



GECF Position on EU Climate Measures Affecting Natural Gas Markets

1 October 2026

Context

Natural gas accounts for approximately one-quarter of the global primary energy mix and plays an indispensable role in supporting economic development, reliable electricity, industrial production, food security and access to modern energy. For many developing economies, the responsible development of natural gas also provides a pathway to domestic value creation, industrialisation and greater resilience against energy and commodity shocks.

Natural gas contributes directly to addressing climate challenges. Coal-to-gas switching has played an important role in reducing the carbon intensity of power generation worldwide, while gas-fired generation complements variable renewable energy by providing reliable and flexible supply when intermittent generation is unavailable. Natural gas can also support the development of lower-carbon hydrogen, particularly when combined with effective methane-emissions management and carbon capture and storage. GECF considers natural gas an enduring pillar of future energy systems, essential to energy availability, accessibility, affordability and sustainability and to progressively lower-emission pathways.

Looking ahead, GECF foresees sustained growth in demand for natural gas over the decade ahead as the global population and economy expand. GECF Member and Observer Countries, holding around 70% of global proven gas reserves, are committed to meeting this demand responsibly. Their investments across the natural gas supply chain have helped strengthen economic resilience and continue to support energy security and access.

The stability of long-term contracts and the predictability of market-access conditions are particularly important for natural gas and LNG investment. Major upstream, pipeline and liquefaction projects require substantial initial capital, long development periods and long-term commercial arrangements to support financing. Uncertainty over future compliance costs, contractual responsibilities and access to major markets may delay both new supply investment and the methane-abatement investment needed to improve the environmental performance of natural gas. Preserving this investment momentum and avoiding disruptions to future gas supply are therefore essential to meeting demand and maintaining secure, affordable and progressively cleaner energy.

GECF recognises that the environmental performance of natural gas must continue to improve and supports concerted action to reduce methane emissions and advance lower-emission technologies. To amplify the environmental benefits of natural gas, GECF Member and Observer Countries are reducing flaring, limiting methane emissions and advancing carbon capture and storage technologies. Methane and carbon mitigation measures are already incorporated, to varying degrees, into national climate commitments, energy strategies, regulatory frameworks and operational programmes across GECF Member and Observer Countries. Their scope and pace appropriately reflect national circumstances, institutional capacities and development priorities.

GECF acknowledges the European Union's sovereign right to pursue its climate objectives and supports global efforts to reduce methane and carbon emissions, while emphasising the equally important sovereign rights of producing countries to determine their energy, environmental and development policies in accordance with their national circumstances, capabilities, priorities and international commitments.

GECF notes that the EU presents these measures as a means of establishing minimum environmental standards, promoting a level playing field and addressing the perceived limitations of voluntary approaches. However, formally uniform requirements may still produce unequal impacts where countries differ significantly in their national circumstances, capabilities and access to finance and technology. At the same time, climate action affecting international markets should be fair, proportionate, predictable and consistent with internationally agreed principles.

GECF therefore enters this discussion as an advocate for effective and technically workable climate action that respects multilateralism, international cooperation, national circumstances, differentiated responsibilities and the development priorities of producing countries.

GECF Considerations and Concerns

Three major EU instruments are increasingly affecting global energy supply chains: the EU Methane Regulation (EU MR), the Carbon Border Adjustment Mechanism (EU CBAM) and the Corporate Sustainability Due Diligence Directive (EU CSDDD).

The EU MR has the most direct implications for natural gas exporters. It introduces provisions related to methane measurement, reporting and verification (MRV) equivalence for imported gas, followed by methane-intensity performance restrictions. Although the legal obligations fall primarily on EU importers, compliance will increasingly depend on information, measurement systems and performance at producer level.

EU CBAM does not currently cover natural gas itself but already affects gas-based products, and may influence the competitiveness of other gas-intensive exports. For products within its scope, its application creates additional monitoring and verification constraints, and imposes a carbon tax on imports.

