Description of principles for solutions addressing the challenge for EU importers to identify the producer of natural gas or crude oil to achieve compliance with the EU Methane Regulation

15 October 2025

Contents

1. Executive Summary

In 2024 the EU imported 90% of its natural gas demand in the form of LNG and pipeline gas[1] and 96% of its crude oil consumption in 2023[2]. This significant dependency on supplies from non-EU countries illustrates the potential impact that obligations for EU importers of these products contained in the EU Methane Regulation (EUMR)[3] may have. As mentioned in our recently published "Action Plan to address key challenges on importers' requirements in the Methane Regulation"[4], if no effective and pragmatic solutions become available in a timely manner, then the various challenges set by the EUMR are likely to exacerbate serious risks for the liquidity and security of gas and crude supplies to the EU and their affordability for EU consumers, ultimately affecting EU competitiveness.

Both Industry and Competent Authorities[5] in EU Member States need clarity on ways to comply with the importer obligations of the EUMR and solutions to do so. However, even if a third country producer fulfills all requirements set by the EUMR, EU importers and in fact most suppliers of gas and crude rarely have direct relationships with a producer since crude and gas/LNG today are mostly supplied in commingled form via global supply chains and bought and sold in trading hubs. Obtaining the required information related to the physical origin of the supplies is therefore a significant challenge (the "tracing issue").

While a few general concepts / schemes to solve this issue have been developed, they may not adequately consider the current gas and crude market structures and, hence, are unlikely to be implementable without considerable cost and disruption to existing markets or are unlikely to be implementable in key producing countries that supply the EU market.

[1] https://strategicperspectives.eu/eu-gas-insight/
[2] https://ec.europa.eu/eurostat/statistics-explained/index.php
[3] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401787
[4] https://www.eurogas.org/resource/action-plan-to-address-key-challenges-on-importers-requirements-in-the-methane-regulation/
[5] A competent authority is a body designated by a Member State with the legal power and responsibility to enforce and oversee EU laws and regulations within its territory, typically by monitoring compliance, conducting inspections, and taking enforcement actions like sanctions.

In response and as indicated in the "Action Plan"[6], the industry representatives supporting this paper would like to share their views on the key principles that any efficient and market-reflective solution to the so called "tracing issue" should embody. Ultimately, industry requires competent authorities and/or Member States to formally recognize solutions/schemes that provide importers with legal certainty to use paths to comply with EUMR in what we call in this paper "complex value chains". This should also facilitate a broader discussion with stakeholders incl. European Commission and EU Member States to identify accepted ways for importers to achieve compliance with EUMR.

2. The Evolution of gas and crude oil markets' structure

The EUMR requires EU importers to annually disclose information about methane emissions from the production of natural gas and crude oil associated with their imports. To obtain such information, importers must first identify the producer of the gas and crude they received.

To better understand the limitations of tracking the specific origin of imported energy volumes as well as the potential solutions and risks, one must be clear about the current global energy market structure and its evolution.

Until the 2000's gas was largely sold under long term contracts that were used to underwrite the development of a particular source and usually referenced the field(s) from which the gas was produced. As a result, buyers faced some exposure to the production risks. Today, enabled by the development of virtual trading points, gas traded along global chains is often sold from a seller's portfolio at least once on its way to end users. This change is protecting buyers from supply/production risk and also increases the tradability and hence liquidity of gas markets.

Similarly, crude oil trading in Europe was historically structured around long-term supply contracts tied to specific sources. These agreements frequently referenced particular oil fields or production regions (e.g., North Sea, West Africa), with terms linked to the production profile. Therefore, buyers bore significant exposure to supply risks, including field outages. Following global diversification and the emergence of Brent and WTI as global benchmarks, the majority of physical crude supply is based on a seller's broader portfolio rather than a single identified source, which protects buyers from source-specific disruptions. However, different from natural gas sources that are largely exchangeable, many buyers optimize their crude oil procurement based on different grades or qualities as, for example, some refineries are designed to process heavy or light crudes. The reduced availability of certain crude qualities compliant with EUMR may jeopardize refining processes in the EU.

As competition in global gas/LNG and crude markets intensified, this evolution yielded significant benefits for buyers and suppliers, including greater optionality, and more robust supply chains. Any regulatory or policy development that results in a reversal of this trend by e.g. reintroducing rigidity and fragmentation of markets – even if done unintentionally - should be assessed carefully, as it may threaten the liquidity, efficiency, security of supply and resilience in crude and gas markets that have been achieved thus far.

