Addressing methane emissions from oil & gas towards reaching the Paris Agreement targets

9 September 2020, 15:00 – 17:00

Webinar hosted by MEP Katalin Cseh

Co-chair of the 'Clean Energy and Transport' Working Group of the European Parliament Intergroup on "Climate Change, Biodiversity and Sustainable Development"

Speakers:

- **MEP Katalin Cseh**
- **Poppy Kalesi**, Director Global Energy, Environmental Defense Fund
- **Stefano Grassi**, Head of Cabinet to Commissioner Kadri Simson, European Commission
- **Francisco Pablo de la Flor**, Board Member, Gas Infrastructure Europe
- **Esther Bollendorf**, EU Gas Policy Coordinator, CAN Europe
- **Dr. James Watson,** Secretary General, Eurogas
- **Mark Radka,** Chief of Energy and Climate Branch, Economy Division, UNEP
- **MEP Nicolás González Casares**
- **MEP Jutta Paulus**

Welcome Message

MEP Katalin Cseh

> "There is a lack of common technological approach to monitoring methane emissions, standard reporting method, reliable data and EU legislation"

MEP Ms. Katalin Cseh started her intervention by highlighting that methane is a very powerful greenhouse gas after carbon dioxide and therefore in line with EU's 2030 and 2050 climate objectives methane emissions have to be addressed. Ms. Cseh also underlined that the **energy sector accounts for nearly one third of human-induced methane emissions, while the agricultural and waste sectors account for the remaining share.** Ms. Cseh stressed that methane emissions are a challenge that can be promptly addressed through the contribution of those responsible for the largest share of methane emissions and the establishment of an adequate legal and policy framework by decision makers from EU and beyond. Furthermore, Ms. Cseh underlined that while the issue is one of the priority initiatives in the EU Green Deal and the EU's Methane Emissions Strategy, there is a **lack of common technological approach to monitoring methane emissions**, standard reporting method, reliable data and EU legislation. According to Ms. Cseh, while the recent increase of **voluntary initiatives by the oil and gas sector** is more than welcome, it must be ensured that these initiatives are **guided by unambiguous EU standards**. Ms. Cseh pointed out that under the Green Deal framework EU should and will lead the way in addressing methane emissions, while also stressing that **consumers should not be the ones that bear the cost of this mitigation**.

Keynote Address

Poppy Kalesi, Director Global Energy, Environmental Defense Fund

> "MRV (monitoring, reporting and verification) and LDAR (leak detection and repair) are not sufficient to achieve a reduction of methane emissions and according to EDF a 0.2% methane performance standard, certifying that all gas consumed in EU is responsibly produced, should be set."

Ms. Kalesi emphasized that **40% of the methane emissions reductions in the oil and gas sector can be achieved at no-net cost**. Moreover, Ms. Kalesi added that according to the International Energy Agency, it is technically feasible to cut around three quarters of current methane emissions from global oil and gas operations. While **voluntary agreements** are an important first step, they **are not sufficient in delivering the**

methane emissions' reduction needed and therefore **regulatory intervention is crucial** in delivering effective change. Furthermore, Ms. Kalesi explained that although the EU is not a major producer of oil and gas, it is both the driver of the problem by being the largest consumer of internationally traded gas, and the solver, since EU has the knowledge, tools and opportunity to reduce global methane emissions by indicating the standards that imported gas must meet. Ms. Kalesi also noted that the **European Commission will propose an EU Methane Strategy** soon and that it is publicly confirmed that regulation on MRV (monitoring, reporting and verification) and LDAR (leak detection and repair) will be proposed in the second quarter of 2021. However, Ms. Kalesi stressed that **MRV and LDAR are not sufficient to achieve a reduction of methane emissions** and argued that a stringent emission performance standard for all gas sold in the EU, both produced in the EU and imported, is needed. Ms. Kalesi also noted that EU law on methane emissions should be an integral part of the gas market reform, requiring national governments and regulators to administer methane fees (methane supply index) on all EU entities that do not meet those performance standards. Moreover, Ms. Kalesi highlighted that this mechanism has to be based on **continuous investment to improve science, measurements and verification**, so that the implementation of stringent performance standards is grounded in reliable data. Ms. Kalesi also mentioned that EU is taking a leadership role in strengthening around UNEP, the international ecosystem to assess data from scientific studies and from companies' own reporting. Ms. Kalesi highlighted that according to EDF, setting a 0.2% methane performance standard, certifying that all gas consumed in EU is responsibly produced, would be a critical first step and a powerful market signal globally. Ms. Kalesi concluded her intervention by stressing that a **radical change of both the physical energy system and the market design that reflects carbon dioxide and methane externalities in wholesale gas price is needed**.