The EU CSDDD may similarly transmit EU sustainability requirements through contractual relationships between European companies and suppliers outside the EU, including natural gas producers and national energy companies.

GECF assesses these measures according to whether they are:

- Effective in achieving measurable reductions in global emissions;
- Fair and equitable, with due recognition of national circumstances, respective capabilities and responsibilities;

- Proportionate and non-discriminatory;
- Practicable across international supply chains;
- Transparent and predictable for contracts and investment; and
- Designed and applied in cooperation with the countries affected by them.

On this basis, GECF has identified several cross-cutting and instrument-specific considerations and concerns.

Regulatory uncertainty affects investment and energy security

Natural gas investment requires long-term regulatory predictability. Important elements of the emerging EU regulatory framework remain uncertain, particularly under the EU MR, where key methane-intensity methodologies, thresholds and implementation arrangements are still under development. For example, the monitoring, reporting and verification (MRV) requirements of the EU MR will apply to importers on and from 1 January 2027, but natural gas producers, national energy companies and others lack the necessary clarity as to what is specifically required by the EU, from a “verification” perspective. This regulatory uncertainty may delay investment, as investors may face difficulties in reliably assessing future compliance costs, contractual responsibilities or the conditions for continued market access.

GECF considers that new regulatory requirements should be designed and implemented so as to avoid creating additional barriers to investment in natural gas supply and infrastructure needed for global energy security.

Reduced or delayed investment can weaken supply flexibility, increase exposure to market shocks and ultimately raise energy costs. Recent energy crises have demonstrated that insufficient infrastructure and supply diversity can increase energy poverty and contribute to renewed reliance on coal and traditional biomass – a counter-productive outcome for the environment.

Investment creates resilience. Climate policies should therefore avoid unintentionally discouraging the investment required to maintain secure and affordable energy supplies during the transition. Regulatory certainty is equally necessary for investment in emissions measurement and abatement, since producers may hesitate to commit substantial resources where the conditions for equivalence, certification and continued market access remain undefined.

Uniform external requirements do not reflect differentiated responsibilities

GECF recognises that producing countries share responsibility for improving methane emissions performance and that many exporters are already strengthening national strategies, operational mitigation and measurement systems. At the same time, countries differ substantially in their responsibilities, starting points, institutional arrangements, technical capabilities and access to finance. These differences should be reflected in the design of any regulatory requirements.

The UNFCCC and the Paris Agreement are grounded in equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances. These principles enable countries to pursue climate action in accordance with their respective capabilities and development priorities.

In this context, GECF is concerned that requirements developed in advanced countries may, through market access conditions, have significant implications for developing-country producers. Their design and implementation should therefore give due consideration to technological capacity, financial resources and institutional readiness.

GECF believes that developing countries may require differentiated implementation timelines, proportionate requirements and appropriate support commensurate with their circumstances and capabilities. Climate ambition should accordingly be accompanied by adequate finance, technology transfer and capacity building, with due emphasis on enabling and incentive-based approaches rather than penalties, additional costs or restrictions on access to markets.

EU climate-related trade measures diverge from multilateral climate governance

To be effective in mitigating climate change, methane emissions reduction must be a global effort, as no region exists in a vacuum. If regulation results simply in displacement of the supplies associated with the emissions to other regions, the global environmental effect is unchanged. GECF supports internationally coordinated climate action through the UNFCCC and the Paris Agreement. Regional measures can contribute to that effort, particularly when they complement the nationally determined and cooperative architecture agreed under those frameworks.

GECF believes that requirements formally applicable to EU entities may nevertheless have significant operational, financial and contractual implications for producers and public institutions in third countries. These cross-border implications may influence how producers measure emissions, manage supply chains, disclose information and demonstrate environmental performance in relation to access to the EU market.

GECF considers that regional climate-related trade measures should complement internationally agreed climate frameworks, respect nationally determined pathways and provide sufficient flexibility to reflect different national circumstances, capabilities and development priorities.