Considering the above limitations, traceability is only possible where a connection between a producer and an importer exists. Supply chains in which such a connection can be established are referred to in this paper as "**simple value chains**". Today such relations exist for only a minority share of gas and crude imported into Europe. Where a connection cannot be established through the chain of supply – referred to here as "**complex value chains**" – a different solution is needed.

[6] https://www.eurogas.org/resource/action-plan-to-address-key-challenges-on-importers-requirements-in-the-methane-regulation/

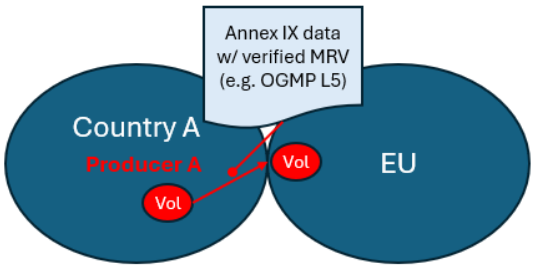
3. Compliance for importers in simple value chains

For simple value chains, where a link between a third-country producer and importer can be established along transactions and the origin of the gas/crude oil can be identified, independent verifiers will audit producers and issue a verification statement that confirms conformity with the relevant standards/frameworks/requirements, and such verification statement is provided to the importer.

Compliance in simple value chains can be achieved when:

1. the importer is able to identify the producer along the transactional chain and obtains the data required per Art. 27/ Annex IX
2. the producer demonstrates equivalency per Art. 28 via independent third-party verification that his monitoring and reporting of methane emissions is either equivalent to Art. 12 EUMR or in line with OGMP 2.0 Level 5 (due from Jan 2027),
3. the producer provides the importer with the methane intensity per Art. 29 (due from 2028), and
4. the importer provides the data obtained to the relevant Competent Authority.

Example of a Simple Value Chain



In 2028 an EU importer buys directly from Producer A who provides all Annex IX data incl. verified MRV (e.g. OGMP Level 5) to the EU importer who reports the data by May 31 2029

4. Compliance for importers in complex value chains

Contrary to simple value chains, where obtaining the relevant information for EUMR may be straightforward, in all other cases it is not – especially where the importer receives supply that comes from portfolios or trading hubs ("complex value chains"). For these situations a separate solution needs to be developed.

In order to address this challenge for EU importers, any efficient solution needs to be based on rules and principles that can be applied to gas and crude from any third country and for any individual supply chain. Moreover, if a solution can deal with the most complex markets/ supply chains, like the USA, it should be able to deal with any other market. Any solution to the "tracing issue" should be entirely voluntary: importers should be free to select their preferred approach to comply with the EUMR requirements.

Considering the complexity of gas and crude markets, we believe it is essential to keep the number of actors in the value chains required by any solution to a minimum to allow for rapid development and implementation of efficient solutions. In addition, reports about methane emissions associated with production from certain assets or producers are published today (e.g. data published by EPA[7] or OGMP[8]), and some are even verified by an independent third party already.

Consequently, for complex value chains, we believe that **verified certificates** which include the information required as per EUMR and which are transferred from a producer who can provide the required

[7] https://ghgdata.epa.gov/ghgp/main.do?site_preference=normal
[8] https://wedocs.unep.org/handle/20.500.11822/46543

data to the importer, directly or via an exporter, to be the most efficient solution to enable compliance with EUMR.

To facilitate this, the certified "EUMR attributes" associated with a certain quantity of gas or crude oil (i.e. data required by EUMR) would be transferrable to intermediaries and/or importers without the underlying gas or crude oil. Such an approach would not only limit the impact on existing supply chains – thereby reducing implementation cost and time – but would also allow each producer to obtain incremental value for their differentiated product. This, in turn, would incentivize all producers to engage in efforts to monitor, report and reduce their methane emissions. It would also make it possible to create and exchange certificates for "gas/oil attributes" based on other MRV standards, or required by other jurisdictions, thus expanding its potential application globally.

In order to provide the buyer of these certificates – and ultimately the competent authority - with the necessary confidence about the accuracy of the data contained therein, certificates need to be verified by an independent third party. In the context of such verification, several controls will need to be properly established:

1. The issuance and handling of tradeable certificates need to be based on **a transparent, publicly accessible methodology** (a "**certification scheme"**), which includes a verification (or audit) protocol for the review of producers' evidence of e.g. MRV compliance and the production of certain quantities as well as measures that prevents double-counting of the certified oil or natural gas volumes. Certification schemes should be open to all interested and qualified parties, and users should be free to choose the scheme offering the most suitable solution to their individual needs.

