



# EU Methane Regulation Article 27: the Case Against a Grace Period

Why the ordinary enforcement regime does not endanger EU energy security

A decorative graphic on the left side of the page consisting of several overlapping triangles in shades of grey and blue, pointing towards the right.

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**Report**

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## Executive Summary

This paper argues that there is no plausible basis for the introduction of a “grace period” in respect of infringements of Article 27 of the EU Methane Emissions Regulation (EUMR), as proposed in a recently leaked draft European Commission Recommendation.

While responding to calls from large parts of the oil and gas industry for a time-bound “stop-the-clock” mechanisms, the leaked draft appears consistent with statements indicating that the Commission does not intend to initiate an early revision of the EUMR, while recognising the importance of safeguarding energy security and ensuring legal certainty in the context of the ongoing global energy supply crisis. In practice, however, the leaked draft comes close to enabling a de facto suspension of the application of all EU-MER import provisions, which has been requested by the Trump administration.

Environmental organisations dispute the factual basis for the arguments advanced in support of the grace period. They note that major import agreements have been concluded since the EUMR entered into force and argue that the risk of penalties under Article 33 EUMR is comparatively limited when measured against the commercial price and volume risks faced by importers, which are largely beyond their control and may affect profitability by billions of euros.

This paper challenges the proposition that the ordinary application of the penalty regime under Article 33 EUMR to infringements of Article 27 could endanger the security of the EU’s energy supply or lead to material cost increases for importers and their customers. Even in the context of the current energy crisis, importers can comply with their obligations under Article 27 without exposing themselves or their suppliers to significant penalty risks and without jeopardising energy security.

For a relevant proportion of imported crude oil, natural gas and coal, compliance with Article 27 can be achieved without significant difficulty. Even where the objectives underlying Article 27 cannot yet be fully realised because the necessary tracing systems and other adaptations are not fully in place, Article 27 contains safeguards that avoid the risk of disproportionate penalties for importers making genuine efforts to comply. Serious penalties are thus likely to arise only where importers are unwilling to make such efforts. The ordinary application of the penalty regime under Article 33 to infringements of Article 27 does not therefore appear to create a material risk to the security of the EU’s energy supply.

The introduction of a grace period for Article 27 infringements would have significant drawbacks. It would unfairly disadvantage market participants that have already invested in compliance over the past two years. It would weaken incentives for compliance and increase the risk of non-compliance, thus failing to achieve the climate objectives of the Regulation. It would discourage competent authorities from investigating potential breaches of importers’ obligations. It would also jeopardise the implementation of other importer obligations, including after the expiry of the grace period, and risk undermining the credibility of future, unrelated EU legislation.

This paper focuses exclusively on Article 27. The absence of any discussion on the importer obligations pursuant to Articles 28 and 29 should not be interpreted as expressing a view on the appropriateness of a grace period or any other form of penalty relief in relation to those provisions. Articles 28 and 29 fall outside the scope of this paper

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## Abbreviations

<b>EUMR</b>	EU Methane Emissions Regulation
<b>LDAR</b>	Leak Detection and repair
<b>LNG</b>	Liquified Natural Gas
<b>MRV</b>	Monitoring, reporting and verification

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# 1 Leaked Draft Commission Recommendation

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On 28 May 2026, the European media outlet *Contexte* published a leaked draft recommendation of the European Commission concerning the application of Article 33 (penalties) of the EU Methane Emissions Regulation (EUMR).<sup>1</sup> Other reputable media outlets reported on the same leaked document.<sup>2</sup>

A leaked draft is not a reliable indicator of an institution's settled political position. However, once a document that appears plausibly authentic enters the public domain, it becomes part of the public debate. It is therefore appropriate to analyse and comment on it. Unless otherwise indicated, references to the "leaked draft" in this paper refer to the PDF published by *Contexte*.