Panel Discussion

Stefano Grassi, Head of Cabinet to Commissioner Kadri Simson, European Commission

> "The Methane Emissions Strategy has three areas of focus: the horizontal issues, the policy and regulatory framework and the actions on an international level."

Mr. Stefano Grassi initially expressed his surprise regarding the mismatch between how harmful methane emissions are and how limited attention the issue has received from a regulatory point of view. **The European Commission will present an updated Methane Emissions Strategy by mid-October** and it will present to the European Parliament and the European Council the **Climate Target Plan** with **increased greenhouse gas reduction ambitions for 2030**. In that line, Mr. Grassi stressed that according to the

European Commission's impact assessment for 2030, the **climate neutrality goals cannot be achieved unless methane emissions are addressed** and reduced by more than one third of the levels of 2015. Moreover, Mr. Grassi stressed that, while the energy sector offers the possibility to intervene at the lowest cost, **the European Commission will address all manmade methane emissions**, including those from the agricultural and waste sectors. Furthermore, Mr. Grassi informed the audience that the **European Commission has identified three areas of focus for the Methane Emissions Strategy**: the **horizontal issues,** the **policy and regulatory framework** and the **actions on an international level**. Regarding the horizontal issues, Mr. Grassi mentioned that these issues are linked with addressing the lack of transparency regarding the methodologies of MRV. With reference to the second area of focus, Mr. Grassi mentioned that the **voluntary commitments** of the energy **sector should be reinforced by a clear policy and possibly a regulatory framework**. In that line, Mr. Grassi pointed out as important areas the MRV, the LDAR, and also the flaring and venting, with the latter two being completely prohibited by a realistic date such as 2025. Mr. Grassi also noted that the European Commission intends to work intensively on the diplomatic level to create an international coalition, in order to promote action on behalf of the exporting countries. Furthermore, Mr. Grassi highlighted that minimum performance standards for EU and non-EU producers that supply the EU market can be an effective and powerful tool to foster change and should be examined as part of the Methane Emissions Strategy.

Francisco Pablo de la Flor, Board Member, GIE (Gas Infrastructure Europe)

"The industry, for decades, was addressing the case of methane emissions because of safety, and today it has become amongst the top priorities in order to address the COP-21's targets"

Mr. De la Flor began his intervention by underlining the fact that addressing methane emissions was not a new topic for the industry, especially due to the question of safety. However, tackling methane emissions has become amongst today's top priorities notably in order to achieve the Paris Agreement objectives. Mr. De la Flor introduced a report developed with many stakeholders involved in the value chain, which summarizes the current situation of industry's methane emissions and the future steps to follow. Afterwards, Mr. De la Flor **presented the work done by the GIE in order to reduce the emissions.** Firstly, he informed that an **action plan, including 50 concrete activities, has been published**. Mr. De la Flor secondly explained that a programme to **disseminate those activities to a wide range of companies** has also been developed. Moreover, Mr. De la Flor highlighted the progress made in assessing methane emissions, notably regarding the question of methodology. In the same idea, Mr. De la Flor underlined the **contribution of the GIE to the development of the Common Methane Emissions Reporting Framework**. In order to enhance the awareness and the actions of the industrial players, Mr. De la Flor suggested that different tools, such as '**Best Practice guides' or concrete guidelines for methane emissions target settings, have been produced by the GIE**.

Finally, Mr. De la Flor emphasized the role of technologies to reduce such emissions, for instance in underlining the complementarity of top-down and bottom-up approach technologies.

Esther Bollendorff, EU Gas Policy Coordinator, CAN Europe

"The oil and gas industry's voluntary agreements are not the most effective means of action and should be reinforced, through external scrutiny and also through evaluation by experts from other fields."

