

Expected environmental benefits of the proposed EU methane regulation

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Short version...

There might be no environmental benefits of the EU Methane regulation as it might be successfully blocked.

This would mean:

- 1) The European electricity sector has to finally account for methane in thermal coal.
- 2) Steel companies have to consider the high methane content of Polish coking coal:
 - a) Short-term, find cleaner coking coal (CA, AU, UK)
 - b) Mid-term, further accelerate non-Blast Furnace production

Longer version...

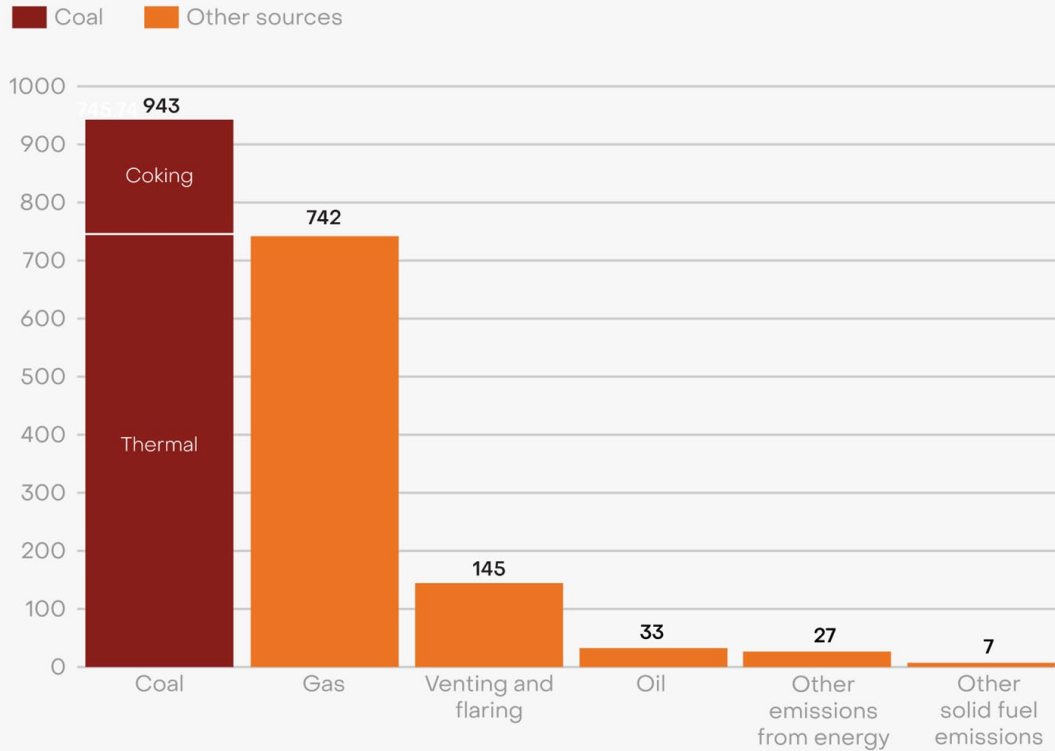
In December 2021, the European Commission proposed a Regulation on energy sector methane.

The proposal has (not) moved around European Council (governments) and European Parliament (MEPs).

Methane is 82.5x more warming than CO₂ over 20 years and CMM globally emits about 3.5 bn tonnes of CO₂e (more than all European Union CO₂ emissions)

