Position Paper

October 2025

Reducing Gas Cost in the EU

An Imperative for Industrial Competitiveness

High energy costs are unsustainable and threaten EU industrial competitiveness. High energy costs have reached an unsustainable level for the European chemical industry. Reducing natural gas costs[1] must be central to the EU's and Member States' competitiveness agenda.

Post-crisis EU gas prices remain structurally higher than competitors'. Since Russia's war of aggression against Ukraine, EU gas prices are nearly double pre-crisis levels[2] and, over the past year, around 4 times higher[3] than in the US. This drives up electricity prices and, with the EU more reliant on LNG, structurally higher costs are becoming embedded in energy markets[4].

The chemical industry faces an existential threat due to energy cost disparities. As the EU's largest industrial consumer of natural gas (324 TWh, 2023) and electricity (149 TWh, 2023), the high costs compared to other regions present an existential challenge to the chemical industry. A rising number of chemical site closures attests to that.

Gas is not just energy—it's a feedstock, making substitution complex and costly. Natural gas is used for both heat (62%), and as a feedstock (38% of consumption (2023) in the chemical industry. Feedstock use relies on the molecule itself, limiting substitution options[5] and requiring costly process changes or expensive alternatives like biomethane.

Energy efficiency: a necessary but insufficient precondition. Industry continues to improve its efficiency, but the residual potential is limited and this alone cannot absorb the impact of internationally high costs.

Cost gaps are driving deindustrialisation and undermining climate investment. The cost disadvantage is eroding EU competitiveness and triggering deindustrialisation. It also hampers industry's ability to invest in climate neutrality and weakens the EU's investment appeal.

Gas markets have ensured supply, but at a very high cost—policymakers must now act. While supply has remained stable, it came at high cost. We welcome the Gas Market Taskforce's scrutiny of EU gas markets and we are open to discuss improvements. However, *policy* interventions in functioning markets must avoid creating uncertainty or price distortions.

Urgent policy action is needed—this is not optional, but essential. Gas prices reflect market fundamentals, but targeted policy measures are needed. We urge action on all of the following:

1. **Utilise state aid frameworks to provide temporary relief on taxes and network tariffs**
2. **Increase domestic supplies of gas**
3. **Reduce supply and planning uncertainty in gas markets**
4. **Diversify the supply of gas**

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[1] Note: Prices are set by market fundamentals. The cost also includes taxes, fees and network charges.

[2] TTF price comparison 2019-2025.

[3] TTF to Henry Hub price comparison (April 2024-April 2025).

[4] Higher costs vs pipeline gas are driven by, inter alia, liquefaction, shipping, regassification,…

[5] Our modelling suggests an enduring role for fossil feedstock beyond 2050 (Source: Cefic, as does the Commission's own 2040 Impact Assessment).

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Chemistry can

1. Utilise state aid frameworks to provide temporary relief on taxes and network tariffs

a. Member States ought to utilise existing state aid frameworks to provide relief on electricity taxes and network tariffs as a short-term response to high costs.
    i. The same should be undertaken for natural gas. To avoid distortions of the single market, these relief measures should be coordinated as much as possible amongst Member States.

Recommendation:

- Provide relief on electricity taxes and network tariffs as a short-term response to high costs, consistently across Member States.
- The on-going revision of the Energy Taxation Directive should not undermine the competitiveness of EU industry by increasing the tax burden on natural gas – notably for operations with limited options for substitution. In particular, the option under draft Article 12.7 for Member States to tax the self-consumption of energy products and electricity introduces a significant and uneven cost burden on EU chemical manufacturers, exacerbating the risk of de-industrialization and weakening the EU's Critical Chemicals strategy.

2. Increase domestic supplies of gas

a. Domestic natural gas resources would help strengthen the EU's security of supply in the medium term and lower volatility.
b. In the medium term, they may also have some price lowering effect, as they alleviate the need for the transport steps that add to the cost of LNG.
c. Domestic development of natural gas resources would also help insulate the continent from over-reliance on international supplier countries – and reduce the transfer of wealth from the EU to these countries.
d. In light of the EU's new energy market landscape, we invite Member States to review their approach to all forms of natural gas development in the EU.
e. We acknowledge that developing domestic natural gas resources will take time – and is hence not a quick fix to the EU's gas cost issues.
    i. The EU also has a limited geological endowment of hydrocarbons[6]. Still, EU reserves could provide additional supplies if developed.
f. In addition, promote the development of renewable and low-carbon gases that can help diversify away from a reliance on fossil gas.
    i. The revised Gas Package sets an ambition for the domestic development of 35 bcm of biomethane by 2030. That is roughly equivalent to the combined energy and feedstock natural gas demand of the chemical industry.
    ii. However, the biomethane market would need to grow 5x over today's capacity to reach the target[7] - and the commodity remains more expensive than fossil alternatives.
    iii. Biomethane in particular works as a drop-in solution that can decarbonise existing assets without requiring site adaptations.

