestimated, the International Energy Agency (IEA) stated that methane emissions from the energy sector are 70% higher than official figures.



## IMEO's lack of transparency

Moreover, there is a confidentiality problem with the data that OGMP 2.0 members disclose to IMEO. **OGMP 2.0 has strong confidentiality requirements: according to principles 4 and 5 of the OGMP framework** 'reporting is done confidentially by "reporting unit", with public disclosure on a consolidated corporate basis [...]' and 'if companies are not permitted to share data from any of their operated or non-operated venture assets, they will provide evidence of why this is the case [...]'. These provisions, along with further exceptions for operated and non-operated joint ventures assets, prevent a full transparency of methane emissions from individual assets of a particular supply chain. Such a degree of confidentiality can allow fossil companies to hide real emissions data that can be much higher. The risk of modeling the EU Methane Regulation Proposal on OGMP 2.0 and granting IMEO a verification role is then to replicate the problems of a lack of data transparency and credibility, which would be avoided through the establishment of a truly independent verification system then to replicate the problems of a lack of data transparency and credibility, which would be avoided through the establishment of a truly independent verification system.

On the legal side, there is no legal basis or instrument defining IMEO' status and functioning in international public law or European law. Assigning an important verification and data recollecting role to a body with no clear legal existence as foreseen in article 10 of the Methane Regulation Proposal, poses a problem of legal certainty.



## An underestimated methane emissions database

While studies set the estimate for global methane emissions from the industry at 80-140 million tons per year, the total emissions from this year's reporting by OGMP 2.0 members remain at 1.3 million tons of methane for both operated and non-operated assets. Additionally, many of the most polluting fossil companies in the world, such as ExxonMobil, Chevron and SaudiAramco, have not yet joined the OGMP 2.0. This leads to **an underestimation of data shared by industry to IMEO** through the voluntary-based OGMP 2.0 initiative. The latest IMEOreport found gaps in the reporting methodologies, especially for measurement-based emissions. Additionally, the **geographical distribution of IMEO** membership and the adoption of OGMP 2.0 remains more concentrated in Europe. This can create important gaps in the mapping of methane emissions from companies and countries representing the different segments of the oil and gas sector along the supply chain.

### Key recommendations for a robust energy imports verification system

#### 1 Clarifying and extending the scope of the Methane Regulation to imports

To extend the EU measures on MRV, LDAR and LRVF to energy imports from third countries, it is crucial **to clarify the scope of the Methane Regulation**, i.e. Article 1(3). The article must clearly state that the Regulation applies to methane emissions from domestic and imported gas sold and consumed in the EU. This would allow to define a sufficient territorial link, allowing to tackle methane emissions occurring outside the EU as long as they are related to the oil and gas entering the EU market.

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## 2

## The European Commission as verification body in third countries

The Methane Regulation should grant the European Commission the competence to act as an independent verifier,<sup>1</sup> overseeing the strong implementation of MRV, LDAR and LRVF obligations for non-EU operators. Using the Official Controls Regulation as a model, **this system could be transposed to the Proposal for a Methane Regulation, in Article 10**, replacing the IMEO by the Commission as verifier body.

### Case Study #1: The Official Controls Regulation (OCR)

The Methane proposal could refer to the **OCR**, which grants the Commission the competence to act as an independent verifier of compliance with EU requirements by third countries, which establish systems of control and enforcement of private operators. Under the OCR, non-EU countries set national systems of pre-export controls carried out by them prior to exporting goods to the EU, with a view to ensuring compliance with the requirements of the Regulation. **The Commission thus just verifies those non-EU country systems at a later stage on the basis of control programmes adopted through implementing acts**, which may include on-the-spot verifications, verification of the compliance of third country legislation with EU standards and verification and assistance in third country's staff training.

It would require finding previous agreements to set national systems in which operators comply with the Methane Regulation, methodologies and standards. **Thanks to these cooperation agreements, the Commission could act as a verifier in an independent way and perform regular conformity audits on data shared by national systems. Additionally, European Commission's experts would be allowed to perform checks on the data of oil and fossil gas exports to the EU in third countries and assess the compliance of the legislation of non-EU countries** with the requirements laid down in the Methane Regulation. The Commission could also submit methane emissions data to the IMEO, but as an advisory body, in order to ensure the transparency of the shared data.

1. The Commission has the power to ensure enforcement of EU legislation under Article 17 TEU, it is hence possible to include a provision in the proposal for a Methane Regulation recognizing the Commission powers to verify the data send by operators and the implementation of the legislation of products entering the EU and having effects within the territory of the internal market.

### 3 Applying the due diligence mechanism

This system still needs to be **complemented with a due diligence mechanism for the importers**, as existing in the EU Timber Regulation ([EUTR](#)).

#### Case Study #2: The EU Timber Regulation (EUTR)

The **EUTR** is laying down obligations of operators who place timber and timber products on the EU market, to provide a due diligence document at the customs office of the country where the product is entering. This document needs to give information on the exporter and on the whole supply chain, including the sources and suppliers, the proof of compliance with existing legislation, the country of origin, and all other elements that are relevant in the determination of the imported goods' compliance with the EUTR. Competent authorities are responsible for carrying out checks to verify if operators comply with the requirements.

The reporting system established in the Methane Regulation Proposal is quite similar, but **could go further**. Indeed, the high level of discretion given to the operators and the variations in the rigor of application of the due diligence system (e.g. the number of performed checks and level of penalties) have been problematic in the past for the implementation of the EUTR. The due diligence within the Methane Regulation **should be strengthened taking into account these challenges**. In particular, proper enforcement of the reporting system could here be ensured with the Commission establishing appropriate mechanisms of verification on exporting countries and companies.

### 4 Strengthening the enforcement of the Regulation

→ The **penalties** in Article 30 of the Proposal for a Methane Regulation could be complemented with more precise types of sanctions, inspiring from the recast Environmental Crime Directive and the system in force under the CO<sub>2</sub> emission performance standards for cars and vans [Regulation](#). Specifically, linking the sanction to a **cap of the methane emissions** would enable to quantify the fine in relation to the amount of methane emissions exceeding this cap.

