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Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on methane emissions reduction - Progress report

I. INTRODUCTION

1. The Commission presented the proposal for a Regulation on methane emissions reduction in the energy sector on 14 December 2021, as part of the ‘Fit for 55’ climate package that aims to implement the European Green Deal with a view to achieving climate neutrality in the Union by 2050. This legislative package follows the interim target of a net reduction in greenhouse gas emissions of at least 55 % by 2030.

2. Methane is a greenhouse gas, second only to carbon dioxide in the importance of its impact on climate change, and it is responsible for about a third of current climate warming. Although other human activities, such as agriculture (mainly livestock farming) and wastewater, contribute to methane emissions, the most cost-effective reductions that can be rapidly achieved are in the energy sector.
3. The Regulation provides for improved accuracy of data on the main sources of methane emissions from energy production and consumption in the EU. It also requires the oil, gas and coal sectors to quantify their methane emissions and lays down rules concerning the detection and repair of methane leaks. Standards to limit venting and flaring are also proposed. The text also sets out the tasks of competent authorities concerning inspections and complaints, as well as the role of verifiers and procedures for the verification of methane emissions data reported by operators.
4. As regards methane emissions outside the EU, the regulation introduces transparency instruments: an obligation for importers of fossil fuels to provide information in relation to methane emissions, a transparency list of Union companies and of countries and companies exporting fossil energy to the Union, including information on their international obligations, and a global monitoring tool based on satellite data to publicise the magnitude, recurrence and location of methane emitters.
5. The final provisions of the proposal offer guiding principles on penalties, while recognising that the imposition of penalties is a national competence. These provisions also confer the power to adopt delegated and implementing acts, and contain a review clause.

6. On 3 March the Council consulted the European Economic and Social Committee (EESC) and the European Committee of the Regions (CoR). The EESC considers that the EU is responsible for only 5 % of global methane emissions and that most emissions come from natural gas imports from outside the EU. Therefore an international approach including energy imports remains essential. The EESC also emphasises the need to set appropriate inspection deadlines for gas installations, distinguishing between their technical condition and age. Initiatives such as the International Methane Emissions Observatory (IMEO), as well as the use of satellite technologies to detect these leaks, should be streamlined and prioritised. The opinion of the European Committee of the Regions has not yet been published.
7. On 2 June, the examination of this proposal by the European Parliament was assigned to both the Committee on the Environment, Public Health and Food Safety (ENVI) and the Committee on Industry, Research and Energy (ITRE). In the ENVI Committee the rapporteur is Silvia Sardone (IT, ID), and in the ITRE Committee it is Jutta Paulus (DE, Greens).
8. This report outlines the state of play with the file and the main issues discussed within the Council preparatory bodies. The Permanent Representatives Committee and the Council (TTE - Energy) are invited to take note of this progress report.

II. LEGAL BASIS

9. Some Member States asked the Council Legal Service for an opinion on the legal basis of the text, which they considered to be more connected with the environment than with energy. The Council Legal Service delivered its written opinion on 3 June (9806/22).

III. STATE OF PLAY

10. The Commission presented the proposal and the impact assessment to the Working Party on Energy on 7 February 2022. Further work entailed a detailed examination of the articles of the text. During these meetings, delegations expressed interest and support for measures to quantify and reduce emissions. In-depth discussions were held on flaring (in all sectors) and venting (in particular in the case of mining), as well as on the cost/benefit ratio of the measures to be adopted.
11. Following the discussions in meetings of the Working Party on Energy and taking into account the written comments submitted by delegations, on 20 April the Presidency proposed a compromise text (REV1) ST 8192/22, which was discussed in the Working Party on Energy on 28 April. Delegations generally welcomed the proposed amendments, in particular with regard to the extension of the deadlines and the clarifications that had been made. For some delegations, however, additions had to be made in order to arrive at a satisfactory version of the text. On the deadlines proposed in REV1, the Council was divided, with some Member States wishing to extend them further, while others felt that some deadlines were too long, particularly as regards checking the repairing of leaks.
12. All delegations entered a scrutiny reservation and/or a parliamentary scrutiny reservation on the text and were still in the process of analysing the provisions of the draft Regulation.