Coal is largest EU energy sector methane emitter

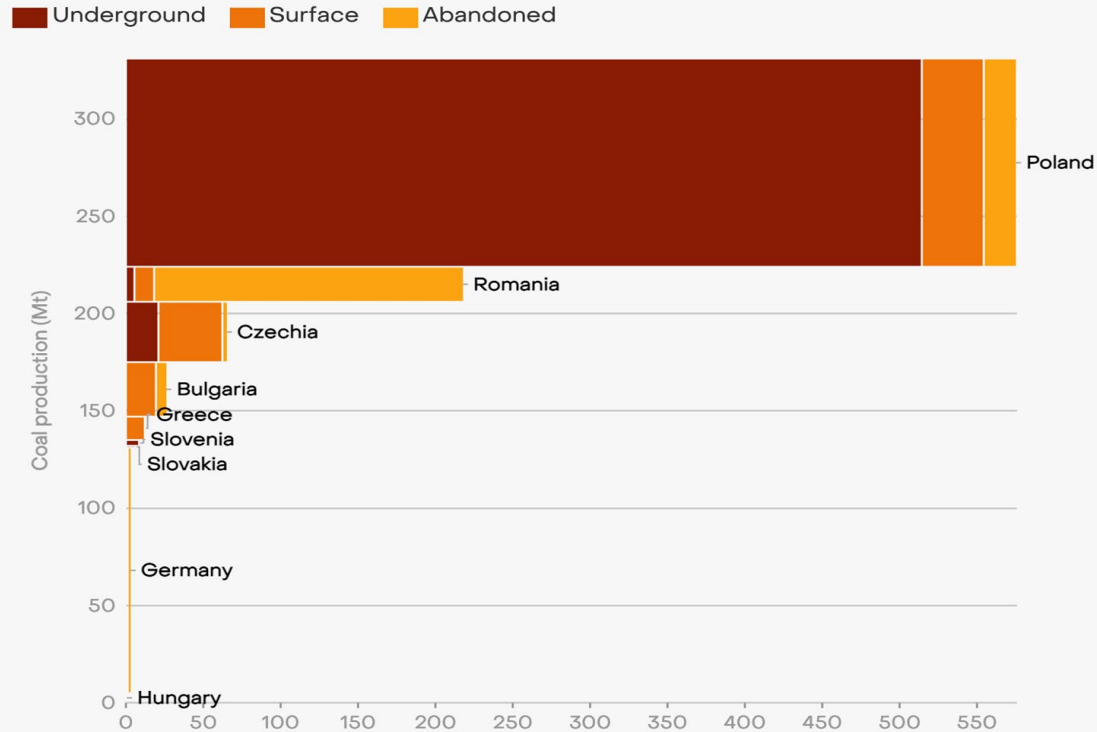
Annual methane emissions in thousand tonnes



Source: UNFCCC Greenhouse Gas Inventory Data (2020), InStrat (2020)

Poland responsible for almost two thirds of EU coal mine methane emissions

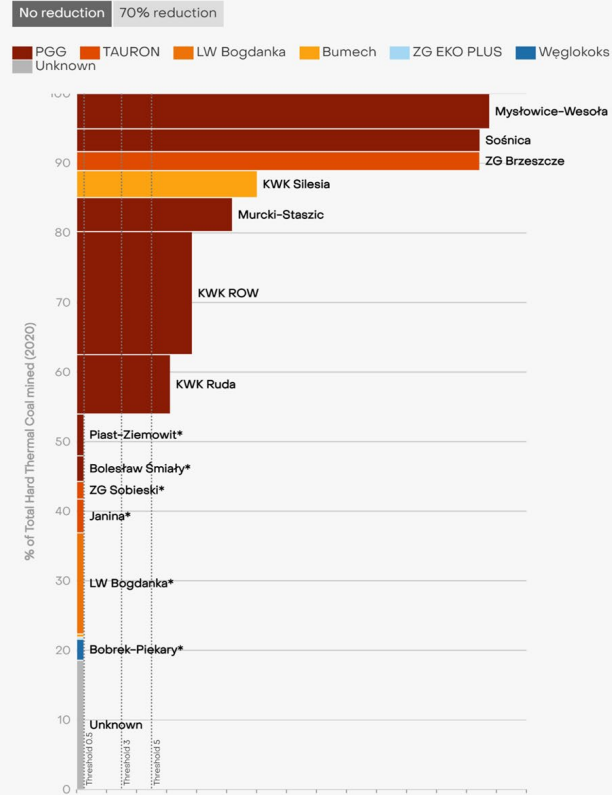
Methane emissions in thousand tonnes



Source: Greenhouse Gas Inventory Data UNFCCC (2020) · *Underground and surface mining emissions include post mining emissions.

