



Position Paper on the European Commission's Proposal for a Methane Emissions Regulation

April 2022

Executive Summary

1. Identifying, quantifying, and minimising sources of methane emissions across the energy industry is crucial to meet the objective of climate neutrality by 2050. The introduction of a dedicated EU Methane Emissions Regulation will significantly contribute to the mitigation of methane emissions at EU level but also globally.
2. Proportionality is key when tackling methane emissions as a small amount of infrastructures and events are responsible for the overwhelming majority of methane emissions.
3. The Methane Emissions Regulation should refer to existing technologies, practices and standards insofar as possible, including the Oil and Gas Methane Partnership (OGMP) 2.0.
4. Sufficient time should be foreseen to enable operators, importers, verifiers and authorities to fulfil their requirements under this Regulation.
5. A doubling of reporting efforts should always be prevented. Yearly methane emission reports mentioned in article 12 should also cover results of LDAR surveys and venting and flaring events to limit the administrative burden for both operators and authorities.
6. A requirement to perform a yearly LDAR programme should be prescribed. Operators and authorities could then agree on increasing the frequency of LDAR surveys for specifically identified components, based on a number of factors including seasonality, previous experiences and assessments of leak intensity. A requirement to repair all detected leaks in a reasonable timeframe should be introduced.
7. Venting and flaring events should be limited to the extent possible. However, they cannot be eliminated completely due to safety reasons. The ban on routine flaring and requirement to avoid venting should therefore be supported, provided that exemptions are foreseen in case of emergency and when unavoidable and strictly necessary.
8. Methane emissions are a global issue. The creation of a Global Methane Monitoring tool and the strengthening of the International Methane Emissions Observatory (IMEO) are therefore positive. Importers to the EU play an important role in raising awareness on methane emissions. However, their liability should be limited to the provision of information they can effectively collect, such as the name of exporter.

Introduction

The Russian invasion of Ukraine has initiated discussions on the overall EU's energy strategy, demonstrating the need to accelerate decarbonisation efforts, especially the deployment of renewables such as renewable and low-carbon gases, including hydrogen. In the transition phase, natural gas will keep playing an important bridging role, as it is deeply established in many Member States.

Methane's global warming potential is estimated to be at least 25 times that of carbon dioxide over a 100-year horizon and even greater on a 20-year horizon. Identifying, quantifying, and minimising sources of methane emissions across the energy industry is therefore crucial.

In light of this, we welcome the publication by the European Commission of the ['Hydrogen and Decarbonised Gas Market'](#) legislative package on 15 December 2021, which aims to tackle methane emissions in the energy sector with a new proposal for a [Methane Emissions Regulation](#).

To tackle methane emissions in a cost-effective manner, the following points should be taken into consideration:

1. General Provisions

a. Sectoral scope

All energy sectors subject to methane leakage should be covered by the Regulation. We therefore support the fact that the Regulation covers both the upstream oil and fossil gas sector, coal mines but also gas transmission, distribution, underground storage and liquid gas (LNG) terminals operating with fossil and/or renewable (bio- or synthetic) gas. Proportionality is key when tackling methane emissions: some segments / infrastructures are responsible for almost all the registered methane emissions and should therefore bear a higher burden.

b. Definitions

Definitions should generally be aligned with the Oil and Gas Methane Partnership (OGMP) 2.0 framework, especially with regard to definitions on measurements, quantification and clarification of the emission factors.

Whilst the general definition on emission factors (article 2, point 10) could generally be supported, the emission factors themselves would require to be updated regularly, in line with technological advancements and availability of information on methane emissions.

The definition of site-level measurements (point 15) cover the use of satellite data. As satellites can currently identify only high emitting sources, one can question whether satellite measurements are precise enough to be considered as site-level measurements.

Finally, more clarity should be provided on what is meant in point 41 by a person who 'places fossil energy from a third country on the Union market' in order to define more precisely the scope of import-related provisions under this Regulation. Is it the person responsible for the 'physical' crossing of the border by the product? Is it the first EU-based undertaking trading the product? An additional definition on 'imports' would also be required.

c. Costs

We welcome the proposal specifying that the investments and costs related to methane emissions abatement actions and undertaken by regulated infrastructure operators should be recovered in the regulated asset base. However, non-regulated operators such as non-regulated gas storage operators should also receive financial incentives or compensation – at European or national level – to trigger further investments in technology reducing methane emissions and preserve the level playing field with regulated operators. Incentives should more generally be considered in order to support methane emissions reduction efforts.

d. Fines

Proportionate fines could be envisaged as a last resort measure, should operators fail to meet the requirements under this Regulation, and to make sure that the legislation is credible. Member States should be required to provide early on information on how fines would be calculated and implemented.

2. Competent authorities and independent verification

a. Competent authorities and inspections

According to article 6, one or more competent authorities will be appointed by each Member State to monitor and enforce all the rules under this Regulation and undertake periodic inspections and non-routine inspections to make sure that the operators respect their requirements. These inspections should always be aligned with inspections undertaken according to existing national legislation in order to avoid a doubling of efforts for both operators and authorities. The frequency of planned inspections – every 2 years – appears reasonable.