A. Overview

13. Generally, delegations have expressed their support for the measures to reduce methane emissions given the role of methane as a greenhouse gas. They have recognised the importance of a sustained reduction in methane emissions to improve air quality, slow down global warming and reach climate neutrality by 2050. However, Member States have generally called for vigilance concerning the additional administrative burdens and the cost of the measures, particularly reporting. Delegations have also stressed the importance of maintaining some flexibility in the implementation of the measures to take due account of national circumstances. They have also requested some clarifications. More specifically, issues they have raised include the choice of instrument (regulation rather than directive), the definition of inactive wells, the international dimension (access to data, risk of unfair competition, diplomatic versus regulatory approach), the link that could be made to the CBAM or ETS, the methodologies chosen for MRV (measurement, reporting, verification), emissions thresholds, the frequency of verifications and the role of national authorities.

B. Main issues

Subject matter and scope (Article 1)

14. Member States have asked for the definitions and their scope to be clarified so as to clearly delimit all the activities and facilities covered by the Regulation. Member States have also questioned the type of costs taken into account in tariff setting, and the role of ACER and the assistance it could provide to Member States. Some delegations have noted that there should be a different approach for abandoned inactive oil and gas wells and fully closed and sealed inactive wells, and have proposed definitions for these terms. For abandoned wells, methane emissions could be reported annually. On the other hand, for fully closed and sealed inactive wells, monitoring measures should be more flexible and targeted since in most of these cases leaks ought to be negligible. A flexible and targeted approach was considered necessary for offshore wells given the costs of monitoring and annual reporting. For onshore wells, it has been reported that many places are no longer accessible as some old extraction sites have been built on.

Inspections (Article 6)

15. Several delegations have asked for the competent authorities to carry out inspections based on a risk assessment of facilities; this has been introduced in REV1. However, both the form and content of such assessments could be made more specific. To reduce the administrative burden on both the operator and the competent authorities, a number of delegations have asked for the frequency of periodic inspections to be reduced so as to adapt them to the risks posed by the facilities being inspected.

International Methane Emissions Observatory (Article 10)

16. As regards the role of the Observatory, several delegations have remarked that duplication of the tasks of national verifiers and competent authorities should be avoided (see Article 8). With that in mind, the legitimacy of attributing verification tasks to the Observatory has been questioned, without doubting the value of the Observatory's other tasks such as the aggregation of methane emissions data and publication of the aggregated data.

Monitoring and reporting (Article 12)

17. Delegations have expressed a preference for site-level measurements only when emissions from a facility exceed a minimum threshold to avoid disproportionate reporting efforts for very minor emission sources. This is in line with the principle of relative importance ('materiality') in OGMP 2.0. In addition to direct measurements, changes to the text have also been requested to clarify the possibility of using different techniques for quantifying emissions where it would be impossible or particularly costly to carry out direct measurements.

Leak detection and repair (Article 14)

18. From a European perspective, the Commission could be given a mandate to establish a common methodology in collaboration with the European Committee for Standardisation (CEN). Delegations have proposed a risk-based approach for the detection and repair of leaks.

A number of delegations have questioned the choice of 500 ppm as the threshold for the detection and repair of leaks, and have pointed out the problems this would cause in terms of measurement and methodology.

Venting and flaring (Article 15)

19. Delegations have called for more flexible venting and flaring rules to take account of the differing requirements for offshore oil and gas extraction and those dictated by worker safety and security of supply. Thresholds have been suggested so that venting can continue in order to avoid management costs that have been found disproportionate.

Inactive wells (Article 18)

20. Some Member States have been sceptical about the feasibility of the measures and some have asked for clarification of the scope.

Reduction of emissions in the coal sector (Chapter 4 – Articles 19 to 26)

21. Some Member States have expressed reservations about the cost of these measures for coal mines that are inactive or due to close in the near future.
22. Derogations have also been requested by Member States given the specific nature of mines in which they consider that venting or flaring is necessary.

Methane emissions occurring outside the Union (Chapter 5 - Articles 27 to 29)

23. Delegations have expressed their support for these provisions, considering the need for the information provided to be transparent. However, concerns have been raised about importers' ability to collect the data, and their responsibility for doing so, as well as about their reliability.
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