Ms. Bollendorff welcomed the European Commission's approach regarding the introduction of hard legislation on MRV, LDAR, burning, venting and flaring and noted that a methane emissions' performance standard is interesting, but complicated in practice. Ms. Bollendorff proceeded by stressing that **the issue of methane emissions should be viewed within a broader context as regards the role of gas in EU's energy system in the next 10-15 years and highlighted that phasing out gas has to be discussed**. In that line Ms. Bollendorff mentioned that according to **CAN Europe gas should be part of EU's energy system until 2035** and the system should rely mainly on renewable energy production and improved energy efficiency. Ms. Bollendorff highlighted that while it is important to mitigate methane emissions from gas, this **should not lead to the notion that gas can be "greened" and therefore can supply EU's energy system**. In addition to the above, Ms. Bollendorff's second key message could be summarized as follows: "the industry's voluntary agreements, are not the most effective means of action and should be reinforced, through external scrutiny and also through evaluation by experts from other fields that will assess additional aspects like storage, efficiency and demand response".

Dr. James Watson, Secretary General, Eurogas

"The tariff structure should be based not only on security but also on sustainability, which is linked to measurement programs, meaning that the cost of the measurements should be covered."

Dr. James Watson started his intervention by mentioning that a lot of work has been done on a voluntary level towards addressing methane emissions and the creation of the right regulatory framework should follow. Furthermore, Dr. Watson argued that if companies are willing to adhere to voluntary agreements like the Oil and Gas Climate Initiative, then regulation should support these initiatives and Eurogas, as a member of the Methane Guiding Principles, would also support regulations on methane emissions. Moreover, Dr. Watson mentioned that within the downstream sector, the tariff structure allows the remuneration of the regulated distribution companies on the basis of their security-related activities and services like LDAR. Dr. Watson also argued that this tariff structure should be re-examined. Thus, it was mentioned that the tariff

structure should be based not only on security but also on sustainability, which is linked to measurement programs, meaning that the cost of the measurements should be covered**. Dr. Watson also stressed that a harmonized MRV system is needed, in order to carry out accurate performance comparisons along countries and DSOs**. Finally, Dr. Watson argued that after improving the data-gathering process and employing measurement programs, the intensity reduction targets could be set.

Mark Radka, Chief of Energy and Climate Branch, Economy Division, United Nations Environment Programme (UNEP)

> "In the 'climate world', every bit of emission reduction is absolutely critical. In UNEP, we are convinced that we can work together to achieve these goals globally. The key is what I call 'rich partnerships' that bring together organizations that have a shared goal, but different scales, knowledge and experience."

Mr. Radka argued in his intervention that the **reduction of natural gas emissions must be reduced as much as technology and practices allow**, and this is companies' duty to move in this direction. UNEP's broad partnership approach, one involving the private sector, international organizations, governments and NGOs, was promoted by Mr. Radka, who underlined the reliability of those collaborations, as evidenced by the ambitious reduction targets of the Mineral Methane Initiative within the Climate and Clean Air Coalition (CCAC). In order to reach those goals, Mr. Radka also explained t**he technical role of UNEP, in assisting countries to reach their Paris agreement objectives, in coordinating sciences studies, or in directly measuring gas infrastructure emissions**. Afterwards, Mr. Radka expressed his enthusiasm about the transparency and reporting framework for methane emissions which involved several significant companies from the gas sector. According to Mr. Radka, the launch of an updated and expanded framework will significantly increase membership to this unprecedented initiative, across all the value chain. Then, Mr. Radka underlined the **important benefit of UNEP and EU Commission's close collaboration on methane emissions**. To conclude, Mr. Radka stressed the key role that the EU has to play on this issue, as the largest global gas importer, while also re-stating the importance of collaborative action to globally attain these goals.

Reactions by MEPs

MEP Nicolás González Casares

> "We have to abandon financial activities that are not in line with the green deal. The ecological transition continues to be an opportunity, but we have to solve this important methane issue"

In the first place, **Mr. González Casares** underlined the importance of the EU Green Deal and its ambitions to have a decarbonized EU for 2050. Such a framework already tackles the emissions from gasses, but Mr. González Casares highlighted that the **EU must also provide a clear strategy on methane emissions reduction**. According to Mr. González Casares, even if the **EU is not a gas producer**, it still has an important responsibility regarding methane emissions since **it is a major global importer**. Accordingly, Mr. González Casares emphasized the need for strong regulation in order to internalize the cost of those activities and to hamper economic incentives in this polluting sector. Then, Mr. González Casares urged the Commission to rapidly deliver a strategy including clear policy actions in this domain. In link with this future strategy, Mr. González Casares hoped that it could improve emissions measurements, report methane use across sectors in view with energy and climate legislation, and **foster synergies between sectors**, for example, regarding the **possibility to transform agricultural and water waste into biogas production**. Moreover, Mr. González Casares also stressed the necessity to abandon financial activities that are not in line with the Green Deal.

