FuelsEurope

International Association of Oil & Gas Producers

The EU Methane Regulation puts Europe's gas & oil supply at risk of severe disruption

Without a Stop-the-Clock process enabling targeted adjustments to the Regulation, coupled with pragmatic implementation, the EU risks another severe supply disruption.

From 2027, the EU risks losing up to 43% of its gas and up to 87% of its oil supply

Around 114 bcm of natural gas and **9.8 mb/d of crude oil** demand may not be met due to importer requirements[1]

The risk ahead

From January 2027, the EU Methane Emissions Regulation (EUMR) introduces new importer requirements for natural gas and crude oil.

Importers must demonstrate that countries or producers from which the natural gas or crude oil is sourced meets Monitoring, Reporting and Verification (MRV) requirements equivalent with EU criteria.

However, **a new study by Wood Mackenzie**[2] shows that the requirements as currently designed are so stringent that no country is able to achieve country equivalency, and only about 7% of global gas and crude oil production being so-called producer-level equivalent.[3]

As a result, significant volumes of oil and gas are at risk of being deterred from the EU market due to compliance constraints that trigger unclear but potentially severe penalties.

This would have direction implications for Europe's energy affordability, industrial competitiveness (in particular for refiners), security of supply and strategic autonomy.

Recommendations on how to fix it

Avoiding severe disruption to Europe's gas & oil supply, and refining capacity requires **a Stop-the-Clock process to**:

- **Give all stakeholders time to put in place sufficient workable solutions on aspects such as traceability and verification.**
- **Make targeted adjustments in primary legislation incl. to MRV equivalence, to enable global compliance and reflect traceability realities.**
- **Ensure pragmatic implementation of the Regulation.**

Taken together, this would allow the EU to advance its methane mitigation agenda while safeguarding the affordability and security of energy supply.

Key findings

Natural gas & LNG

Affordability and security of supply

- Up to **43% of EU gas imports (~114 bcm)** could be deterred from the market in 2027.
- **This is comparable to the supply gap caused by the reduction in Russian gas supplies** to the EU after 2022.
- **Even when modelling 10 supplier countries as compliant** (through a modification to country-level equivalency requirements), **the study still shows a significant gas supply gap** and subsequent price impact.
- **This will affect the affordability of gas supply** for households, power generation, and energy-intensive industries, potentially increasing the use of coal and carbon leakage in the process.

Crude oil & EU refining

Industrial capacity, autonomy, and competitiveness

- Up to **87% of 2024 EU crude oil imports (~9.8 mb/d)** could be deterred from the market in 2027.[1]
- **EU refinery throughput would fall by up to 50% (~4.6 mb/d) from 2027 to 2030** due to a shortage of available compliant crude oil feedstock.
- **Europe would increase** dependence on external suppliers and raise fuel import costs by **up to $17 billion.**
- **Sharp increase of the cost of gasoline (+24%) and diesel (+16%)** would affect EU businesses and citizens
- **Even when modelling 10 supplier countries as compliant** (through a modification to country-level equivalency requirements), **the study still shows a significant crude oil supply gap** and subsequent impact on prices and refinery throughput.
- **Risk of refining capacity reduction equivalent to the closure of 40 EU refineries**, with long-lasting consequences for industrial employment, regional value chains, and the resilience of critical fuel supply chains needed for defence and emergency preparedness.
- **Higher energy cost** would weaken the competitiveness of EU refineries, power-generation as well as of other energy-intensive industries (e.g., chemicals, steel, manufacturing), which could accelerate deindustrialisation.

1 Based on 2024 EU import patterns.

2 Full analysis by Wood Mackenzie is available on www.iogpeurope.org and www.fuelseurope.eu

3 Based on the latest OGMP 2.0 Level 5 reporting data from 2024. See UNEP, An Eye on Methane 2025: https://wedocs.unep.org/handle/20.500.11822/48664

How the Regulation's MRV criteria impact availability of crude oil and natural gas

The practical challenge

The EU Methane Regulation requires importers to demonstrate as of 2027 that gas and crude oil originate either from:

- Countries recognised by the EU as having equivalent regulatory frameworks with methane-specific MRV
- Producer companies that meet the highest reporting level (Level 5) of the voluntary, principles-based OGMP 2.0 framework, coupled with third-party verification.

To date, **no exporting country has been formally recognised as MRV-equivalent with the EU** due to the latter's strict requirements, and only up to 7% of global oil and gas production met the OGMP 2.0 Level 5 reporting level in 2024, far below what would be required to maintain EU Supply.