2. Any certification scheme that issues or allows producers to issue EUMR certificates should define clear controls on four dimensions:

    1. **Geographical Dimension:** The certificate has to state the location of production. We believe that the appropriate level of granularity should be the country of production, as this allows alignment with the country of origin currently declared to EU customs authorities and increases the availability of certificates to importers. Where more granular information about the production location exists, it may be added voluntarily; however, it should not be required for compliance with EUMR.

        The certificate can be transferred separately from the underlying commodity thus enabling the continuation of current commodity trading practices in the export/producer markets and avoiding disruption to portfolio-based supply chains. To enable the use of certificates when crude or gas transits through one or more countries before being imported into the EU, the importer would have to provide evidence of the relevant volume having been imported into the transit country/countries, either through a relevant attribute on the certificate itself (e.g. if the certification scheme offers such verification) or by providing any relevant documentation like customs declarations to the relevant EUMR competent authority.

    2. **Quantity & Accounting Dimension:** Each certificate is to be issued for only a certain quantity of produced gas/crude based on evidence provided by producers. It is unique and cannot be used – when reporting import of gas/crude into the EU –- by more than 1 EU importer. The scheme should allow for certificates to enter and leave countries (see 1.). However, to avoid double counting or double selling of certificates the scheme should ensure that certificates are transferred only to a single counterparty. Once used for EUMR compliance, prompt and proper 'retirement' of certificates should be ensured.

        To help ensure that certificates are not counted twice, we expect registries and databases to emerge that will allow producers to transfer certificates and also facilitate their retirement. The

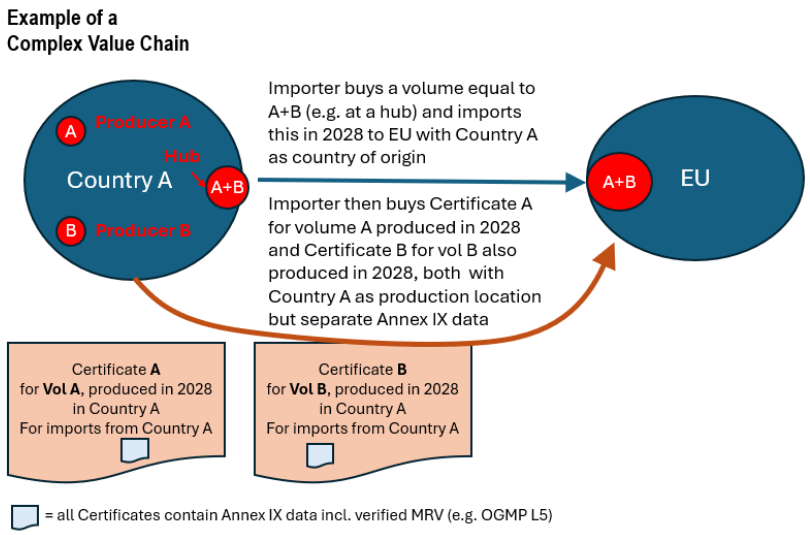
scheme may also require that a producer apply only one certification scheme for the same production facility to avoid double-counting. While we believe that such technical infrastructure would facilitate the transfer of such certificates between owners, it should not be a prerequisite for EUMR compliance: the same could be achieved by thorough verification (audit) processes. For complex value chains the importer should ensure that the natural gas or crude oil they have placed on the Union market in the relevant calendar year for compliance is backed up by an amount of certificates equivalent to the quantity imported in that year.

3. **Temporal Dimension**: Certificates could be issued at any point in time for a specified volume that has been verified to be produced e.g. yearly or monthly. The period of production should be clearly stated on the certificate. For reporting in year Y (by 31 May of that year as per Art. 27) competent authorities should accept certificates disclosing production periods within year Y-1 (the year for compliance) or the year prior to that (Y-2)[9].