The interaction of the EU MR, EU CBAM and EU CSDDD with WTO disciplines, including most-favoured-nation and national treatment under the GATT and the disciplines of the WTO Agreement on Technical Barriers to Trade, also merits careful consideration. GECF would welcome implementation arrangements that are transparent, proportionate, impartial and non-discriminatory, and that take due account of the development needs of developing countries while avoiding unnecessary or duplicative obligations for third-country producers beyond the regulating jurisdiction.

GECF therefore believes that while recognising the right of jurisdictions to pursue their climate objectives, measures with significant implications for third-country producers would benefit from early consultation and cooperation with affected producing countries.

Regulatory design overlooks the realities of international gas trade

GECF believes that certain elements of these measures may be particularly challenging to implement across complex international global supply chains. These challenges relate not only to capacity and institutional readiness, but also to the manner in which natural gas is produced, processed, commingled, transported and traded through complex and interconnected supply chains.

Where regulatory assumptions do not fully reflect these operational and commercial realities, implementation challenges may persist despite the efforts of producing countries and market participants. Continued technical dialogue will therefore be important in identifying practical and effective solutions.

Compounding compliance burden creates commercial risks and threatens market stability

EU MR, EU CBAM and EU CSDDD create compounding compliance burden that exceeds the sum of their individual requirements. The three instruments draw on much of the same underlying operational data, methane emission quantities, source-level measurement records, supply chain information and sustainability disclosures, yet require it to be collected, verified and reported through separate legal frameworks with different timelines, methodologies and verification standards. The administrative, technical and financial resources required to navigate these parallel tracks are substantial, and fall disproportionately on natural gas producing countries.

This cumulative burden has a concrete commercial consequence: the combined compliance costs and legal uncertainties create quantifiable financial risks on natural gas supplies directed to the EU market, which may make alternative markets commercially preferable. When that threshold is reached, the rational commercial response is volume redirection, yet market diversion is not cost-free for either producers or consumers. For producers, volume redirection may require contract renegotiation and adjustments to trading arrangements, while increasing trade inefficiency through longer transport routes and additional logistics, potentially raising transport-related emissions and undermining the intended environmental benefits. For consumers, reduced competition among suppliers and contracted supply diversity may translate into higher prices and weakened energy security. Market instability arising from such measures is unlikely to deliver environmental benefits. Recent energy crises have shown that threats to energy security can quickly translate into higher environmental costs, including greater reliance on more carbon-intensive fuels, while also weakening public support for climate action.

GECF Proposed Approaches

GECF advocates for an effective, fair, implementable, predictable, cooperative and internationally consistent approach to EU climate-related measures affecting global markets for natural gas and gas-based products. Such measures should deliver measurable global emissions reductions while safeguarding energy security, sustainable development, contractual stability and fair access to international markets. Specifically, GECF calls on the European Union and relevant international institutions to:

Safeguard investment and global energy security through regulatory certainty

GECF emphasises the importance of clear and predictable climate-related frameworks affecting natural gas markets that provide greater certainty and minimise potential adverse effects on investment in natural gas supply, infrastructure and emissions-reduction projects. Regulatory design should recognise the delicate balance between natural gas market stability, energy security and emissions reduction. Given the important role of natural gas in supporting the orderly energy transitions, supply disruptions or excessive price volatility may encourage a shift towards more carbon-intensive fuels, including coal and traditional biomass, potentially increasing emissions and energy poverty. Preserving investment and stability in natural gas markets is therefore essential to global energy security and to achieving effective and orderly emissions reductions.

Promote enabling and incentive-based approaches

GECF encourages due consideration of voluntary, cooperative and incentive-based approaches in the design and implementation of climate-related measures with significant cross-border implications, rather than reliance on requirements that operate as mandatory preconditions for market access by third-country suppliers. Where measures extend beyond EU territory to reach the production operations and regulatory systems of producing countries, GECF believes they are most effective when framed as reference benchmarks and performance standards that producers are encouraged to meet, rather than as binding conditions of market access. In this regard, national regulatory and verification systems that achieve comparable environmental outcomes should be recognised as equivalent. Such an approach would reward performance, facilitate effective implementation and promote consistency with WTO disciplines and the principles and architecture of the UNFCCC and the Paris Agreement.