MEP Jutta Paulus

> "I really call the Commission: 'please, be bold on this issue!' and deploy a strategy where we are not just doing statistics counting emissions, but where we actually will do something about the emissions"

Ms. Paulus started her statement by addressing the current legal process regarding the revision of the **EU regulation on shipping emissions**. She explained that the latter must focus not only on carbon (which was previously the norm) but also on methane emissions. Then, Ms. Paulus provided an enthusiast reaction to the Commission's willingness to act on methane emissions, even if she regretted that this issue has been overlooked for so long. Moreover, Ms. Paulus exhorted the Commission to be bold and to provide concrete actions about the emissions, "not only doing statistics counting". Additionally, Ms. Paulus highlighted the fact that many industries and business leaders in the EU are ready to be active on climate action and that there is a need for certification for companies that lower their emissions. Finally, Ms. Paulus emphasized that despite the coronavirus crisis, there is **still a massive popular support for strong legal action on climate change**. To conclude, Ms. Paulus asked a question to Mr. De la Flor and Dr. Watson highlighting the paradox between the discourse of the industry being very proactive on the issue of methane emissions' reduction, and the reality of the emissions which have been rising for the last 20 years.

Discussion with the audience, moderated by Poppy Kalesi (EDF)

The first question from the audience addressed the draft regulation proposed by the EU Commission, in which there seems to have a risk for the consumers to pay the consequences of the fixes. First, **Mr. Grassi** explained that, regarding the issue of cost, there is currently a non-optimal distribution of incentives for operators in the area. He highlighted the fact that there is a need to c**reate a more logical allocation for incentives** and that different tools (legal and economic) can be used to do so. Mr. Grassi also argued that such proactive actions can be implemented without an impact on prices, in a cost-effective way. Secondly, **Mr. Watson** added that there is no direct causal effect that will lead to an increase in consumer prices and underlined the prior necessity to set the right costs of those activities in order to reach more sustainability.

The next question tackled the issue of methane emissions' management governance and how to achieve a more representative panel in the reform of the TEN-E regulation. Mr. De la Flor stressed the importance of working together towards methane emissions' reduction and highlighted the fact that the latter point has become a first concern in the sector. Nevertheless, Mr. De la Flor underlined the fact that all the companies involved are not on equal terms regarding those emissions, and that the prior efforts must be directed towards the biggest polluters. Moreover, **Mr. De la Flor** reacted to **MEP Ms. Paulus'** question by mentioning that during the period **between 1992 to 2016, the emissions of greenhouse gasses in this sector have been reduced by 38%**. Furthermore, Mr. De la Flor added that there is a need to continue in this direction and that the involved companies, at their scales, are doing their bests to improve their practices and reduce these emissions.

The third question on the expected launch of the OGMP2.0 and the first report with data submitted by the companies was addressed to **Mr. Radka**, who responded that the GMP2.0 will be launched in October and the report will become publicly available after summer of 2021.

Moving ahead, the fourth question was on the long-term role of gas within the **Methane Emissions Strategy** and the risk of presenting a "cleaned-up" gas that can be a perfect transition fuel. **Mr. Grassi** stated that since the energy transition is happening, methane emissions need to be effectively addressed, while this does not imply that there is an intention to prolong the use of gas and extend the energy transition.

The final question on the fuel that could replace gas in industry and heating in a 2035-2040 context was addressed to **Ms. Bollendroff**, who responded that heating systems along with most sectors should be electrified, while other sectors that need gaseous fuels could utilize hydrogen from renewable electricity. Ms. Bollendorff also highlighted the important role of **improving energy efficiency and creating a circular economy** and pointed at the PAC (Paris Agreement Compatible) scenario, that has been developed by CAN Europe and EEB (European Environmental Bureau) and the research done by the German Institute for Economic Research for further detailed information.

Closing remarks

MEP Nicolás González Casares and MEP Jutta Paulus

Within his concluding remarks, **MEP Mr. González Casares** summarized the key positions and statements of webinar's speakers. Then, **MEP Ms. Paulus** expressed the necessity, not only to address methane emissions from the gas industry at the EU level, but also coming from other sources such as agriculture or waste. Ms. Paulus also stressed the fact that there are solutions and opportunities to take action on this important issue, and that there is room for strong EU legislation on methane emissions' reduction. Finally, Ms. Paulus highlighted that there is not only a need for legal action, but a strong enforcement is also essential.