## 1.1 Dispositive part of the Leaked Draft Recommendation

The dispositive part of the leaked draft is very short, and reproduced here in full:

*"The Commission recommends that Member States should not apply the penalties prescribed under Article 33(5) (m), (n) and (o) of Regulation (EU) 2024/1787 in relation to infringements by importers of the obligations due in 2027, 2028 and 2029 except for cases of large-scale fraudulent breaches of those obligations. This recommendation should apply to supply contracts concluded or renewed until 1 January 2028."*

The leaked draft calls the period of non-application of penalties the "grace period".

Regulation (EU) 2024/1787 is the EU Methane Emissions Regulation (EUMR). Article 33 sets out the Regulation's penalty provisions. Article 33(5) contains a minimum list of sixteen categories of infringements that must be subject to penalties including the following three, which are referred to in the dispositive part of the leaked draft:

- (m) failure of importers to provide the information required in accordance with Article 27(1) and Annex IX;*
- (n) failure of importers to provide the information required in accordance with Article 28(1) and (2);*
- (o) failure of Union producers or importers to provide the information required in accordance with Article 29(1) and (2);*

These three points mention Articles 27(1), 28(1) and (2) and 29(1) and (2) EUMR, which contain all EUMR obligations to which importers are subject.<sup>3</sup>

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<sup>1</sup> *Contexte energy briefing, 28 May 2026: [Commission offers oil and gas importers three-year grace period to avoid methane regulation fines, draft shows](#) (paywalled). The full title of the leaked document is: "Commission Recommendation € 2026/XXXX of XXX on the application of Article 33 of Regulation (EU) 2024/1787 of the European Parliament and of the Council of 13 June 2024 on the reduction of methane emissions in the energy sector and amending Regulation (EU) 2019/942 in relation to obligations imposed on importers."*

<sup>2</sup> *Reuters, 28 May 2026: [EU plans three-year waiver on penalties for oil and gas firms that breach methane law](#) (paywalled); ENDS 28 May 2026: [LEAK: Commission plans 'recommendation' to hold off enforcement of EU methane law](#).*

<sup>3</sup> *It should be noted that, while Annex IX is expressly referenced only in point (m), it contains provisions relevant not only to Article 27, but also to Articles 28 and 29. The full text of Article 27 and Annex IX is reproduced in Chapter 3 of this paper.*

Moreover, although it does not belong to the dispositive part of the leaked draft, its Recital 22 de facto extends its potential application to all other EUMR provisions: *“This Recommendation does not prevent Member States from applying the same grace period to penalties regarding Union producers if they consider that imposing those could similarly endanger security of energy supply.”*

In substance, the leaked draft recommends that Member States refrain from applying penalties in relation to any infringements of importer obligations under the EUMR, and potentially to all other EUMR obligations related to methane emission from oil, gas and coal assets in the EU. This grace period is subject to three limitations. First, the recommendation applies only to supply contracts concluded or renewed before 1 January 2028, including existing contracts. Secondly, it applies only to obligations due in 2027, 2028 and 2029 (the “grace period”). Thirdly, it does not apply in cases involving “large-scale fraudulent breaches” of those obligations.

## 1.2 Reasons provided in the Leaked Draft’s recitals

Recital 21 of the leaked draft acknowledges that *“applying a grace period of not applying penalties may result in an increased risk of non-compliance by importers”*. However, it declares this risk proportionate, given *“the global energy supply shortages and fierce competition for available cargoes caused by the current crisis”*.

The principal justification advanced for the proposed “grace period” is the global energy crisis arising from disruptions in the Strait of Hormuz and, more broadly, the Middle East since 27 February 2026 (Recitals 9-10). According to the leaked draft, *“the EU is competing for supplies in a global oil and gas market that has seen a significant reduction in supply”* (Recital 12), and where *“crude oil and gas volumes are being redirected to regions other than the EU”*, which *“may endanger the security of energy supplies in Europe”* (Recital 17). The crisis resulting from military action in the Persian Gulf region is described as creating a *“likely prolonged period of supply shortages and uncertainties in global energy markets (...) expected to last beyond the full and stable reopening of the Strait of Hormuz.”*

Recital 13 refers to the European Council conclusions of 19 March 2026, which *“called on the Commission to present without delay a toolbox of targeted temporary measures to address the recent spikes in the prices of imported fossil fuels arising from the crisis in the Middle East”*.

