

Will enforcing the methane rules make energy more expensive? The evidence says it won't.

Foreword by Sir David King. Authored by Professor Paul Balcombe (Queen Mary University of London) & Dr Lena Höglund-Isaksson, Senior Research Scholar, International Institute for Applied Systems Analysis (IIASA).

One of the key concerns I keep hearing from policymakers and businesses about the EU Methane Regulation, is that enforcing it will push up the price of energy for Europeans. This does, of course, deserve to be taken seriously. But I do not believe it is a valid concern. This briefing outlines why that is. It comes from detailed conversations with experts in the field. The rule does not take gas off the market. We find that it does the opposite and puts gas back onto the market. We also find that the cost of complying is small next to the current mechanisms setting the price.

This summer, extreme heat again cost thousands of lives and was extremely financially costly for many businesses across Europe. Methane is the fastest circuit breaker we have on that warming. So while the note below is about prices and supply, it also speaks to the unprecedented climate crisis we're facing.

Sir David King

CHALLENGING THE COST CLAIM OF THE EUMR

From 1 January 2027, importers must show that the gas they buy comes from producers subject to monitoring, reporting and verification equivalent to the EU's. Industry argues that enforcing this will shrink the pool of gas Europe can buy from, tightening the market and pushing prices up.¹ It is a fair consideration, but it is, on the evidence, incorrect.

The methane regulation is aimed at gas that leaks, or is deliberately vented, or is burned off. That is a saleable gas being lost from the market. The International Energy Agency (IEA) puts the amount that could be captured and sold at around 200 billion cubic metres a year, roughly 100 from stopping leaks and another 100 from ending routine flaring.² That is about double what Qatar exports, and on the scale of a major supplier to Europe. We argue that regulation that incentivises producers to measure and stop those losses returns gas to the market.

What cutting methane leaks and flaring could return to the market each year, next to Qatar and EU imports (bcm/year)



Sources: IEA Global Methane Tracker 2026 (recoverable gas, ~100 bcm leaks + ~100 bcm flaring); IEA / Eurostat (Qatar exports, EU imports).

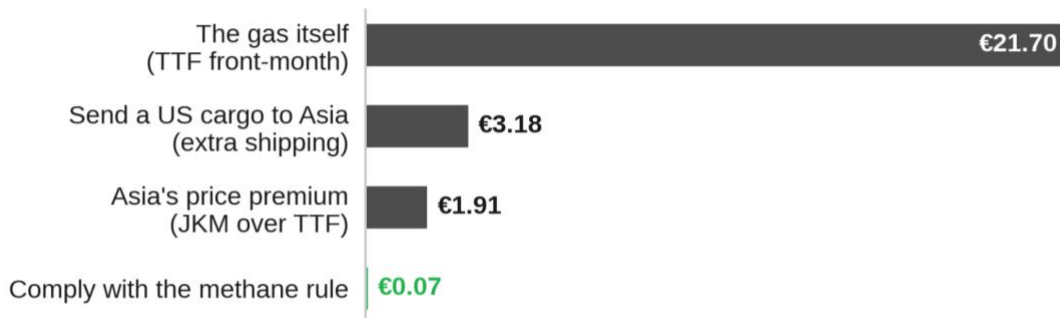
A profit maximising producer places capital where the marginal return is highest. With production margins often between 60 and 100%, drilling and selling more gas is almost always more profitable than

spending on methane abatement, especially when prices are high.⁹ So unless the regulation is enforced in order to have the effect of incentivising abatement, producers will choose the path of least resistance.

Compliance costs are limited

Independent modelling puts the cost of meeting the standard at about €0.07 per MMBtu, around 0.3% of what gas costs today. Monitoring is a fraction of a percent of production.³ Producers are very unlikely to change their supply chain routes for such a small cost.

The cost of complying with the rule, next to the costs that actually decide where gas goes (€ per MMBtu)



Sources: CATF/Rystad (compliance cost, penalties included); IEA (JKM-TTF spread, Mar-Jun 2026, \$2.10); CATF (rerouting cost, \$3.50); TTF front-month, Sep 2026. Dollar figures converted at \$1.10 to the euro.

WHAT SETS THE PRICE

Geopolitical uncertainty and competition with Asia for LNG are driving price changes. Prices are high at the moment because of the loss of Gulf supply and the pull of Asian buyers, with the European benchmark sitting around €74 per MWh.⁴ Look into longer-term modelling, and reputable analysts expect the global LNG market to tip into oversupply from 2028 and European gas demand to fall by roughly 7% by the end of the decade.⁵

Independent analysis for the Environmental Defense Fund finds that gas already reported to the standard the EUMR requires totals to more than three times what the EU imports.⁶ Regulation cannot trigger a scarcity in a market when the commodity is not scarce.

Gas already reported to the standard the rule names, compared with what the EU imports (bcm/year)



Source: Rystad Energy for the Environmental Defense Fund, June 2026 update (gas reported at OGMP 2.0 Level 5).

THE FAIR OBJECTIONS, AND WHAT THEY CHANGE

Crude oil. Some of the heavier crude grades that particular European refineries are built around are harder to source from compliant producers, and switching can be costly.⁷ That is a narrow problem, and the answer is to work through those particular grades rather than postponing the whole rule.

Whether it can be done in time. Two key things have to happen by January 2027. Importers have to show how the gas they buy is monitored, and the EU has to supply the means of checking that, via a

verification protocol, accredited verifiers, and a transparency database. The second of those is behind. But an importer who cannot complete the paperwork in 2027 is not fined for it, because the Commission has asked member states to hold off penalties for reporting failures through 2029. That means there are three years to finish the machinery, with the Commission reviewing progress by January 2028.

Whether measurement alone will drive reductions. From January 2027, compliance means showing that the producer's monitoring, reporting and verification is equivalent to the EU's. From the first report in May 2028, it means reporting the results. Only from 2030, under Article 29, does compliance mean an intensity figure sitting below a limit. Current reporting captures a small fraction of the sector's emissions, so requiring better measurement and reporting is necessary. On its own it may not be enough to drive reductions, which is why the measurement requirements should be complemented by binding requirements to install and operate the abatement technology that already exists.

WHAT THE RULE REQUIRES IN 2027

The EUMR requires importers to show that the gas they buy is subject to monitoring, reporting and verification equivalent to the EU's.⁶ Where a country does apply penalties, they are proportionate, and the Commission has asked that they be held off through 2029.⁷ The methane intensity limit, the one part that could, in principle, shut a supplier out, does not arrive until 2030.⁸ The regulation requires measurement and compliance, and enforcement of these processes.

IN CLOSING

The case in this note is made on the ground the debate is being fought on, price, supply and competitiveness. But I would ask the reader to lift their eyes a little. The industry pressing hardest for delay is also the industry with the most to lose from a destabilised climate, from flooded terminals and disrupted shipping to the demand that simply falls away in a hotter, poorer world. A rule that captures wasted gas and cuts the most powerful short-term warming agent we know is not a threat to Europe's energy future. It is part of protecting it. The gas exists, the cost is small, and the instruments are finally here. What this decision really asks is whether Europe still has the political mettle to use the time that cutting methane can still buy. I believe it does.

Sir David King

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