The EU Methane Emissions Regulation's Impact on Oil & Gas Imports

Frequently Asked Questions (FAQs)

FAQs about key findings

- **What is the focus of the study?**
  - The Wood Mackenzie study assesses the impacts of the importer requirements (Article 28) of the Methane Emissions Regulation (EUMR) on crude oil and natural gas imports into the EU in the 2027-2035 time-period.
- **What scenarios does the study consider?**
  - The study models two scenarios:
    - the 'Default scenario', which assumes implementation of the importer requirements of the EUMR as they are currently written;
    - and the more flexible 'Adaptive scenario', where Article 28 is modified so that 10 key exporting countries – which currently have quite extensive national methane rules in place – are granted so-called 'country-level Monitoring, Reporting and Verification (MRV) equivalence' to the EU requirements.[1]
- **What is the main takeaway of the study?**
  - If implemented 'as is', the EUMR's importer requirements – combined with the limited availability of workable compliance solutions at scale and within the required timeframe – could significantly affect the availability and affordability of energy in the EU from 2027 onwards. This, in turn, could further weaken the competitiveness of Europe's critical industries.
- **Why is the study relevant in the current context?**
  - As Europe recovers from an energy crisis, implementing the EU Methane Regulation's importer requirements could lead to a serious supply gap and/or further undermine the competitiveness of critical industries in Europe.
  - The study gives policymakers a chance to take action and make adjustments to the importer requirements of the Regulation before it enters into force.
- **What impact would the EUMR have on the EU's natural gas supply?**
  - Compliant supply gap: EUMR importer requirements can make up to 114 bcm of EU's gas/LNG supply, equivalent to 43% of 2024 imports, non-compliant in 2027.
  - Affordability impact: Wood Mackenzie estimates that gas prices could rise to historically high, unsustainable levels, with demand destruction a key risk.[2]
  - Competitiveness impact: Weakened competitiveness of energy-intensive industries could accelerate deindustrialisation in the EU. Higher gas costs could lead to a switch to coal for power, increasing net emissions in the process.
- **Won't incoming additional global LNG capacity solve the problem?**
  - A substantial wave of LNG supply is expected to come online in the next years, bringing the global LNG market from 600 to 900 bcm by 2030. However, as the EUMR importer requirements become effective in 2027, Wood Mackenzie shows that natural gas/LNG deliveries globally will struggle to fulfill all Article 28 requirements. The EUMR importer requirements will create a much smaller, parallel market of 'compliant' volumes, constraining supply and increasing energy costs

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[1] In this document, unless specified, the answers refer to the 'Default Scenario'.
[2] Wood Mackenzie's model is unable to generate a spot gas price (TTF) in the EU because the supply gap is so severe that demand cannot be met.

- **What impact would the EUMR have on the EU's crude oil supply?**
  - Compliant supply gap: EUMR importer requirements can make up to 9.8 mbd of crude supply to the EU, equivalent to 87% of 2024 imports, non-compliant in 2027.
  - Affordability impact: Wood Mackenzie estimates that the EU's import bill would rise by more than $ 17 billion, driving up the price of EU crude by 11% ($ 9/bbl).3 Gasoline and diesel prices could increase by 24% and 16%, respectively.
  - Competitiveness impact: The sharp increase in diesel and jet fuel imports may shift the EU from a net exporter to a net importer of gasoline. Carbon emissions could rise due to longer shipping distances for EUMR-compliant crudes.
- **What impact would this have on the EU refining sector?**
  - The EUMR, 'as is', would expose refineries to supply shortages or penalties leading to a fall of around 50% (≈4.6 mb/d) in EU refinery throughput from 2027 to 2030.
  - This would represent a capacity reduction equivalent to the closure of 40 EU refineries, further degrading the refining sector's competitiveness, with implications for employment, regional value chains and the resilience of critical fuel supply chains that support essential services, e.g. defense and emergency preparedness.
- **What impact would this have on energy affordability?**
  - The supply gap caused by the EUMR's requirements could lead to unprecedentedly high gas prices (so high that the model cannot make an accurate projection) and an increase in crude oil import costs of about 11% ($9/bbl).
  - This would severely affect European households' energy bills and further undermine the competitiveness of EU energy-intensive industries, particularly the refinery sector.
- **Is a flexible and pragmatic implementation of the EUMR sufficient to avoid a negative impact on EU's security of supply?**
  - Pragmatic implementation is a necessary but likely insufficient condition to ensure the EU's security of supply.
  - In Wood Mackenzie's 'Default scenario', the strict importer requirements were assumed to be applied as currently written in the Regulation, with the result that non-compliant supplies are considered deterred from entering the EU market.
  - However, Wood Mackenzie also modelled the more flexible 'Adaptive scenario' where assumed amendments to Article 28 grant 10 key exporting countries so-called MRV country-equivalence. Even in this more 'pragmatic' scenario, a significant impact on the gas and crude markets may occur from 2027 onwards: Up to 53 bcm of natural gas imports and up to 4.3 mbd of crude oil imports (equivalent to 20% and 38% of 2024 EU imports, respectively) would still be considered non-EUMR compliant.
  - The actual impacts of the EUMR are expected to be somewhere between the boundaries set by these two scenarios.
- **How can these negative effects be avoided?**
  - Avoiding severe disruptions to the EU's oil and gas supply requires a legislative Stop-the-Clock process in order to:
    - Give all stakeholders time to put in place sufficient workable solutions on aspects such as traceability and verification.
    - Make targeted adjustments to MRV equivalence requirements in primary legislation, to reflect current global compliance and 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.

