

## German National Emissions Trading System

### General Information

Summary	<p><b>Status:</b> ETS under development</p> <p><b>Jurisdictions:</b> Germany</p> <p>Germany is scheduled to launch a national ETS for heating and transport fuels in 2021. This measure complements the EU ETS and forms part of the ‘Climate Action Programme 2030,’ a package of measures adopted by the German Federal Cabinet to reach Germany’s 2030 climate targets and aim for climate neutrality by 2050. Since GHG emissions from Germany’s energy, industry, and domestic aviation sectors are already covered by the EU ETS, the introduction of the national ETS will lead to most major sectors in Germany facing a CO<sub>2</sub> price from 2021 onwards.</p>										
Year in Review	<p>After the release of the ‘Cornerstones for the Design of a National ETS’ in October 2019, the implementing legislation—‘Fuel Emissions Trading Act’—was adopted by the two German federal legislative bodies in December 2019. Now that the key design features of the system are agreed upon, regulatory efforts in 2020 and 2021 will focus on the implementation of the law.</p> <p>The national ETS will be phased in gradually, with a fixed price per tCO<sub>2</sub> from 2021 to 2025. In 2026, auctions with minimum and maximum prices will be introduced. The price trajectory for 2027 onwards will be decided in 2025. The coverage of fuels will also be expanded stepwise.</p> <p>The current ‘Fuel Emissions Trading Act’ sets prices of EUR 10/tCO<sub>2</sub> (USD 11.19) in 2021, continuously rising to EUR 35/tCO<sub>2</sub> (USD 39.18) in 2025. In 2026, a price corridor between EUR 35 and EUR 60 (USD 67.17) would apply. These figures, however, are being revised as further negotiations between the two German federal legislative bodies yielded a decision to increase the fixed-price levels. The system is now to start with a higher fixed price of EUR 25/tCO<sub>2</sub> (USD 27.99) in 2021, which will then increase yearly to EUR 55/tCO<sub>2</sub> (USD 61.57) in 2025. The federal government agreed to draft a law containing these amendments and to initiate the legislative procedure beginning in 2020.</p> <p>In May 2020, the German federal cabinet agreed on a revision of the Fuel Emissions Trading Act increasing prices per tonne of CO<sub>2</sub>. The revised bill has been submitted to parliament for approval, which is expected to occur by the end of 2020.</p>										
Overall GHG emissions (excluding LULUCF)	<p><b>Emissions:</b> 906.6 MtCO<sub>2</sub>e (2017)</p>										
Overall GHG emissions by sector	<table border="1"> <thead> <tr> <th>Sector Name</th> <th>MtCO<sub>2</sub>e</th> </tr> </thead> <tbody> <tr> <td>Energy</td> <td>765.7</td> </tr> <tr> <td>Industry</td> <td>64.5</td> </tr> <tr> <td>Agriculture</td> <td>66.3</td> </tr> <tr> <td>Waste</td> <td>10.2</td> </tr> </tbody> </table>	Sector Name	MtCO <sub>2</sub> e	Energy	765.7	Industry	64.5	Agriculture	66.3	Waste	10.2
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Overall GHG reduction target	<p><b>BY 2020:</b> 40% below 1990 GHG levels</p>										

	<p><b>BY 2030:</b> 55% below from 1990 GHG levels</p> <p><b>BY 2050:</b> GHG neutrality</p>
Carbon Price	<i>Current Allowance Price (per t/CO2e):</i> No information available yet.

## ETS Size

Emissions covered by the ETS	No information available yet.
GHG covered	CO2
Sectors covered and thresholds	<p>The CO2 price will be charged to fuel distributors and suppliers and applies to all fuels used in the transport sector and for heating purposes, e.g., fuel oil, LPG, natural gas, coal, gasoline, and diesel.</p> <p>Initially, the system starts with a limited scope, e.g., coal (for heating) will be covered from 2023 onwards.</p>
Point of regulation	Upstream
Number of liable entities	No information available yet.
Cap	No information available yet.

