



The Federal Ministry
for the Environment,
Nature Conservation
and Nuclear Safety

Emissions Trading in Germany

Experiences, Current Situation and Outlook

ETS Subcommittee of the Central Environment Council
Tokyo, 14 June 2010

Dr. Dirk Weinreich
Head of Emissions Trading Division
Federal Ministry of the Environment,
Nature Conservation and Nuclear Safety
Germany



Germany within the EU ETS

**Germany's share of EU-ETS emissions is 24%
(biggest part in EU-ETS)**

**Roughly 43% of all German GHG emissions are
covered by the EU ETS**

**Of the German ETS emissions 21% come from
industry and 79% from energy sectors**

**About 1656 installations were covered with annual
emissions of 428 million tonnes (2009)**



Why Emissions Trading?

Advantages of cap & trade:

- **Environmental effectiveness: emission reduction target will be achieved**
- **Cost efficiency: a price for emissions is created and leads to least cost reductions**
- **Highest possible flexibility for companies**
- **Cap and trade automatically adapts to a crisis (price goes down) or to an upturn (price goes up)**
- **Linking could lead to a global carbon market**



The idea of cap and trade

Companies:
flexibility in
emission reduction

**Advantages
of ETS**

Government:
emission reduction
achieved at least
cost

Environment:
cap ensures
emission reduction



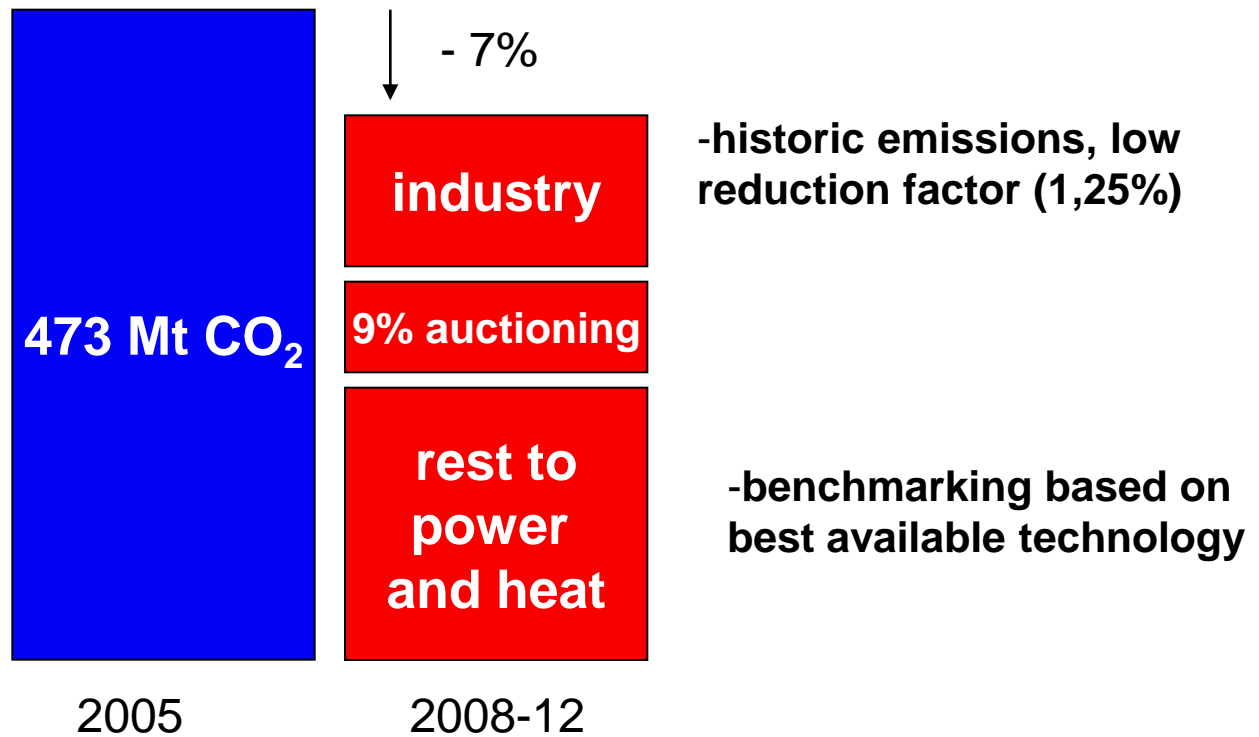
Experiences in Germany

Emissions trading can be designed compatible with industry needs:

- **Germany has a strong industrial economy with high export shares**
- **Safeguards against “carbon leakage” therefore important**
- **Free allocation on a transitional basis to affected sectors and low reduction factor for industry**
- **Ambitious benchmarks keep incentives for companies to reduce emissions**



Allocation in Germany (phase II)





Lessons learnt

Problems for the government:

- **Free allocation causes distribution conflicts between sectors and companies**
Phase I: 58 allocation rules in Germany
- **Lack of data in the initial phase (but: ETS improves data!)** Phase I: Overallocation in EU ETS

Solutions:

- **Clear, simple and transparent allocation rules**
- **Auctioning as preferred allocation method**
- **EU-wide harmonised benchmarks**



Outlook

Phase III:

- **100% auctioning for electricity production**
- **Transitional free allocation on the basis of ambitious benchmarks for industry with a fixed industry cap**
 - **Benchmarks should reward CO₂-efficient products and allow equal treatment of competitors**
 - **In general : “one product – one benchmark”, i.e. no distinction due to individual aspects**
 - **Over allocation of single sectors must be avoided to ensure a fair treatment of all sectors (overall reduction if industry cap is exceeded)**



The Federal Ministry
for the Environment,
Nature Conservation
and Nuclear Safety

Thank you for your attention

Dr. Dirk Weinreich
Head of Emissions Trading Division
dirk.weinreich@bmu.bund.de

**Federal Ministry of the Environment,
Nature Conservation and Nuclear Safety
Germany**