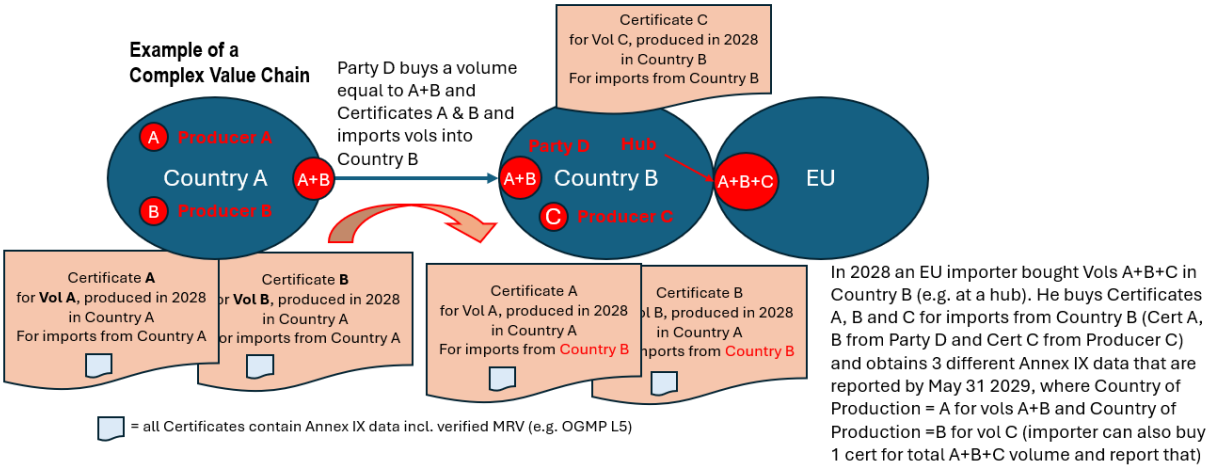
4. In line with EUMR Art. 9 verifiers need to **be independent from the producers and importers** and may be accredited – either directly or indirectly (e.g. through certification schemes that in turn have been accredited) - via national accreditation bodies.

   The EUMR does not provide guidance on how importers can comply with EUMR and provide the required producer-related data in the case of complex value chains. We believe it is therefore paramount that Member States and Competent Authorities provide such guidance and align on the way to formally recognize/accredit verifiers and/or certification schemes so that importers get the legal certainty for using certificates. EU Member States should mutually accept such recognitions/accreditations: if a verifier/certification scheme has been approved by one EU national accreditation body, it shall be automatically approved/accredited by the competent authorities in all other member states.

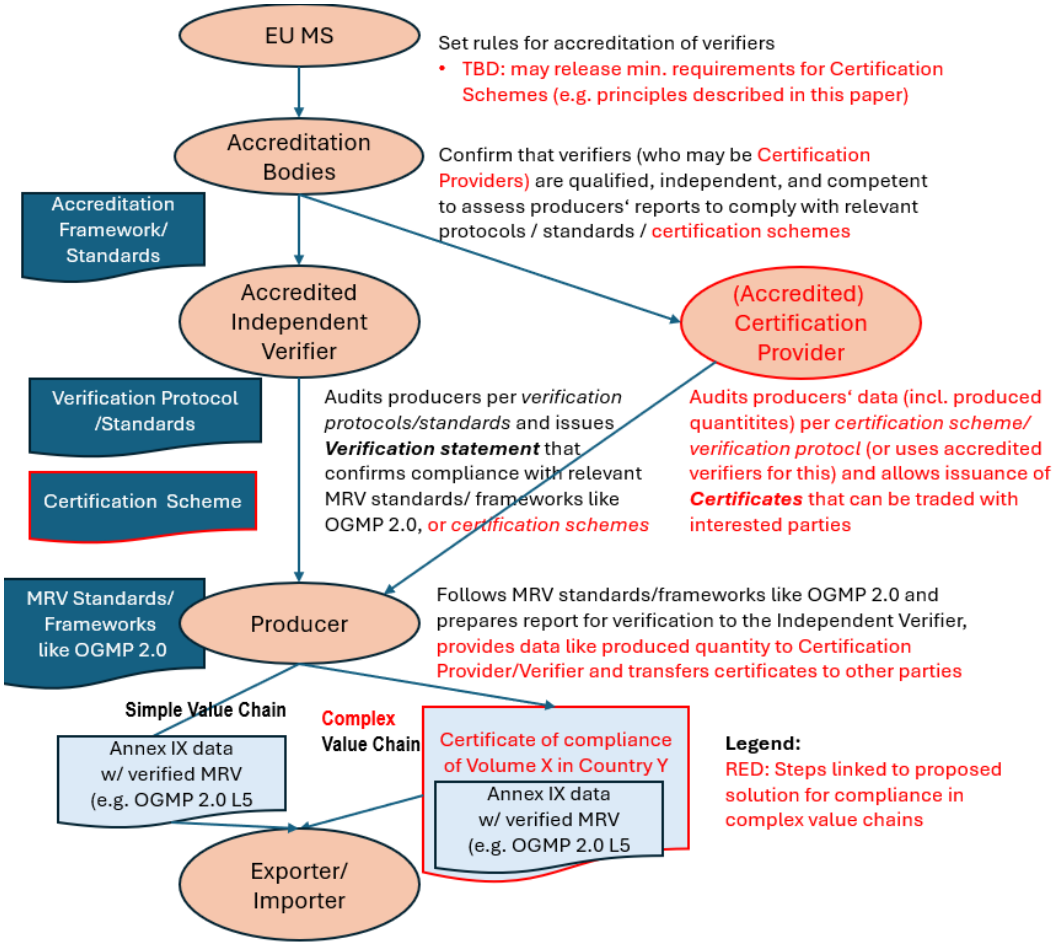
The schematics below illustrate the use of certificates for complex value chains, while Annex I contains more detailed slides illustrating the compliance pathways in both simple and complex value chains.