## Phases & Allocation

Trading period	No information available yet.
Allocation	<p><b>PHASE ONE (2021-2026):</b> Allowances will not be allocated for free. The government will start selling and auctioning allowances with a fixed price on CO2 emissions between 2021 and 2024. [1]</p> <p>2021: EUR 10 (EUR 25) / USD 11.19 (USD 27.99)                  2022: EUR 20 (EUR 30) / USD 22.39 (USD 33.58)                  2023: EUR 25 (EUR 35) / USD 27.99 (USD 39.18)                  2024: EUR 30 (EUR 45) / USD 33.58 (USD 50.38)                  2025: EUR 35 (EUR 55) / USD 39.36 (USD 61.57)</p> <p>In 2026 auctioning of allowances starts and a price corridor with a minimum price of EUR 35 (EUR 55) and a maximum price of EUR 60 (EUR 65) (USD 72.77) per tCO2 will apply.</p> <p>The cap will be based on Germany's reduction targets for the non-EU ETS sectors as defined by the European Effort Sharing Regulation (ESR) and decline each year. However, in case the allocation of allowances within the national ETS exceeds the available German emissions budget set out in the ESR, allowances for emissions reductions will be acquired under the ESR flexibility mechanisms, including inter-member state trade.</p> <p><b>PHASE TWO (FROM 2027):</b>                  Based on a review of the system it will be decided in 2025 whether a price corridor should also be applied from 2027 onwards.</p> <p>Allowances will be allocated through auctions, and the annually declining cap will be based on Germany's reduction targets for the non-EU ETS sectors as defined in the ESR. If not decided otherwise, the cap will be fixed.</p> <p>[1] fixed price level foreseen as a compromise between the legislative bodies Bundesrat und Bundestag. Corresponding amendments of the 'Fuel Emissions Trading Act' expected in the first half of 2020.</p>

## Flexibility

Banking and borrowing	Banking is not allowed during the introductory phase but will be allowed in the second phase.
Offsets and credits	No information available yet.
Market Stability Provisions	<p>Additional allowances exceeding the cap can be acquired by operators in the initial phase (fixed-price phase).</p> <p>In 2026 auctions of allowances will contain a price corridor of a minimum price per tCO<sub>2</sub> of EUR 35 (EUR 55) and a maximum price of EUR 60; USD 67.17 (EUR 65; USD 72.77).</p> <p>A potential price corridor for the time after 2026 will be decided upon in 2025.</p>

## Compliance

Compliance Period	From 1 January until 31 December each year.
Monitoring, Reporting, Verification (MRV)	<p>Details are under preparation in a separate regulation.</p> <p><b>REPORTING FREQUENCY:</b> Annual self-reporting in form of an emissions report based on electronic templates. Emissions data are recorded in a national registry and are publicly available.</p> <p><b>VERIFICATION:</b> Verification by independent third-party verifiers.</p>
Enforcement	<p>During the first phase, when allowances are allocated at a fixed price, entities must pay an excess emissions penalty for each tCO<sub>2</sub> emitted for which no allowance has been surrendered, which is two times the fixed price. Mistakes in the emissions reports also lead to payments in the equivalent amount. Payment of the penalty doesn't release from the obligation to surrender allowances to cover the emissions. Entities remain obliged to purchase and surrender the outstanding allowances.</p> <p>During the second phase, entities must pay an "excess emissions penalty." The excess emissions penalty will be the same as in the EU ETS, approximately EUR 100/tCO<sub>2</sub> (USD 112/tCO<sub>2</sub>) for each tCO<sub>2</sub> emitted for which no allowance has been surrendered.</p> <p>For other non-compliances—e.g., misreporting, late reporting—a fine can be imposed on an entity.</p>

## Linking

Links with other Systems	The long-term goal is to establish emissions trading in the transport and heating sectors at the EU level.
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## Other Information

Institutions involved	<p>German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety;</p> <p>German Emissions Trading Authority at the German Environment Agency.</p>
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Evaluation / ETS review	The German government publishes reports on the functioning and implementation of the national ETS every two years until 2024 (until end of November 2022 and 2024) and every four years from 2024 onwards.
Revenue	No information available yet.  Revenue from selling allowances at the fixed price and from auctioning will be partly used to support measures under the climate protection program and partly redistributed to consumers.
Implementing Legislation	The <a href="#">Cornerstones for the design of a national emissions trading scheme for heat and transport</a> were released on 16 October 2019.  After adoption by the legislative bodies basic <a href="#">implementation legislation</a> —the Fuel Emissions Trading Act—entered into force on 20 December 2019.  An amendment of the Fuel Emissions Trading Act to strengthen the national ETS by increasing the fixed price in the initial phase is expected for the first half of 2020.  Further government regulations foreseen by the basic act will be drafted and adopted in 2020 and 2021.

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