More generally, a more precise overview of the tasks and responsibilities of the authorities would be appreciated, for instance with regard to the required alignment of LDAR programmes with these authorities. Competent authorities will have to be fully trained to handle their tasks under this Regulation.

b. Independent verification

Independent and accredited verifiers are required to assess and verify the conformity of the activities and reports that have to be submitted by operators (articles 8-9).

As more than 1,500 operators will have to comply with the requirements of the Methane Emissions Regulation, it seems extremely difficult to set-up a comprehensive verification system from the entry into force of the Regulation. Flexibility on the implementation timeline should be envisaged here, for instance to enable the training of new verifiers.

Additionally, more clarification would be needed on the verification process itself. The EU should refer to the OGMP 2.0, currently looking into verification activities, in that instance.

More generally and following the same reasoning as for inspections, any verification obligation should be aligned with annual reporting requirements in order to avoid a doubling of verification activities.

c. Role of the International Methane Emissions Observatory (IMEO)

The IMEO plays a crucial role in tackling methane emissions globally, increasing transparency and ensuring a level playing field among actors. We therefore welcome that the IMEO is tasked with aggregating data on methane emissions and verifying the methodologies used for worldwide standards. However, it should not require additional reporting and verification efforts from EU operators, which will have already been subject to similar requirements. Again, double reporting should be avoided.

3. Methane Emissions in the Oil and Gas Sectors

a. Monitoring and Reporting (MR)

We support the implementation of a transparent and robust system to monitor and report methane emissions and see it as a crucial first step to define ambitious mitigation strategies. The OGMP 2.0 framework should be used as the main framework for MR even though it could in some cases be slightly adapted to reflect sectoral specificities.

According to article 12, operators will have to submit frequent reports disclosing their methane emissions, starting with reports based on emission factors and then later on reports based on direct measurements. Whilst we generally support this approach, direct measurements are not always feasible. In this case, reliable quantification methodologies should be envisaged as an alternative until the necessary technologies are made available.

The European Commission prescribes that methane emissions quantification methodologies shall be conducted according to appropriate European (CEN) or international (ISO) standards. As current CEN and ISO standards do not fully cover all requirements under this Regulation, more detailed standards should be developed, for instance in the framework of OGMP 2.0. This would probably require a slight but necessary delay in the implementation of reporting obligations under this article. Quantification methodologies, especially in paragraphs 2 and 3, should be applied to material sources as intended in the OGMP 2.0 standard.

Paragraph 3 requires that operators reconcile bottom-up measurements (measurements directly at site / asset level) with top-down measurements (measurements by satellite for instance). This approach is currently inappropriate and unpractical considering that:

- These methodologies have different accuracy levels.
- This would require simultaneous top-down and bottom-up measurements at different times of the year.

According to paragraphs 4 and 5 of article 12, undertakings based in the EU will be required to report methane emissions from non-operated assets. As operators are required to always report on operating assets, reporting of non-operating assets by undertakings would lead to 'double reporting'. This should be avoided and paragraphs 4 and 5 deleted.

Proportionality is key as all operators are not responsible for the same amount of methane emissions. A differentiated MR framework, offering dedicated and proportionate solutions for each type of assets, should therefore be upheld. The reporting requirements should take into account the actual emission level of an installation.

b. Leak detection and repair (LDAR)

Organising regular LDAR campaigns is a prerequisite to a successful methane emission reduction strategy. The harmonisation at EU level of LDAR requirements in article 14 is therefore welcome but the Regulation should generally be more flexible and proportionate, for instance to better take into account the leakage risk and potential emission levels of individual assets.

First, the deadline for operators to submit a LDAR programme and get it approved should be extended to 12 months, and not 3, after the entry into force of the Regulation. This would enable operators to submit carefully thought-out LDAR programmes and for the authorities to take the necessary time to review and approve them. A requirement to perform a yearly LDAR programme should be prescribed.

Second, the proposed frequency of LDAR surveys appears unrealistic. Operators should indicate in their LDAR programme the frequency at which they suggest to survey their assets, based on a number of factors including seasonality, previous experiences and risk assessments. This should be subsequently reviewed and approved by the authorities. In this instance, we understand that the LDAR programme is to be viewed distinctly from the repair and monitoring schedule mentioned in article 14, para 4..

Third, a requirement to repair all detected leaks in a reasonable timeframe should be provided. The proposed fixed 500 ppm threshold is not practicable, accurate. Instead, tailor-made thresholds should be defined in terms of ppm volume for the different types of assets, to fully reflect on their specificities. When a leak:

- Above the set threshold is identified, the component / asset at fault should be replaced or repaired immediately but not longer than 30 days after the detection of the leak, in order to allow for operators to take the right approach. Focus here should be on repairing first and then on quantifying.
- Below the set threshold is identified, the leak should be minimised and the component / asset at fault incidentally repaired or frequently surveyed. No obligation to continuously monitor the component should be prescribed.