[9] E.g.: as a maximum, imports on December 31, 2028 can be backed up with certificates that disclose a production date of January 1, 2027.



The following schematic should illustrate the roles of the different actors in the compliance paths for simple and complex (in red) value chains:



Conclusion:

We ask Member States / Competent Authorities to accept and provide legal certainty that certificates issued under voluntary certification schemes, which are independently accredited or otherwise confirmed to be in line with the key principles as described in Section 4 above as valid option for importers to comply with the EUMR.

Annex I - Schematic process illustrations for EUMR compliance for imported gas and oil in simple and complex value chains

Summary of the proposed process

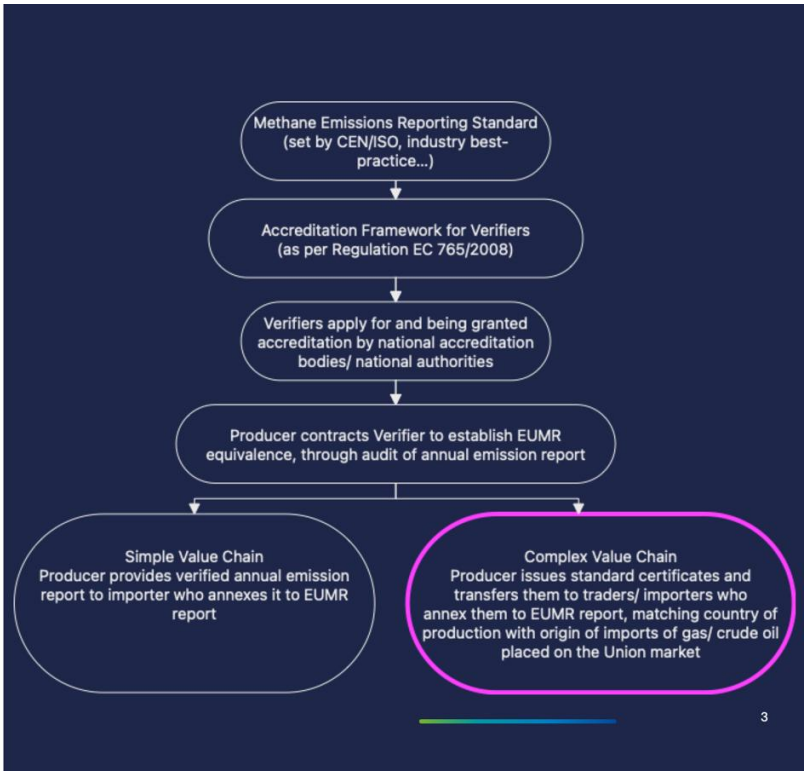
- Producers quantify, monitor and report according to an **industry standard** of their choice.
- They file an **annual methane emission report** and complete an **annual report audit** by a verifier accredited by a national accreditation body/ a national authority.
- **Verifier-accreditation** can happen directly – when the verifier applies for accreditation with the national authority – or indirectly: a certification scheme applies for accreditation and in turn accredits verfiers.
- Producers in a **traded feed-gas market** might want to choose **certification schemes** allowing them to issue / request the issuance of certificates once their monitoring and reporting methodology got certified as EUMR compliant in an 'initial certification'.
- **Certificates** should be standardised to diclose at least the attributes required by EUMR Annex IX, e.g. producer, production location/country and methane intensity of production plus, the volume or energy produced, the date or period of production
- They are **transferrable**, either directly between producer, trader and importer or between accounts within a **registry**.
- **Trading platforms** allow for traders and importers to purchase EUMR certificates continuously and optimise their portfolio.
- Importers can demonstrate EUMR compliance of imported gas or crude oil by providing to competent authorites either verified producer emission reports (in simple value chains) or tradable certificates (in complex, commingled value chains). The use of certificates shall be limited only by the availability of certificates for the same country of origin/ production.