[3] As compared with Wood Mackenzie's 'reference case' where no EUMR implementation takes place

More detailed questions

- **Why is the supply gap temporary, between 2027 and 2030?**
  - The market impacts are the most severe between 2027-2030, when EUMR compliance is expected to be the lowest. After 2030, more companies are able to meet the importer requirements as compliance options scale-up globally, and hence sufficient traceability and verification solutions are likely to be in place.
  - This is why Wood Mackenzie indicates that a "delay of Article 28 (i.e. MRV-equivalence) requirements by 3-4 years may avoid the most disruptive outcomes" (p. 32 and 54).
- **Does the inclusion of Russian oil and gas in the modelling affect the results?**
  - The study includes Russian natural gas and crude oil in the model, however, his does not affect the impacts in the illustrative scenarios as Russian volumes do not meet EUMR import requirements in any case.
- **Why do some stakeholders claim there will be more than enough compliant supply, in particular of natural gas?**
  - Some suggest that the expected wave of LNG supply growth will provide the EU with more than enough compliant volumes.
  - Wood Mackenzie highlights why this unfortunately is not the case, since the majority of new LNG volumes will not meet the strict importer requirements of the EUMR.
  - Of the more than 3000 bcm of gas available to the EU in 2027, Wood Mackenzie estimates that less than 200 bcm would be both EUMR compliant and accessible when taking into account supply infrastructure and costs – far less than the EU's 320 bcm demand in 2025.
- **Which supplier countries have 'equivalent' requirements in place?**
  - In the 'Default scenario', in 2027 no supplier country is currently expected to be able to meet the requirements for 'MRV equivalence' as set out in Article 28 of the EUMR.
  - 4 countries assessed by Wood Mackenzie as 'likely equivalent' (Norway, Canada, UK and the US) are close to MRV equivalence; 11 countries have a methane policy in place (of which 6 are considered 'partially equivalent'), while 16 countries have no enforceable MRV regime for methane.
  - In Wood Mackenzie's 'Adaptive scenario', modifications are made to Article 28 so that the 10 exporting countries to the EU considered either 'likely' or 'partially equivalent' are assumed to have so-called 'country level MRV equivalence' in 2027: Norway, US, Canada, UK, Brazil, Kazakhstan, Mexico, Nigeria, Qatar and UAE.
- **What percentage of production is expected to reach OGMP[4] 2.0 Level 5 reporting equivalence by 2027, and is this enough to meet EU demand?**
  - The EUMR MRV-equivalence requirements for producers assume OGMP 2.0 Level 5 reporting with third-party verification. Furthermore, the requirements state that EU importers should be able to identify all OGMP 2.0 Level 5 producers.
  - In 2023, only 3% of global oil and gas production reached a reporting level of OGMP 2.0 Level 5. In 2024, this number stood at 7%. Based on the most recent OGMP assessment released by UNEP,[5] it is forecasted that OGMP 2.0 Level 5 reporting will cover 26% of global oil and gas output by 2027 and 28% by 2030.
  - Unfortunately, as Wood Mackenzie's study shows, this fact alone is not sufficient to ensure enough compliant volumes in time for when the EUMR importer requirements come into force in 2027.

