

Methane policy recommendations for the European Union

Continuously reducing methane emissions from the oil and gas industry is essential for addressing global climate change and important for the role of natural gas in the energy transition. Governments have a pivotal role in developing and implementing policy and regulation that achieve ambitious emission reduction outcomes. For these reasons, BP, Eni, Equinor, the Environmental Defense Fund, the Florence School of Regulation, Repsol, the Rocky Mountain Institute, Shell, Total and Wintershall Dea have developed recommendations for a suite of policies to reduce methane emissions within the context of Europe's Green Deal to reach climate neutrality by 2050:

I. Recommendations for the near-term

Robust Monitoring Reporting and Verification (MRV) is a key element of effective methane policy. While an MRV standard is being developed and industry is making progress towards applying it, there is an urgent need to accelerate methane emissions reduction. Therefore, the EU should contemplate the introduction of the following policies between now and 2023:

1. A robust MRV standard:

High quality verified methane emissions performance data is a key enabler of policies that hinge on credible quantification of emissions. An independent, scientifically rigorous MRV standard should be developed and be applicable to the full natural gas supply chain. Quantification methodologies involving use of specific emissions factors, simulation tools and detailed engineering calculations should improve and progress towards the ultimate goal of rapidly adding emissions measurement at facility level, through complementary spatial scales and methods (e.g. satellite, aerial, ground based).

The EU Commission has already expressed its intent to develop an international platform including producing and consuming countries and industry to agree on a common framework for detection, monitoring, reporting and verification of methane emissions across the full value chain of natural gas. The European Commission could play a central role in convening all relevant stakeholders to define standards, create platforms, plan implementation and define common incentives/enforcement tools.

2. Mitigation-focused policy mechanisms that are less reliant on methane data accuracy:

Proven and effective options include working practice standards and technology standards (e.g. Leak detection and Repair (LDAR)) and other mitigation strategies detailed in the MGP mitigation toolkit and outreach program under www.methaneguidingprinciples.org or any other best practices developed for the different segments of the supply chain). The working practices/technology standards would be applied as follows:

- i. For oil & gas production in the EU, through collaboration with national legislators of the producing countries. The standards should be consistent across the EU.
- ii. For the EU natural gas downstream infrastructure operators, through amendments of existing EU regulations or new regulations if necessary. Costs efficiently incurred by the regulated companies during the improvement of MRV and the successful implementation of mitigation measures should be recoverable and accordingly incentivised.
- iii. Policy makers and regulators should maximise synergies between the MRV standard and the working practices/technology standards (e.g. LDAR informing methane emissions data and reporting on factors such as leak prevalence, leak recurrence, leak distribution, and over time emissions quantification) and made consistent across the EU, recognising the industry is comprised of different oil and gas assets which will require a tailored approach.

II. Recommendations for the longer-term

1. A methane intensity-based performance standard applied to the upstream segment of the supply chains from 2025. Under this standard:
 - i. The upstream part of the supply chain will aim for producing gas with a methane intensity of less than 0.20% by 2025. This acknowledges similar commitments made by the upstream segment through voluntary initiatives and will have to address the challenge of verification of emissions across the entire supply chain, especially when some of its segments lie outside the EU.
 - ii. The performance standard should determine how the supply chain is segmented and how different segments of the supply chain will establish their respective baselines and set their respective targets. The set targets would apply to these segments from 2025.
 - iii. Because high quality data is fundamental to the success of a methane performance standard, policies should aim to incentivise continuous improvement both on data quality in MRV, and on reducing methane emissions intensity.
2. A procurement standard to be applied from 2025 to incentivise the continual reduction of the methane emissions intensity of the gas entering domestic and import supply chains. The procurement standard seeks the procurement of natural gas that meets the performance standard. Undue barriers to trade must be avoided by strengthening the incentives to reduce methane emissions.

Pathways for compliance with the performance standard and the procurement standard should be made flexible, recognising the complexity involved in demonstrating the emissions associated with those segments of the supply chains outside of the EU. For the procurement standard, possible pathways include certification or the establishment of methane regulatory equivalence, underpinned by robust MRV, between the EU and third countries.

III. General considerations for near-term and longer-term policies

1. The proposed policies should be coupled with strong incentives to encourage continual methane emissions reductions domestically and from imports. These incentives can take the form of tax benefits, consideration of methane emission reductions as a contributor towards countries' GHG reduction targets by 2030 and technology innovation and deployment incentives.
2. The proposed policies should be accompanied by active EU dialogues with the governments of the gas supplying countries.
3. The proposed policies should consider the overall cost to industry and society, as well as societal and climate benefits of reducing emissions. Policies offering appropriate flexibility are likely to be most economically efficient and effective in achieving emission reductions.