In addition, after noting in Recital 6 that *“to date, only a minority of Member States have notified the Commission of their penalty regimes”*, the leaked draft argues in Recital 15 that, in the context of the current supply crisis, the flexibility provided by Article 33 EUMR *“to Member States regarding the application of penalties has been perceived as a factor contributing to legal uncertainty. The current lack of penalty regimes in most of the Member States and thus lack of possibility to assess the risk of potential non-compliance with the import requirements of Regulation (EU) 2024/1787 has been raised by importers as a major risk factor preventing signing or renewing contracts for supply to the EU and increasing the risk of termination of existing supply contracts.”*

In summary, the Commission justifies the proposed “grace period”, during which penalties would not be imposed for importers infringements, by reference to energy security risks resulting from difficulties faced by importers in concluding or renewing supply contracts due to the risk of penalties against the backdrop of continued disruption in global energy markets.

## 2 The leaked draft amid conflicting stakeholder pressures

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At the time of finalising this paper, no explicit public reaction from the oil and gas industry to the leaked draft could be identified. In April 2026, however, a group of 13 fossil energy industry associations, called “for a time-bound “stop-the-clock” mechanism, alongside targeted simplifications and clarifications”. “In light of the current compliance possibility, exacerbated by the emerging energy crisis”, they called for a “grace period with a proper grandfathering of the contracts signed in the interim period.” The associations argued that “the only way to provide necessary certainty would be an EU-level change of the legislation, its timeline and a fully harmonised enforcement across the EU”.<sup>4</sup>

In parallel, representatives of the Trump administration have outspokenly called for a revision of the EUMR. For example, in an opinion published in the Financial Times, the US Ambassador to the EU, Andrew Puzder, warned the EU that it could face a “long, cold and costly winter” if it did not substantially soften the EUMR, adding that “half measures will not solve this problem.” As the US is the dominant gas supplier of the European Economic Area<sup>5</sup>, such warnings may sound threatening.

Formally, the leaked draft appears consistent with recent statements by senior representatives of the European Commission indicating that the Commission does not intend to initiate an early revision of the EUMR, while recognising the importance of safeguarding energy security and ensuring legal certainty in the context of the ongoing global energy supply crisis.

In practical terms, however, it not only reproduces several of these arguments, including the concept of a “grace period”, but also comes close to enabling a de facto suspension of the application of all EU-MER import provisions. Although Recital 22 of the leaked draft reminds that the obligations under the relevant articles continue to apply, the recommendation that no sanctions should be imposed except in cases of “large-scale and fraudulent” violations relies on concepts that are not further defined. This creates a significant risk that importers, operators and national competent authorities could interpret the recommendation as amounting, in practice, to a suspension of enforcement.

Accordingly, the initial reactions from environmental organisations have been highly critical. The Clean Air Task Force (CATF) has questioned the factual basis for the general arguments advanced in support of the grace period.<sup>6</sup> CATF argues that limited diversion of LNG cargoes was caused by temporary spot market price surges in Asia that covered additional shipping costs, which far exceed potential penalties. CATF also notes that several major long term import agreements have been concluded since the EUMR entered into force and argues that barriers to long-term contracting are primarily commercial in nature, relating to price and volume risks rather than EUMR compliance obligations. These include uncertainty over future price differentials in different continents and the tension between the long-term take-or-pay commitments sought by some suppliers and the expectation of a declining European gas demand, potentially coinciding with a global LNG supply glut from 2028 onwards. CATF further argues that the proposed duration of the grace period, extending until

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<sup>4</sup> Eurogas and others: [Joint Industry Recommendations: Commission Guidance on Penalties in the EU Methane Regulation Framework](#), 17 April 2026.

<sup>5</sup> See: Raffaele Piria, Kacper Szulecki, Hannah Lentschig and Louise van Schaik: [Europe’s Selective Blindness on Gas: US LNG and the Limits of Supply Diversification](#). Clingendael, Ecologic Institute, Norwegian Institute of International Affairs, The Hague/Berlin/Oslo, 2026.