In addition, **there is no recognized third-party verification protocol** or accredited verifiers, who need to expand their capacity to carry out the work globally.

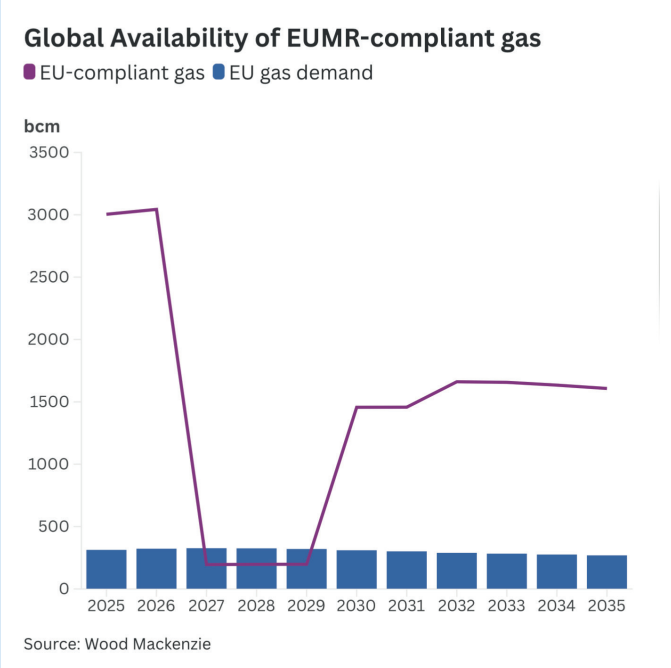
Combined with the complexity inherent to the commingling of molecules and portfolio trading, **this makes compliance difficult to demonstrate at scale and in the time required, even where methane mitigation efforts exist**.

Source: Wood Mackenzie analysis

Full analysis by Wood Mackenzie is available on www.iogpeurope.org and www.fuelseurope.eu

Impact from equivalency requirements on availability of compliant gas/LNG from 2027 onwards

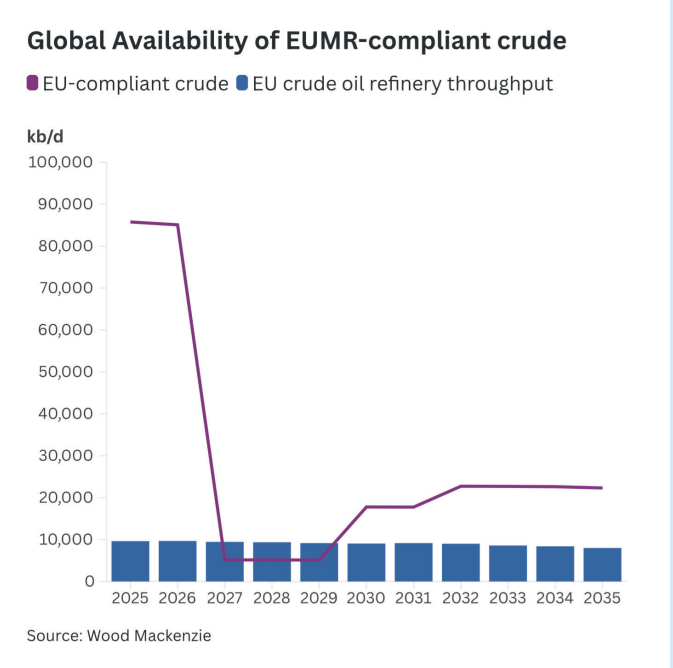
Up to 43% of EU gas demand may not be met due to a compliance-driven supply gap, or incur additional costs and/or penalties.



Source: Wood Mackenzie

Impact from equivalency requirements on availability of compliant crude oil from 2027 onwards, constraining EU refinery throughput

87% of EU crude oil demand may not be met due to this compliance-driven supply gap, or incur additional costs and/or penalties



Source: Wood Mackenzie

About IOGP Europe

IOGP Europe is the European advocacy arm of the International Association of Oil & Gas Producers (IOGP). Our participants include companies accounting for 70% of Europe's oil & gas production, and many of Europe's energy suppliers.

We support policymakers in crafting impactful and inclusive policies that drive prosperity for Europe's businesses and citizens.

About FuelsEurope

FuelsEurope, the voice of the European fuel manufacturing industry.

FuelsEurope represents, within the EU institutions, the interest of 40 companies manufacturing and distributing conventional and renewable fuels and products for mobility, energy & feedstocks for industrial value chains in the EU.