Seven coal mines emit almost all of Poland's thermal coal methane emissions

Methane intensity of hard thermal coal mines in Poland (T methane / kT coal)



Source: Instrat (2020), Ember calculations
 * Assumed low-methane mines have a methane intensity of 0.5 T methane/ kT coal

Reduction of ambition & Ember suggestion

Article 22 (1) and (2) on emissions from underground non-coking coal mines.

	Paragraph 1	Paragraph 2
Initial proposal	Venting and flaring from drainage prohibited from 2025	Venting from vent shafts capped at 0.5 tonnes methane/KT coal from 2027
Latest revision	Flaring >98% allowed	5 tonnes from 2027, 3 tonnes from 2031
Ember suggestion	Mostly as latest revision	3 tonnes from 2027, 1 tonnes from 2031

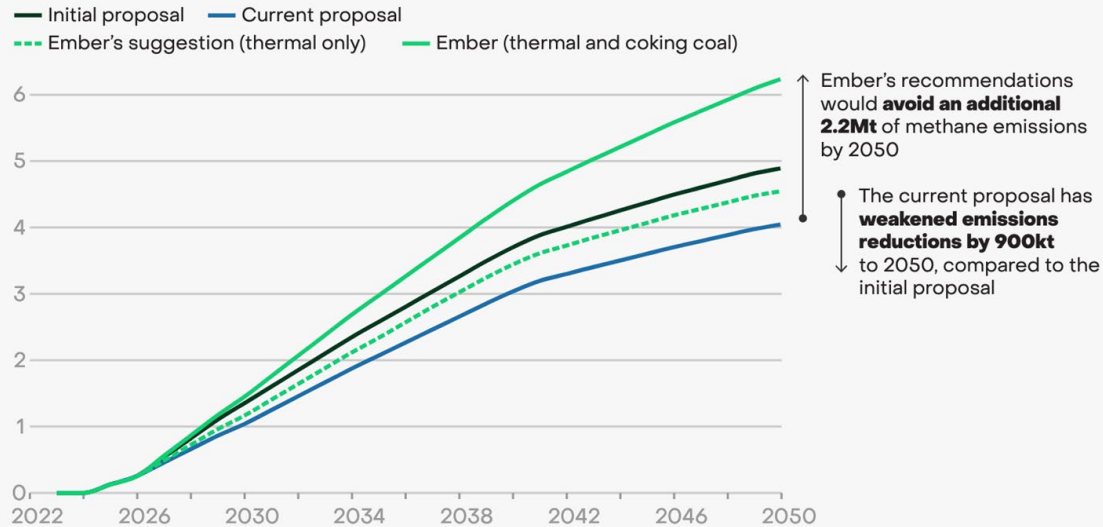
Reduction of ambition & Ember suggestion

Article 22 (3) on coking coal.

Initial proposal	Act 3 years later
Latest revision	Act 5 years later
Ember suggestion	5 tonnes methane/KT coal from 2027, with suggestion to decrease after 2031.

The impact of revisions to venting thresholds on methane reductions for active underground mines in the EU

Cumulative methane reductions (million tonnes)



Source: Energy.Instrat, Ember calculations

Even if there is a Regulation...

- Each Member State shall designate competent authorities responsible for monitoring and enforcing (Article 4.1)
- The period between inspections... shall not exceed ~~two~~ five years (Article 6.3)
- Member States shall lay down the rules on penalties (Article 30.1).

Current situation of PLN 0.34 (ca. EUR 0.07) per ton fee for methane emissions – very little compared to CO₂ under the EU ETS. In strat recommends raising this price to 3.5x the price of the CO₂ emission permit under the ETS. This would mean that the rate for methane emissions would be more than 3,800 times higher than currently.

Conclusion

The EU Methane Regulation might be blocked or weakened.

Polish mining companies shouldn't catastrophize:

- It won't close the industry or destroy profitability
(it's a reasonable timeframe to achieve reasonable reductions)
- Steelmakers have made climate commitments, so you risk losing out to cleaner foreign competition.

If there will be a Regulation, it contains loopholes that would need to be controlled.

**Z całej Europy,
dzięki Polsce!**

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