<sup>6</sup> CATF: [EU Methane Regulation Penalties: Why proportionate, phased penalty regimes pose no energy security risks](#), 10 June 2026. Available at: <https://www.catf.us/resource/eu-methane-regulation-penalties/>

2029, substantially exceeds the expected duration of the major supply disruption associated with the closure of the Strait of Hormuz. Compared with these market risks, which are largely beyond the control of importers and could affect profitability by billions of euros, the risk of penalties from EUMR infringements, applied in accordance with Article 33 EUMR, appears comparatively limited.

### 3 Main argument of this paper

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The central argument of this paper is that, irrespective of the merits of the arguments outlined above with respect to the more demanding requirements of Articles 28 (MRV equivalence) and 29 (methane intensity), importers can comply with their obligations under Article 27 EUMR without exposing themselves or their suppliers to significant risks and without jeopardising the security of the EU's energy supply.

For a significant proportion of the crude oil, coal and natural gas placed on the EU market, the requirements of Article 27 can be implemented without major practical difficulties and at compliance costs that are unlikely to have a material impact on prices paid by EU consumers.

In some important cases, full achievement of the underlying objectives of Article 27 may not yet be feasible in the short term, pending the implementation of the necessary adaptations by the relevant industries with regard to tracing systems. Even in such cases, however, the wording of Article 27 contains adequate safeguards to ensure that the ordinary application of the penalty regime set out in Article 33 EUMR does not create a tangible risk to the security of the EU's energy supply.

Accordingly, this paper argues that there is no adequate basis for the introduction of a "grace period" in respect of infringements of Article 27, particularly in light of the substantial disadvantages associated with such an approach. Indeed, the leaked draft itself acknowledges that "*applying a grace period of not applying penalties may result in an increased risk of non-compliance by importers*". That assessment appears understated. A grace period would inevitably weaken incentives for compliance and, consequently, increase the risk of non-compliance.

This paper focuses exclusively on Article 27. The absence of any discussion on the importer obligations under Articles 28 and 29 should not be interpreted as expressing a view on the appropriateness or scope a "grace period" or any other form of penalty relief in relation to those provisions. Articles 28 and 29 fall outside the scope of this analysis.

### 4 Art 27 and Annex IX EUMR - full text

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This section reproduces verbatim the full text of Article 27 and Annex IX EUMR, together with the definitions of the terms 'importer', 'exporter' and 'producer' set out in Article 2 EUMR. The colour coding has been added by the author to highlight provisions relevant to the arguments developed in the following sections. There are no other contents in this section.

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#### **Full text of Article 27 EUMR - Requirements applying to importers**

1. *By 5 May 2025 and by 31 May every year thereafter, importers shall provide the information set out in Annex IX to the competent authorities of the Member State in which they are established. Where importers fail to provide that information, in whole or in part, they shall provide*

*sound justification* to those competent authorities for such failure *and set out the actions that they have undertaken to obtain that information.*

The Commission is empowered to adopt delegated acts in accordance with Article 34 to amend this Regulation by modifying the information required to be provided by importers.

2. By 5 August 2025 and by 31 August every year thereafter, Member States shall submit to the Commission the information provided by importers.

The Commission shall make that information available in accordance with Article 30.

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### **Full text of Annex IX EUMR - Information to be provided by importers in accordance with Article 27(1), Article 28(1), (2) and (3), and Article 29(1)**

Importers shall provide the following information:

- (1) *name and address of the exporter* and, if different from the exporter, *name and address of the producer*;
- (2) *exporting third countries and regions*, as classified in the Union nomenclature of territorial units for statistics (NUTS) level 1, *where the products were produced, and countries and regions, as classified in the NUTS level 1, through which the products were transported before they were placed on the Union market*;
- (3) as regards crude oil and natural gas, information *whether* the producer or the exporter, as applicable, is carrying out source- and site-level measurement and quantification, *whether* that data are subject to independent third-party verification, *whether* its methane emissions are reported, either independently or as part of commitments to report national greenhouse gas inventories in line with UNFCCC requirements, and *whether* they are in compliance with UNFCCC reporting requirements or with OGMP 2.0 standards; *a copy of the latest report on methane emissions, including, where available, the information* referred to in Article 12(4), where provided in such report; and the method of quantification (such as UNFCCC tiers or OGMP 2.0 levels) used in the report for each type of methane emission;
- (4) as regards crude oil and natural gas, information *whether* the producer or the exporter, as applicable, applies regulatory or voluntary measures to control its methane emissions, including measures such as LDAR surveys or measures to control and restrict venting events and flaring events, including a description of those measures, *together with, where available, relevant reports* from LDAR surveys and from venting events and flaring events with respect to the last available calendar year;
- (5) as regards coal, information *whether* the producer or the exporter, as applicable, carries out source-level methane emissions measurement and quantification, *whether* those methane emissions are calculated and quantified in accordance with Annex VI, *whether* that data are subject to independent third-party verification, *whether* its methane emissions are reported, either independently or as part of commitments to report national greenhouse gas inventories in line with UNFCCC requirements, and *whether* they are in compliance with UNFCCC reporting requirements or in compliance with a European or other international standard for monitoring, reporting and verification of methane emissions; *a copy of the latest report on methane emissions, including, where available the information* referred to in Article 20(6); and the method of quantification (such as UNFCCC tiers) used in the report for each type of methane emission;
- (6) as regards coal, *whether* the producer or the exporter applies regulatory or voluntary measures to control its methane emissions, including measures to control and restrict venting events and flaring events; and, where available, the volumes of vented and flared methane calculated for each coal mine at least during the last calendar year and the existing mitigation plans for each coal mine, *together with a description of those measures, including, where available, reports* from venting events and flaring events with respect to the last available calendar year;
- (7) name of the entity that carried out the independent third-party verification of the reports referred to in points (3) and (5), if any;
- (8) information under Article 28(1) or (2), as applicable, showing that the crude oil, natural gas or coal is subject to monitoring, reporting and verification measures at producer level that

*are equivalent to those set out in this Regulation for contracts concluded or renewed on or after 4 August 2024 and information on the efforts undertaken to ensure that crude oil, natural gas or coal supplied under contracts concluded before 4 August 2024 is subject to monitoring, reporting and verification measures at producer level that are equivalent to those set out in this Regulation;*

*(9) information whether the model clauses referred to in Article 28(3) are used in the supply contracts, specifying which model clauses;*

*(10) information under Article 29(1) on the methane intensity of the production of crude oil, natural gas and coal placed on the Union market under the relevant supply contracts.*

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## Definitions of ‘importer’, ‘exporter’ and ‘producer’

The terms importer, exporter, and producer are defined in Art 2 EUMR:

- Art 2(59): ‘importer’ means a natural or legal person who, in the course of a commercial activity, places crude oil, natural gas or coal originating from a third country on the Union market”
- Art 2(60): ‘exporter’ means the contractual counterparty to the importer in each contract concluded for the supply of crude oil, natural gas or coal into the Union;
- Art 2(58): ‘producer’ means an undertaking which, in the course of a commercial activity, produces crude oil, natural gas or coal, by extracting it from the ground in a licensed area, processing it or conveying it through connected infrastructure within that licensed area;

## 5 Is the grace period for Article 27 justified?

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### 5.1 Analysis of Art 27

According to the second sentence of Article 27(1), importers that fail to provide the information required by Article 27 must provide a sound justification for that failure and set out the actions undertaken to obtain the relevant information.

An importer that provides neither a justification nor any description of the steps taken to obtain the required information would plainly be exposed to enforcement action. By contrast, an importer making a genuine effort to comply can certainly avoid a situation of complete non-compliance. At a minimum, it should in any case be able to explain why it was unable to provide the required information and describe the measures taken to obtain it. Therefore, where an importer has made genuine efforts to comply and explains why it was nevertheless unable to provide the required information, the legal risk is materially lower.

The EUMR does not define the circumstances in which a justification is to be regarded as “sound”. The latest version of the European Commission document *Questions and answers on importer requirements of EU Methane Regulation* (“Comm-Q&A”) <sup>7</sup> – which does not constitute a legally binding source – states that importers in such circumstances “must clearly demonstrate why they were unable to provide the required information.”