Exemptions to the immediate repair obligations should be introduced, especially:

- when a repair would endanger security of supply;
- when a repair would lead to proportionally more methane emissions. This might occur when a system is shut down - partly or fully - which could imply higher emissions than if the repair would be aligned with the planned maintenance.

Fourth, the results of LDAR surveys should be reported to the authorities annually, as part of the general methane emission report mentioned in article 12. This would avoid a duplication of efforts for both operators and authorities.

c. Venting and Flaring

Limiting the possibility of venting and flaring is critical to mitigate methane emissions. Whilst these events can be reduced significantly, they cannot be eliminated completely due to operational and safety concerns.

As such, a ban on venting can be supported only provided that exemptions are foreseen in case of emergency or malfunction and when unavoidable and strictly necessary. The list of situations under which venting can be found 'unavoidable and strictly necessary' proposed by the European Commission appears sensible.

A ban on routine flaring is also important in order to limit methane emissions. With regard to non-routine flaring events, not enough consideration is given to economic parameters, safety or abatement costs. A more cost-efficient operational approach to avoid costly abatement efforts should be envisaged here: the reference to economic considerations in article 15, para 5 should be deleted. According to article 16, all the events leading to venting need to be quantified and reported in the next 48 hours. As for the results of LDAR surveys, we would recommend that venting and flaring events are reported annually in the general methane emission reports mentioned in article 12, in view to limit the administrative burden for both operators and authorities.

The proposal in article 17 for operators to conduct weekly inspections of flare stacks is possible provided that the provision is limited to frequently-used fix installed flare stacks, and not flares used in emergency situations only for instance.

d. Inactive wells

Unintentional leaks of methane into the atmosphere can occur in inactive gas wells. Proportionate measures should be introduced to mitigate these emissions, based on the leakage risk of the wells. As the risk is limited compared to active assets, the responsible parties or Member States should generally be required to monitor these wells but not in a continuous way. A further clarification of the notion of 'inactive wells' is also required:

- Pressurised wells are at a higher risk of methane leakage and should be monitored more frequently .
- Non-pressurised wells and non-plugged (abandoned) wells should be left out scope of the Regulation as they do no longer present a risk to emit methane.

4. International Measures

In order to tackle the global dimension of methane emissions, the EU is actively involved in international initiatives and collaboration with third-countries. We strongly welcome that the EU is taking a leadership role in tackling methane emissions on the international scene.

The proposal by the European Commission to establish a global methane monitoring tool, which would make information on high-emitting sources of energy available to the public, including on the magnitude, recurrence and location of high methane-emitting sources of energy, goes in this direction. In order for the public to fully grasp the implications of the data provided by the global methane monitoring tool, information on the advantages and disadvantages of the different monitoring tools should be made available on the platform. For

instance, it should be made clear that satellites can monitor only very-high emitting events but not the smaller ones.

The EU being the largest importer of oil and gas, a set of rules aiming at limiting the methane emissions linked to imports is proposed by the European Commission in articles 27 to 29:

- Importers would be required to provide every year a set of information on the products they import, including the name of producer/exporter or name of trader, where the energy was produced etc. All information gathered by the importers will then have to be sent to the European Commission, which will publish them in the Methane Transparency Database.
- The Methane Transparency Database will also include additional information on whether exporting countries have mandatory regulatory measures on methane emissions and have signed the Paris Agreement.

Whilst the provisions related to the Methane Transparency Database appears sensible, there is a need to clarify the framework of obligations for importers. As already mentioned in the 'definitions' section of this document, the definitions of 'importers' and 'imports' should be fine tuned in order to define more precisely the scope of import-related provisions. In annex VIII point ii, the notion of country/region 'where the energy was produced' would also require further clarification, especially for LNG: does it refer to the location of production of natural gas or of liquefaction?

Finally, one would need to differentiate between two types of information to be provided by importers:

- Information which are possible to collect and which importers *shall* report: points i and ii. This includes information on the name and address of exporter / producer as well as the country or region where the energy was produced etc.
- Information which could prove very difficult to collect in case an exporter refuses to communicate and which importers *should* report: points iii to vii. This includes information on methane emission reports and quantification methodologies used by the exporter.

[About Fortum and Uniper](#)

Fortum and Uniper form a European energy group committed to enabling a successful transition to carbon neutrality for everyone. Our 50 gigawatts of power generating capacity, substantial gas import and storage operations, and our global energy trading business enable us to provide Europe and other regions with a reliable supply of low-carbon energy. We are already Europe's third largest producer of CO₂-free electricity, and our growth businesses focus on clean power, low-carbon energy, and the infrastructure for tomorrow's hydrogen economy. In addition, we design solutions that help companies and cities reduce their environmental footprint. Our 20,000 professionals and operations in 40 countries give us the skills, resources, and reach to empower energy evolution toward a cleaner world. [fortum.com](https://www.fortum.com); [uniper.energy](https://www.uniper.energy)