[6] European gas reserves - IOGP Europe

[7] European biomethane capacity hits 7 bcm – stronger policy support needed to sustain momentum | European Biogas Association

Recommendations:

- While determining the energy mix is a national competency, we invite the EU Commission to assess the costs & benefits of increased domestic natural gas development, including its knock-on impacts on EU electricity costs.
- We invite Member States to reconsider their stance on domestic natural gas development in the interest of energy security and strengthening the EU's energy competitiveness
- During the market ramp-up, facilitate the industrial up-take of biomethane through dedicated support instruments, as is being done for hydrogen through the Hydrogen Bank, and support cross-border trading of biomethane through harmonised rules, for instance under the Fuel Union Database.
    - These should prioritise the use of biomethane in hard-to-abate sectors exposed to international competition.

3. Reduce supply- and planning uncertainty in gas markets

a. We support the Commission's ambition to reduce methane emissions throughout the natural gas value chain.
    i. In fact, industrial consumers require clarity on the GHG emissions intensity of their energy and feedstock supplies – for instance for certifying low-carbon hydrogen.
    ii. That clarity needs to be provided whilst minimising the resulting cost of compliance to avoid adverse effects on competitiveness and security of supply.

b. As it stands, the Methane Regulation falls short of that ambition:
    i. Uncertainty around the rules for importers post 2027 and compliance with monitoring, reporting, and verification (MRV) equivalence requirements within the set timeline are a major issue for signing long-term contracts already today.
        1. This adds to the cost of contracting natural gas and limits supply.
        2. It further draws into question the prospect of producing low-carbon hydrogen, which relies on these reported figures.

c. By driving up the cost and complexity of long-term contracts – if not outright inhibiting them – the Methane Regulation instils a wait-and-see attitude in market participants.
    i. That may push them towards spot purchasing. The high amount of spot supplies today is already leading to a higher exposure to the market's volatility[8].
    ii. Sizable additional LNG capacity is set to come online in the next years.
        1. The reluctance to enter into long-term contracts due to the risks involved may disadvantage European buyers internationally vis-à-vis players that preferentially contract long-term, including for contracting this new LNG capacity coming online.

d. Improve planning certainty for long-term gas contracting through realistic scenario setting and medium-to-long-term demand forecasts.
    i. Natural gas is expected to remain a part of the EU's energy mix beyond the 2040s.
    ii. Combined with carbon captured and storage/ use, it represents an important vector for the transition of the chemical industry - in addition to its effect on the sector's competitiveness[9].
    iii. These trends necessarily need be reflected in the EU's modelling work to inform workable targets and provide planning certainty also to energy markets.

[8] ACER, 2025, '2025 Monitoring Report: Analysis of the European LNG market developments'

[9] See footnote 4 above The Carbon Managers - IC2050 model - cefic

1. Adjust the phase-out date for unabated natural gas contracts of 2049 accordingly, including in the EU taxonomy.

Recommendations:

- Include the Methane Regulation in an omnibus package that helps reduce energy costs in the EU.
  - That package should reduce the administrative burden and regulatory uncertainty around emissions reporting and verification both for domestic production and imports.
    - That simplification should not to affect the underlying ambition of reducing methane emissions.
  - Support acceptance of certification as a viable compliance pathway for imports where the producer cannot be identified.
- Accelerate the publication of the implementing act defining criteria for country equivalency as soon as possible to relieve possible barriers for security of supply and provide visibility for consumers.
- Rapidly develop a workable regulatory equivalency framework in dialogue with international partners – including the US and Norway.
- Provide regulatory visibility on the delegated act setting out the methodology for calculating methane intensity.
- Develop medium-to-long-term gas demand forecasts that provide planning certainty for market participants.

4. Diversify the supply of gas

a. The energy crisis is teaching the EU a costly lesson on relying too heavily on individual suppliers. Learning from that lesson, we invite decision makers to continue to promote diversification of EU gas supplies, including LNG.

b. Joint purchasing of gas volumes can – in principle – aid in contracting gas more flexibly, where it does not distort the functioning of the gas market and is entirely voluntary.
   i. Legal barriers to market-based demand aggregation – for instance rooted in competition law - should be removed, where their removal does not have a negative impact on market functioning.

c. One critical component to the scale-up of the market for renewable and low-carbon gases is a robust certification system for guarantees of origin (GOs) and Proof of Sustainability (PoS) - including for their import.
   i. As is stands, the roll-out of the Fuel Union Database remains impeded by implementation challenges.

Recommendation:

- EU gas supplies, including LNG, ought to be sufficiently diversified and not overly concentrated on single countries. We advise against direct interventions in market functioning.
- Roll-out rapidly a robust certification system for renewable and low-carbon gases that facilitates domestic supply and demand, and accommodates credible international imports.