No legal definition of the term “sound justification” in EU law, nor any relevant EU case law interpreting that term, could be identified for the purposes of this analysis. In the absence of such

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<sup>7</sup> The Q&A document is available in the section “Documents” of: [https://energy.ec.europa.eu/topics/carbon-management-and-fossil-fuels/methane-emissions\\_en#related-links](https://energy.ec.europa.eu/topics/carbon-management-and-fossil-fuels/methane-emissions_en#related-links)

guidance, the criteria for assessing whether a justification is “sound” must be derived from general principles of law. On that basis, an importer may reasonably assume that a factual, specific and evidence-based explanation linking its inability to comply with a particular requirement to an obstacle that could not be overcome without disproportionately jeopardising other legitimate objectives, including energy security, would constitute a “sound justification” within the meaning of Article 27.

Accordingly, it appears unlikely that penalties would be imposed on importers that provide substantiated explanations for why their genuine efforts to comply with Article 27 were unsuccessful. Even where a penalty were imposed, it would likely fall within the lower range of fines available under the national penalty regimes implementing Article 33 EUMR the competent authority would be required to take into account the aggravating and mitigating factors set out in Article 33(7) EUMR when determining the level of the sanction.

Figure 1: Aggravating or mitigating factors for penalties according to Art 33(7) EUMR



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Claims advanced by some fossil energy business associations and companies that the EU-MER creates “unmanageable liability” for EU fossil fuel importers and their suppliers through fines of up to 20% of annual turnover have already been demonstrated to be largely overstated elsewhere: “The maximum penalty is (...) lawful only in cases of intentional, exceptionally serious, repeated, and unremedied violations combined with a blatant lack of cooperation with public authorities. Ordinary negligence, minor breaches or even serious breaches that are followed by remedial action cannot trigger such fines, and any disproportionate sanction could be overturned on appeal. Companies can therefore easily manage this risk by making genuine efforts to comply.”<sup>8</sup>

In the specific context of penalties resulting from a competent authority concluding that a justification provided under Article 27 is not “sound”, the risk of severe penalties appears particularly remote. An importer making genuine efforts to comply could rely on a range of mitigating factors, including

<sup>8</sup> Piria, Raffaele: [Penalty regimes for violations of the EU Methane Regulation across EU Member States](#), Ecologic Institute, 2025, Berlin. See:

limited gravity, voluntary disclosure of the infringement, active cooperation with the competent authority, arguments suggesting that the infringement was not intentional, efforts undertaken to obtain the information required under Article 27, measures taken to mitigate any adverse effects of the infringement, and steps adopted to prevent its recurrence – the latter for example by demonstrating proactive work to encourage suppliers to make arrangements to become able to provide the required information as soon as possible. The importer could also demonstrate that the duration, nature and gravity of the infringement were limited to a minimum extent.

For these reasons, an importer making genuine efforts to comply should have little reason to expect disproportionately high penalties solely because it is unable to provide all the information required under Article 27. Furthermore, if a national competent authority were to impose a penalty on the ground that the importer's justification was not “sound”, that decision would remain subject to judicial review before the competent courts.

By contrast, an importer unwilling to make genuine efforts to comply would stand to benefit significantly from the adoption of the leaked draft. Unless the competent authorities could demonstrate that the non-compliance was both “large-scale” and “fraudulent”, the importer would, until 2029, be effectively shielded from sanctions for EUMR infringements relating to contracts concluded or renewed before 1 January 2028, including existing contracts. Given the burden of establishing that a breach is both “fraudulent” and “large-scale - terms that are not defined in the EUMR - competent authorities would face a high evidential threshold, which could discourage them from investigating potential breaches of importers' obligations.

## 5.2 Annex IX (1-2) – Identifying producer, production and transit regions

As noted above, Annex IX (1) requires importers to provide the name and address of the exporter and, where different, the name and address of the producer. In addition, Annex IX(2) requires importers to identify both exporting countries (and NUTS 1 regions<sup>9</sup>) in which the imported fuels were produced and the countries through which they were transported before being placed on the Union market.