Embed CBDR-RC and support developing exporters

GECF underscores the need for the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC) to be appropriately reflected in the design of climate-related measures. This requires recognising differences in national circumstances, development priorities, financial capacity and technological readiness. In line with this principle, the EU and relevant

international institutions should support developing gas-exporting countries through adequate and predictable financial support, technology transfer, verifier training and capacity-building, particularly where such measures have significant implications for those countries.

Effective support requires practical and non-discriminatory access to relevant technologies, equipment, software, training and international technical initiatives. This also requires addressing barriers arising from restrictive measures that may limit technology transfer, capacity-building and the exchange of best practices.

Strengthen cooperation with affected countries

GECF encourages the establishment of structured and meaningful consultations with affected producing countries to support a cooperative approach to the design, sequencing and implementation of climate-related trade measures with cross-border implications. Such consultations would help ensure that these measures are practical, effective and responsive to different national circumstances and market realities.

Align measures with the realities of international gas trade

GECF recommends aligning regulatory requirements with the information and activities that importers and suppliers can reasonably access and control. Early technical consultation with affected producing countries would help ensure that such requirements reflect actual production and trading conditions, identify practical constraints and support workable and effective implementation.

Establish a structured GECF-EU consultation mechanism

GECF proposes a structured and regular consultation mechanism between the European Union, GECF and its Member and Observer Countries during the introduction or implementation of measures with significant implications for gas-producing and exporting countries. Such a mechanism would provide a platform to identify practical implementation challenges, discuss mutual recognition arrangements, clarify protocols, develop common methodologies, assess potential impacts on investment and energy security, recognise national circumstances and existing regulatory systems that achieve comparable environmental outcomes, and explore appropriate forms of technical and financial support. It would also help ensure that emerging measures are more workable, predictable and consistent with relevant international frameworks, while strengthening cooperation between producing and consuming countries.

Conclusion

GECF supports meaningful, measurable and verifiable action to reduce methane and carbon emissions and improve the environmental performance of natural gas. Its Member and Observer

Countries are already taking concrete steps to advance mitigation through national policies, regulatory frameworks, operational programmes, technological cooperation and voluntary initiatives that reflect their respective circumstances, capabilities and development priorities. GECF remains committed to contributing constructively to global climate efforts while promoting the role of natural gas in supporting energy security, sustainable development and orderly energy transitions.

At the same time, GECF believes that climate-related measures affecting international gas trade should be developed and implemented in a fair, proportionate, predictable and cooperative manner. Measures with significant cross-border implications should complement multilateral climate governance, remain consistent with relevant WTO disciplines, and appropriately reflect the principles of the UNFCCC and the Paris Agreement, including equity and CBDR-RC. Their design should also recognise the differing financial, technological and institutional capacities of developing-country producers and be accompanied by adequate finance, technology transfer and capacity-building.

To deliver effective global emissions reductions, regulatory requirements must reflect the operational and commercial realities of international gas and LNG supply chains. They should provide sufficient clarity and implementation time, safeguard the stability of long-term contracts, and avoid unintended consequences for investment, energy security, affordability and market access. Particular emphasis should be placed on enabling and incentive-based approaches, supported by proportionate compliance arrangements, so that emissions are reduced rather than merely displaced between markets.

GECF therefore calls for strengthened dialogue and a structured consultation mechanism involving the European Union, GECF and its Member and Observer Countries. Such engagement would help identify practical constraints, recognise existing national systems, support workable implementation and reconcile environmental ambition with energy security and sustainable development. GECF stands ready to work constructively with the European Union and other international partners towards climate measures that achieve genuine global emissions reductions while respecting national circumstances, supporting investment and reinforcing cooperation between producing and consuming countries.