Simple and complex value chains require different tools

Both **Industry** and **Competent** Authorities need clarity on options **to comply with importer reporting obligations**.

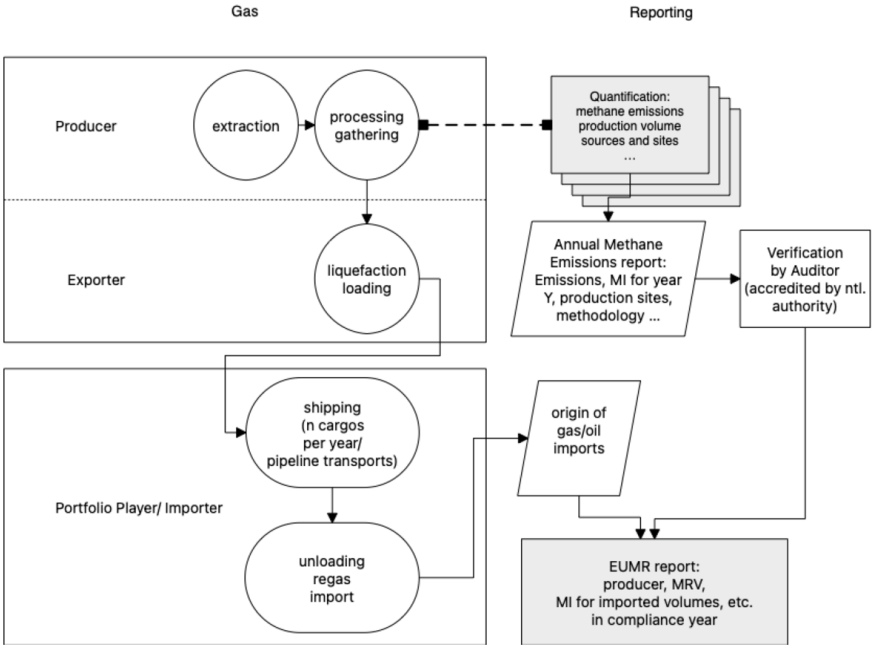
In simple value chains, with a direct contractual relationship between a single producer-exporter and an importer, compliance requirements seem straightforward.

In complex value chains, they are not: e.g. where the importer contracts with an exporter who sources commingled gas/ crude oil from trading hubs or infrastructure. Here we suggest the option to issue and trade methane certificates.



Base case: integrated LNG project/ direct pipeline imports = no need for certification

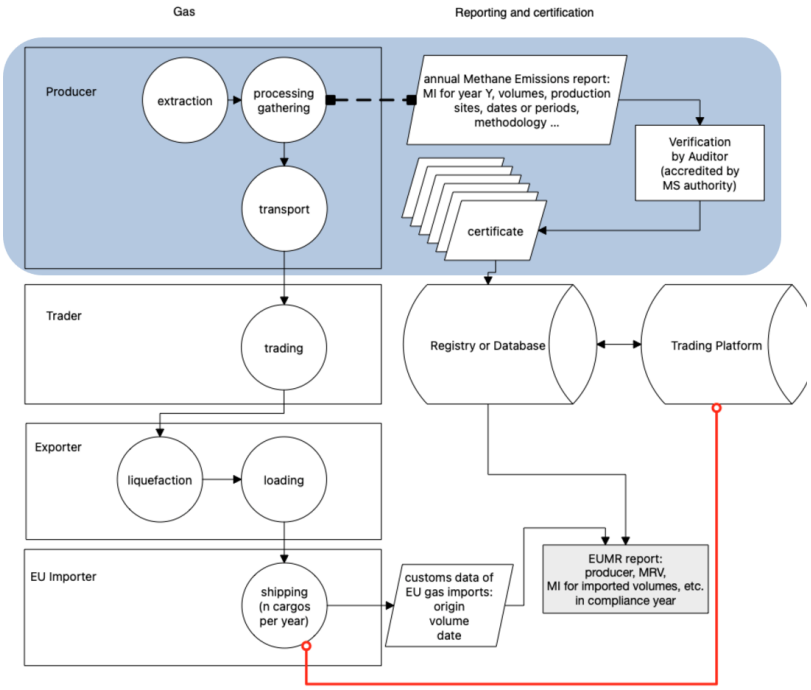
1. **Producers** file annual reports based on e.g. OGMP quantification rules in year y+1 (May 31) for emissions in compliance year y.
2. **Producers** contract accredited **Verifiers** (auditors) who establish that these reports comply with EUMR (accreditation framework/ verification protocol to be established)
3. **Importer** submits verified report of compliance year and origin of cargos/ of pipeline gas and hence provides link to producer.