Although the discussion below focuses on situations in which importers may not immediately be able to comply with these provisions, it must be recognised that, in many cases, importers are already able to do so for part or all of their imports at a cost that is negligible relative to the value of the fuels concerned. This applies where importers already possess, or can readily obtain, the necessary information. Examples include coal, pipeline gas, LNG and crude oil that have not been commingled or, if commingled, originate from sources that remain identifiable. For example, importers of natural gas transported via pipelines from Algeria, as well as importers of entire LNG, crude oil or coal cargoes that have not been commingled before or during transport, should generally be able to satisfy these requirements without significant cost or difficulty.

The principal circumstances in which immediate compliance may prove difficult are those involving commingled fuels. Notably, LNG imported from the United States, which has become the EU's

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<sup>9</sup> *The Comm-Q&A (cited above) acknowledges that NUTS classification is defined only for EU Member States, EFTA and EU accession countries. It suggests that “the intention in the Methane Regulation is to cover the first sub-division level below the country level. The idea is to be able to draft Methane Performance Profiles for sub-country level, to cover for example basins and geological formations that are only relevant to part of the national territory.”*

largest LNG supplier, is typically sourced through interconnected gas networks into which multiple producers feed. Similarly, crude oil cargoes frequently consist of blends derived from several sources.

To the best of current publicly available evidence, no statistical source systematically estimates the proportion of EU LNG or crude oil imports arriving as single-origin rather than commingled cargoes. One of the benefits of the full and timely implementation of Article 27 EUMR is that it would promote greater transparency and the development of more reliable data on commingling and blending practices. Such information is not only necessary for mitigating the greenhouse gas impact of fossil fuel supply chains, but may also strengthen the E's capacity to monitor and assess the resilience of its energy supply.

A key objective of the EUMR is to encourage the development of reliable tracing systems, monitoring, reporting and verification (MRV) mechanisms, and methane-emission mitigation measures capable of supporting a sufficiently large supply of compliant crude oil, natural gas and coal for the EU market. Once tracing systems cover a sufficiently large share of global supply, importers should be able to comply fully with the requirements of Annex IX(1) and (2). Until such systems are in place, some importers may be unable to identify all relevant producers, while remaining able to identify at least some of them in some cases.

As explained in the previous section, importers in such circumstances can avoid penalties by providing a "sound justification", for example by demonstrating the absence of sufficiently reliable tracing schemes and documenting their efforts undertaken to identify alternative compliant sources of supply. Such an approach creates incentives for the development of tracing systems, increases demand for compliant fuels, and facilitates the acquisition of compliance expertise and procedures within importing companies. In turn, this will support the implementation of Articles 28 and 29 and contribute to the EUMR's overarching objective of reducing methane emissions in the energy sector.

By contrast, the introduction of a multi-year "grace period" could significantly weaken incentives to comply, including where importers are already able to provide all or part of the information required under Article 27 at modest cost. In the absence of a realistic risk of penalties, companies may have incentives to postpone investments in compliance systems or to assign a lower priority to compliance efforts until penalty-based enforcement becomes more likely. Moreover, if the leaked draft were adopted by the European Commission, Member States and their competent authorities would have limited incentives to establish an effective enforcement regime for the provisions covered by the "grace period", including by adopting adequate penalty rules, and carrying out inspections to verify the degree of compliance by importers.

Such a grace period would also unfairly disadvantage importers, producers and other companies that have invested in achieving compliance with Article 27 EUMR over the past two years. Those investments were made in reliance on the implementation of a Regulation adopted with overwhelming support in both the European Parliament and the Council<sup>10</sup>. Deferring enforcement would risk undermining those legitimate expectations and reducing incentives for compliance among market participants that have not yet made comparable efforts.

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<sup>10</sup> In the European Parliament, the EUMR was adopted with 85% yes, 10% abstentions 5% no. In the Council, 26 EU Member States were in favour, only Hungary against, which was still under Orban at that time.

