

## Taking Stock of a Big Month for Methane Policy

Article By:

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November has been a big month for methane policy, featuring announcements of new international, domestic, and private sector initiatives. A common thread across all of the new initiatives is the aim of achieving more ambitious, credible, and internationally consistent standards for measurement, monitoring, reporting, and verification (MMRV) of methane emissions from the oil and gas sector. Below is a review.

***China's Methane Pledge.*** China is the world's largest emitter of methane, accounting for 14% of the global total, and, for the first time, the government made an international announcement about methane policy. At a November summit held in Sunnylands, California, President Joe Biden and Chinese President Xi Jinping announced a **new agreement** to address climate change. Previous Chinese pledges had only targeted carbon dioxide, but the new agreement includes a first-ever commitment by the country to tackle non-CO<sub>2</sub> emissions, including methane. Just prior to the Sunnylands summit, the Chinese government issued an action plan outlining goals to curb flaring and to develop a methane MMRV program.

***EU Methane Regulation.*** The European Union (EU) also broke new ground on methane policy this month. After all-night talks, the EU's governing entities finalized a new **Methane Regulation**, which targets not only domestic sources of methane but also emissions attributable to imports of natural gas into the Continent—including from the United States. For imports, the Regulation establishes phased requirements. The first phase focuses on data collection coupled with a mechanism for detecting and rapidly addressing large leaks. The second phase will condition imports on application of prescribed, uniform MMRV measures. Starting in 2030, importers will be subject to a limit on their methane

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“intensity”—a metric that measures methane emissions per unit of gas throughput. The methane intensity limit will apply across the entire value chain, from pre-production through final delivery. The Regulation requires the EU Commission to promulgate the intensity standard by 2027.

***International Working Group on MMRV for Natural Gas Markets.*** To support not only these emerging governmental policies but also expanding private sector efforts to create a market for “Differentiated Gas,” a multilateral initiative was announced in November—the International Working Group to Establish a Greenhouse Gas Supply Chain Emissions Measurement, Monitoring, Reporting, and Verification (MMRV) Framework for Providing Comparable and Reliable Information to Natural Gas Market Participants (the Working Group). The Working Group’s members consist of the U.S. government, eleven other governments, the European Commission, and the Mediterranean Gas Forum. The Working Group’s objective is to develop a consensus-based, consistent international framework for supply chain MMRV. A consistent framework will make it easier for buyers to demand and suppliers to provide natural gas with a lower greenhouse gas profile. The Working Group will not prescribe emission targets, but it acknowledges that governments may use its work products to inform regulatory processes.

The Working Group has stated that it will draw on input from expert stakeholders. To that end, a consortium of three universities participating in the Energy Emissions Modeling and Data Lab (EEMDL) has convened a group of academic, think tanks, ENGO, and market experts to develop recommendations for MMRV standards for the Differentiated Gas market. (I am a participating expert in the EEMDL initiative.) This month, a subset of the experts group published a paper in *Nature Energy* outlining the issues.

***Financial Institutions Call for Industry Action.*** Underscoring the increasing private sector demand for Differentiated Gas, two major financial institutions released reports in November calling for industry action. JP Morgan, one of the world’s largest financiers of fossil fuel projects, issued a report underscoring its commitment to achieve a net zero-aligned emission intensity reduction target for its oil and gas sector portfolio. Methane reductions are a key element of its net-zero strategy. To that end, the report identifies and exhorts the industry to adopt best-in-class practices for methane MMRV and mitigation.

In the same week, one of the world’s largest insurance underwriters for the oil and gas sector, Chubb, rolled out a Methane Resource Hub, a digital resource

center for its clients. The site provides information on MMRV and mitigation techniques, technologies, studies, and policies.

***Waiting for EPA.*** Also expected in November is EPA's proposed implementation rules for the "Methane Fee" that was enacted as part of the Inflation Reduction Act (IRA). The IRA provisions apply a per-ton fee to facilities in the oil and gas sector that exceed specified methane intensity limits. To implement the fee, EPA will need to promulgate methods for facility-level methane intensity measurements. A significant issue in the rulemaking is the extent to which EPA will allow affected facilities to use advanced methane measurement technologies to calculate their annual emissions.

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