Pool Case LNG: Trading gas and sourcing certs

- A **producer** and its production is certified by an accredited verifier (who operates within a standard audit protocol that might be set by a voluntary Certification Scheme).
- Standardized environmental attribute **certificates** are issued including Annex IX data, upon injection of gas into a pipeline system (on e.g. a daily, monthly, quarterly basis)
- **Producer** then transfers those to counterparties: intermediaries or importers

Issuing, transfer, and retirement of certificates in producer/ trader/ importer accounts is facilitated by one or more **registries or databases** operated by or on behalf of a voluntary Certification Scheme, eliminating any risk of double counting.



Pool Case Pipeline: Trading gas and sourcing certs

- A **producer** and its production is certified by an accredited verifier (who operates within a standard audit protocol that might be set by a voluntary Certification Scheme).
- Standardized environmental attribute **certificates** are issued including Annex IX data, upon injection of gas into a pipeline system (on e.g. a daily, monthly, quarterly basis)
- **Producer** then transfers those to counterparties: intermediaries or importers

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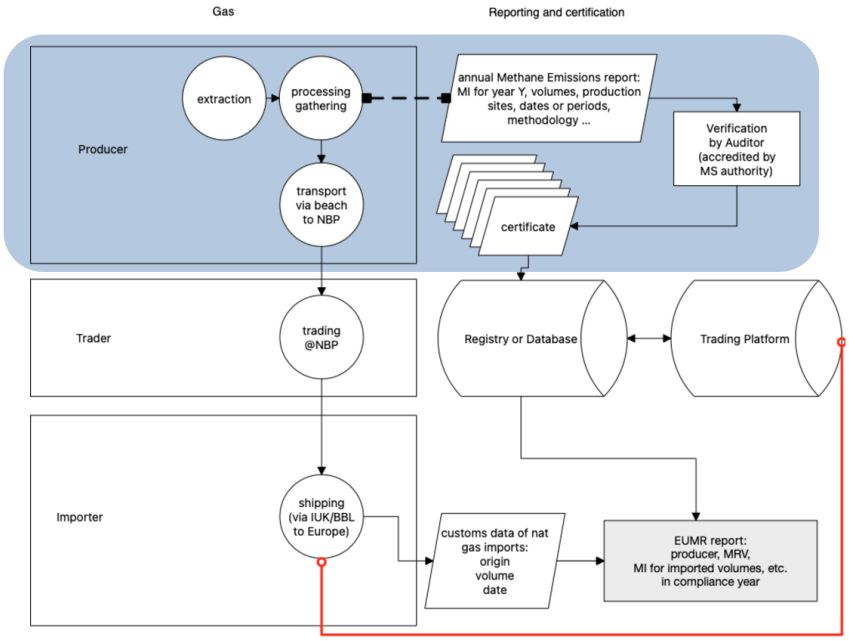

Pool Case Transit LNG: Trading gas and sourcing certs

- A **producer** and its production is certified by an accredited verifier (who operates within a standard audit protocol that might be set by a voluntary Certification Scheme).
- Standardized environmental attribute **certificates** are issued including Annex IX data, upon injection of gas into a pipeline system (on e.g. a daily, monthly, quarterly basis)
- **Producer** then transfers those to counterparties: intermediaries or importers

Issuing, transfer, and retirement of certificates in producer/ trader/ importer accounts is facilitated by one or more **registries or databases** operated by or on behalf of a voluntary Certification Scheme, eliminating any risk of double counting.