

# German National Emissions Trading System

## General Information

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### ETS Description

Germany launched its national ETS (Nationales Emissionshandelssystem) for heating and transport fuels in 2021. With the introduction of the ETS, a wide range of sectors in Germany are now subject to a carbon price.

The national ETS complements the EU ETS by covering all fuel emissions not covered by the bloc's system. It is being phased in gradually, with an increasing fixed price per tCO<sub>2</sub> from 2021 to 2025. In 2026, auctions with minimum and maximum prices will be introduced. All main fuel types (gasoline, diesel, heating oil, natural and liquid gases) have been covered from the outset, while other fuels such as coal and the incineration of waste will gradually be phased in by the end of 2024. During the fixed price and price corridor phases, the cap is flexible. Covered entities must surrender allowances for all their covered emissions, and allocation is based on auctions or free allocation.

The national ETS was established through the 2019 "Fuel Emissions Trading Act" 2019, which was amended in 2020, 2022 and again in 2023. It forms part of the "Climate Action Program 2030", a package of measures adopted by the German Federal Cabinet to reach Germany's 2030 climate targets and aim for climate neutrality by 2045.

### ETS Status

in force

### Jurisdictions

Germany

### Year in Review

In 2023, the German government successfully concluded all legislative adjustments to the German national ETS.

In November, a EUR 60 billion (USD 64.9 billion) budgetary shortfall emerged due to a significant ruling by Germany's Constitutional Court, resulting in a EUR 17 billion (USD 18.4 billion) financial gap for the year 2024. Subsequently, in December, the German parliament approved a departure from the initially proposed EUR 5 (USD 5.41) increase for 2024, endorsing a EUR 15 (USD 16.21) hike in carbon prices (from EUR 30 (USD 32.44) in 2023 to EUR 45 (USD 48.66) in 2024) set to take effect in January 2024.

Additionally, the inclusion of GHG emissions from the combustion of coal began as planned from January 2023. The inclusion of fuels used in waste incinerators in the ETS began in January 2024.

### Sectoral coverage

Waste  
Transport  
Buildings  
Industry

### Revenue usage

Climate mitigation  
Pursuit of other development objectives, such as education and health

## Emissions & Targets

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### Overall GHG Emissions excl. LULUCF (MtCO<sub>2</sub>e)

760.3

### GHG reduction targets

**BY 2030:** 65% below 1990 GHG levels (Climate Change Act)

**BY 2050:** GHG neutrality (Climate Change Act)

### Current Allowance Price (per t/CO<sub>2</sub>e)

[here](#)

## Size & Phases

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### Covered emissions (2022)

39.00%

### Verified ETS Emissions

291.10MtCO<sub>2</sub>e

### GHGs covered

CO<sub>2</sub> only

### Phases

**PHASE ONE:** 10 years (2021-2030)

### Cap or total emissions limit

A cap limits the total emissions allowed in the system.

**PHASE ONE:** The cap is set in line with Germany's reduction targets for the non-EU ETS sectors as defined by the "European Effort Sharing Regulation" (ESR). Given the revision of the ESR as part of the "Fit for 55" package, the German government has set a revised cap for the national ETS that decreases yearly in accordance with reduction targets.

During the fixed-price period from 2021 to 2025, and as long as a price corridor is deemed necessary, the cap is flexible. If emissions (and therefore the demand for allowances) within the German ETS exceed the cap, additional allowances will be available for covered entities.

These flexibility provisions will become void as soon as price determination is left solely to the market. The cap will also be binding at this point.

### Sectors and thresholds

The German ETS covers all fuel distributors and suppliers. It applies to all fuels used in the transport sector and for the production of heat, e.g., fuel oil, LPG, natural gas, coal, gasoline, and diesel.

Biomass used as fuel in the transport sector and for heating purposes generally also falls under the scope of the system. However, emissions from biogenic fuels that meet the sustainability criteria as set out in national regulations transposing the "European Renewable Energy Directives 2029/28/EC" and "2018/2001" do not face compliance obligations.

The system started with a limited scope in 2021 and 2022, including fuel oil, LPG, natural gas, gasoline, and diesel. Coal was added in 2023. Fuels used in waste incineration are covered from 2024 onwards.

Provisions have been put in place to avoid double compliance burdens for installations covered by the EU ETS. Emissions that arise from a fuel delivered to and used in an EU ETS installation must be reported by the EU ETS installation in all cases. These emissions may then

be deducted from the reported emissions of the fuel distributor under the German ETS if:

1. evidence can be provided that the emissions have been reported by the receiving EU ETS installation; and
2. no carbon price has been passed through.

If such evidence cannot be provided or if carbon costs were passed through from the supplier under the system to the EU ETS installation, the supplier is obligated to report and surrender allowances to cover the emissions. In such a case, the EU ETS installation upon application receives full compensation for the price that has been passed through.