### 5.3 MRV information requirements - Annex IX (3-7)

Besides the identification of producers and producing regions, the substantive requirements relevant to Article 27 of Annex are set out in points (3) to (6).<sup>11</sup>

These provisions are primarily framed as requests for information introduced by the word “whether”. The elements of the provisions that do not begin with “whether” become relevant only where the preceding question has been answered in the affirmative. For example, the requirement in Annex IX(3) to provide “*a copy of the latest report on methane emissions, including, where available, the information (...)*” applies only where the preceding question as to whether methane emissions are reported has been answered positively.

The questions set out in Annex IX(3) to (6) do not themselves prescribe any specific monitoring, reporting and verification (MRV), leak detection and repair (LDAR), or other methane-mitigation measures. Rather, they seek to collect information regarding the measures, if any, that are already applied to the crude oil, natural gas or coal imported into the Union. In particular, the obligation to provide “*a copy of the latest report*” arises only where methane emissions are in fact reported.

In principle, an importer may be able to satisfy these “whether” requirements by providing negative responses where such responses accurately reflect the factual situation. A response indicating that information is “not known” would, by contrast, require a sound justification explaining why the information is unavailable or only partially available. There appears to be no reason why importers willing to make a genuine, albeit limited, effort to comply should be unable to meet these basic information requirements.

The information collected pursuant to Article 27 is intended to constitute only a preliminary step in the broader implementation of the EUMR's import-related obligations. The subsequent requirements concerning MRV equivalence under Article 28 and methane-intensity reporting and reduction under Article 29 cannot be achieved where all substantive “whether” questions contained in Annex IX have to be answered negatively. The extent to which a “grace period” may be justified in relation to Articles 28 and 29 on grounds of energy security falls outside the scope of this paper.

It nevertheless appears clear that extending a multi-year “grace period” to Article 27 until 2029 would significantly reduce the likelihood of the effective implementation of Articles 28 and 29 thereafter. Article 27 establishes the basic information-gathering framework upon which the subsequent obligations depend. Weakening incentives to implement those requirements for several years would therefore risk undermining the effective operation of the later stages of the regulatory regime, possibly years after the end of the ongoing energy supply crisis.

## 6 Conclusions

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The analysis above indicates that there is no plausible basis for concluding that the application of the ordinary EUMR penalty regime to infringements of Article 27 could endanger the security of the EU's energy supply or lead to material cost increases for importers and their customers.

Granting a three-year grace period for the application of penalties would come close in effect to the “stop-the-clock” approach to EUMR implementation advocated by certain oil and gas industry associations. Such an approach would have significant drawbacks. In particular, it would reduce

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<sup>11</sup> Annex IX(7) merely requires the identification of the independent third-party verifier of the reports referred to in points (3) and (5), if any. Annex IX(8-10) are not related to Article 27.

incentives for importers to comply and thereby weaken one of the EUMR's principal mechanisms for reducing methane emissions and delivering its climate mitigation objectives.

With specific regard to the potential infringements of Article 27, a blanket grace period would:

- unfairly disadvantage importers, producers and other market operators that have invested in achieving or helping others to achieve compliance over the past two years.
- reduces incentives for compliance among market participants that have not yet made comparable efforts;
- discourage competent authorities from investigating potential breaches of importers' obligations;
- jeopardise the implementation of other importer requirements, including in the years following the expiry of the grace period; and
- risk undermining the credibility of future, unrelated EU legislation.

On this basis, the introduction of a grace period for Article 27 EUMR cannot be recommended. The fact that this assessment is limited to Article 27 should not be interpreted as supporting the introduction of grace periods for grace period for Articles 28 or 29m which fall outside the scope of this paper.

Rather than introducing a blanket grace period, as envisaged in the leaked draft Recommendation, the European Commission could instead focus on:

- developing clear criteria to reduce the remaining uncertainty as to what may constitute a "sound" justification;
- accelerating work on the development and recognition of appropriate tracing schemes; and
- increasing legal certainty by encouraging Member States to expedite the adoption of national penalty rules that fully comply with Article 33 EUMR, which all Member States should have adopted by 5 August 2025.

