

## Shell response to the Inception Impact Assessment on the EU Proposal for a legislative act to reduce methane emissions in the oil, gas and coal sectors

Shell Companies EU Transparency Register: 05032108616-26

Shell<sup>1</sup> welcomes the opportunity to contribute to the combined evaluation roadmap/inception impact assessment of the EU Methane Strategy.

Shell supports the EU's target to achieve climate neutrality by 2050<sup>2</sup> and believes reduction of methane emissions across the whole natural gas supply chain is a key element in achieving this objective. The planned EU legislative proposals in 2021 provide an opportunity to establish an ambitious and consistent policy framework covering the full range of methane emissions priorities as identified in the EU Methane Strategy, including measures applying to the global supply chain. Shell welcomes the EU Methane Strategy as the basis for the European Commission's future legislative proposals and looks forward to engaging with stakeholders as this process develops.

The following points are our feedback on the proposals included in the Inception Impact Assessment. More information on our approach to tackling methane emissions, including Methane Policy Recommendations for the EU developed with other companies and organisations, can be found on the [Shell website](#).

- Methane emissions must be reduced along the full natural gas supply chain to ensure collective progress in all relevant segments from production to the end consumer. We believe that translating the currently voluntary Oil and Gas Methane Partnership 2.0 framework (OGMP2.0) into legislation applicable to the full supply chain (proposed option 3), consistently with international trade policy, is key to achieving that objective most widely and effectively.
- We agree that effective methane emissions reduction through Leak Detection and Repair, together with the elimination of routine venting and flaring in Europe, would lead to the achievement of material reductions in methane emissions from the EU energy sector. However, as the EU is a major importer of natural gas, policies and incentives should also apply to global supply chains. We believe that the EU should establish a pathway towards the implementation of a performance standard by 2025, in coordination with the planned International Methane Emissions Observatory and informed by the proposed Methane Supply Index. The performance standard for the upstream segment of the supply chain should be no higher than 0.20% methane intensity, which acknowledges similar commitments made by the upstream segment through voluntary initiatives, and targets should also be set for other segments of the supply chain.
- To incentivise the continual reduction of the methane emissions intensity of the gas entering EU domestic and import supply chains, we also see the need from 2025 for a procurement standard that seeks to procure gas that meets the performance standard into the EU, from domestic supply chains and international supply chains alike.

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<sup>1</sup> The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate legal entities. In this document "Shell", "Shell Group" and "Royal Dutch Shell" are used for convenience, where no useful purpose is served by identifying the particular entity or entities

<sup>2</sup> It is important to note that, while Shell is supportive of the EU target of net-zero greenhouse gas emissions by 2050, its current business plans are not consistent with the proposed EU target. Shell's aim is that, in the future, its operating plans and budgets will change to reflect this movement towards its Net-Zero Emissions ambition, in step with the movement towards a Net Zero Emissions economy within society and among Shell's customers.

The establishment of methane regulatory equivalence between the EU and gas exporting countries, based on an agreed set of criteria and underpinned by a robust MRV, is potentially the most effective pathway to deliver the performance standard given the partner countries' direct role in regulating methane and ensuring/overseeing robust MRV that meets an EU standard. Equivalence incentivises policy-driven climate action in exporting countries and is simpler to design and implement than other policy options.

In parallel with energy diplomacy efforts to establish regulatory equivalence, we also believe that a methane certification scheme should be designed and implemented on a voluntary basis. Recently, certification has been gaining interest as a market-driven tool that can deliver ambitious methane emission reductions and schemes are currently being developed to illustrate how it can work in practice. Such certification would need to be based on reliable and transparent MRV criteria to ensure that all participants have equal access to the EU market. If regulatory equivalence cannot be achieved by 2025, certification should then become a binding requirement to ensure compliance with the performance standard.

A provision for both regulatory equivalence and certification in the legislative proposals to be published by end 2021 would provide flexibility on policy pathways from 2025.

### **Summary**

Shell believes that the Inception Impact Assessment provides a firm basis for the development of detailed EU legislative provisions. We support efforts to implement the scope of the planned new MRV to the whole global gas supply chain, rather than just a subset. Alongside proposals on MRV, LDAR and flaring and venting, Shell believes regulatory tools must be developed in relation to gas imports, in order to drive down methane emissions from the whole natural gas supply chain and to create a level playing field between all producers and suppliers. Potential new import tools could leverage the establishment of the International Methane Emissions Observatory and associated Methane Supply Index. Together, these measures would form an essential part of achieving the aims and objectives of the EU's Green Deal.