[4] The Oil and Gas Methane Partnership (OGMP) is the voluntary and membership-based methane emissions reporting and mitigation programme of the United Nations Environmental Programme (UNEP). OGMP 2.0 is the Partnership's methane reporting framework, where Level 5 is the highest reporting level. Level 5 assumes bottom-up source-level reporting with independent site-level measurements. Over 160 oil and gas companies, with assets in more than 90 countries, are members of the OGMP. Their combined production represents roughly 45% of the world's total oil and gas supply, as well as over 80% of the world's LNG flows.

[5] https://www.ogmpartnership.org/sites/default/files/resources/2026-03/OGMP%202.0%20Level%205%20Assessment.pdf

- Achieving OGMP 2.0 Level 5 reporting tells only part of the story. Without workable systems for verification, accreditation, and certification in place, it doesn't matter how much production is available at OGMP 2.0 Level 5, since only part of it can currently be tracked, and no verification protocols currently exist and there are not yet enough accredited verifiers.
- Looking only at the share of OGMP 2.0 Level 5 production, moreover, does not say anything about additional constraints, such as:
  - Infrastructure: i.e. what can physically be shipped or transported to and received in the EU, as well as within the EU, as well as other physical constraints such as crude grades for refining etc.
  - Commercial: whether the compliant volumes are commercially accessible to EU importers, i.e. can they be acquired by EU importers – in competition with other global markets – and at what cost. In reality, the importer requirements may create a separate, much smaller market for compliant oil and gas, at a time when global LNG supplies otherwise are expected to create a buyer's market for gas.
- Once all of the abovementioned constraints are taken into consideration, Wood Mackenzie estimates that gas and crude oil imports to Europe would be significantly constrained from 2027.

- **Why does Wood Mackenzie assume that penalties will deter non-compliant supply from entering the EU market when the EUMR does not ban these imports?**
  - The regulation sets a very significant upper penalty limit of 20% of annual turnover for importing companies that are found to be in breach of the EUMR importer requirements.
  - While this is an upper limit, and perhaps not likely to be applied in most cases, the continued lack of clarity on what levels of penalties will be applied when by most, if not all, Member States, results in a level of uncertainty and risk for importers that effectively deters non-compliant volumes from entering the EU market in Wood Mackenzie's study.
  - It is also worth highlighting that penalty grace periods that would exempt importers from sanctions for a limited period of time are also not considered sufficient to provide industry with the required legal certainty.
- **What traceability and certification assumptions does Wood Mackenzie make?**
  - Due to the complexity of global energy supply chains, which include trading at virtual hubs and portfolio sales, it is very difficult for importers to identify the actual producers of the imported product. Being able to credibly trace compliant volumes from production, via shipping and/or pipeline transport, to the EU market, is a key factor in determining a country's export compliance under the EUMR, particularly for countries that do not achieve 'country-level' MRV equivalence.
  - While significant work is ongoing, there is still limited information and clarity on what compliant traceability solutions in the EUMR should look like. Moreover, no fully recognised and workable traceability systems are currently in place.
  - Among others, the following elements are still missing: the development of criteria for EU recognition, the setting up and accreditation of relevant organisations and verifiers, establishing certificate transfer systems, as well as allowing time for participants to implement such systems.
  - Wood Mackenzie's approach to traceability attempts to model this complexity as well as the feasibility of implementing robust certification schemes.
    - Assumed traceability figures reflect the percentage of a country's production where EU importers are able to identify producers directly or via certificates. The study's assumptions are based on a gradual set-up of a 'constrained book-and-claim' system.[6]

[6] 'Constrained book-and-claim' provides certification of key steps in the chain, both of production as well as of the transport stage, offering a balance in the trade-offs of a plain book-and-claim approach and the more cumbersome

- Based on an assessment of system complexity, the study set 2027 starting values representing assumed share of 'simple' value chains where importers can directly identify the producer.
- These values are assumed to increase by around 20% between 2027-30 and again between 2030-32, as communication and contractual arrangements improve along the value chain.
- Once a reliable, accredited certification scheme is established in a country, and certificates can credibly 'survive' transit to the EU, the study assumes all production from that country becomes fully traceable (100%). The study assumes 5 countries achieve this by 2030 and 13 by 2032.