#### **Point of regulation**

Upstream

#### **Type of entities**

Entities releasing fuels for consumption (e.g., fuel distributors)

#### **Number of entities**

2,000 (2023)

## **Allowance Allocation & Revenue**

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### **Allowance allocation**

#### **PHASE ONE:**

**Fixed price phase (2021 to 2025):** Allowances are sold for a fixed price. The price increase for 2023 was suspended and further increases have been postponed by one year as a response to the energy crisis. The new price schedule is as follows:

- 2021: EUR 25 (USD 27.03)
- 2022: EUR 30 (USD 32.44)
- 2023: EUR 30 (USD 32.44)
- 2024: EUR 45 (USD 48.66)
- 2025: EUR 55 (USD 59.47)

Generally, the yearly fixed price only applies to allowances acquired in the respective calendar year. However, up to 10% of allowances needed for compliance obligations for year X can be acquired until the end of September of year X+1 at the fixed price of year X.

**Auctioning phase (from 2026):** Will commence as planned in 2026. A price corridor with a minimum price of EUR 55 (USD 59.78) and a maximum price of EUR 65 (USD 70.65) per tCO<sub>2</sub> will apply in 2026.

**CARBON LEAKAGE RULES:** The German ETS is accompanied by a compensation mechanism to avoid carbon leakage for emissions-intensive trade-exposed sectors. Regulations were released in July 2021 and will have retroactive effect. The carbon leakage rules apply to companies from emission-intensive sectors that face international competition. Industries eligible for compensation are those on the carbon leakage list of the EU ETS Phase 4. Therefore, firms from the same industrial sector regulated under the German ETS and EU ETS should be treated equally.

Additional sectors/sub-sectors may qualify upon request if they meet thresholds for emissions and trade intensity. In contrast to the EU ETS, the German ETS does not use free allocation, but compensation based on sectoral fuel benchmarks and fixed compensation levels.

#### **Auctioning share**

100%

#### **Total Revenue**

EUR 24.3 billion (USD 26.3 billion) since the beginning of the program

EUR 10.7 billion (USD 11.6 billion) in 2023

2023

#### **Use of Revenues**

All revenues from the national ETS go into the Government's "Climate and Transformation Fund" (Klima- und Transformationsfond – KTF). This fund is used to support measures under the climate protection program. These include GHG reduction programs – e.g., incentivizing climate-friendly transport and energy-efficient buildings – and direct assistance to industry or households.

## Flexibility & Linking

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### Offset credits

The use of offset credits is not allowed.

### Banking and borrowing

Banking is not allowed during the fixed price phase. However, up to 10% of allowances of year x can be acquired at the price of year x until September of year x+1. Banking will be allowed in the auctioning phase.

Borrowing is not allowed.

### Links with other Systems

The German national ETS is not linked with any other system.

## Compliance

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### Compliance mechanism

Covered entities must surrender one allowance per tCO<sub>2</sub>e emitted for all their covered emissions.

### Compliance Period

One calendar year. Entities have until the end of September to surrender allowances to cover the reported emissions of the previous year.

### Monitoring, Reporting, Verification (MRV)

**REPORTING FREQUENCY:** Annual self-reporting in the form of an emissions report based on electronic templates to be submitted by the end of July.

From 2023 onwards, the emissions report must be based on a previously approved monitoring plan. Due to a high level of standardization of the permitted reporting methods during the first two years, the monitoring plan requirement was waived for 2021 and 2022.

Emissions data are recorded in a national registry and are publicly available.

**VERIFICATION:** Verification of the annual emissions by accredited independent third-party verifiers has been mandatory from 2023 onwards. As with the monitoring plan requirement, the verification requirement was waived for the years 2021 and 2022.

### Enforcement

During the fixed-price phase, entities must pay an excess emissions penalty for each tCO<sub>2</sub> emitted for which no allowance has been surrendered, set at two times the fixed price. Payment of the penalty does not release the entity from the obligation to surrender allowances to cover the emissions; entities remain obliged to purchase and surrender the outstanding allowances.

After the fixed-price phase, entities must pay an excess emissions penalty of EUR 100/tCO<sub>2</sub> (USD 108.13) for each tCO<sub>2</sub> emitted for which no allowance is surrendered. This amount will increase annually in line with the European consumer price index.

For other instances of non-compliance, e.g., misreporting, or late reporting, entities can be fined.

## Market Regulation

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### Market Stability Provisions

Additional allowances exceeding the cap can be acquired by entities in the fixed-price phase.

In 2026, auctions of allowances will contain a price corridor of a minimum price per tCO<sub>2</sub> of EUR 55 (USD 59.78) and a maximum price of EUR 65 (USD 70.65).

### Market Design

**MARKET PARTICIPATION:** Trading accounts can be held by any domestic or international natural or legal person. Compliance entities can buy allowances directly from the trading platform or via financial intermediaries.

### MARKET TYPES:

**Primary:** EEX is the German ETS's auction platform. During the fixed-price phase, allowances are issued at the predetermined price. Auctioning will start in 2026.

**Secondary:** Allowances can be purchased on the secondary market throughout the year.

**LEGAL STATUS OF ALLOWANCES:** Allowances do not have the status of financial instruments or derivatives according to the "German Banking Act" or the "Securities Trading Act".

## Other Information

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### Institutions involved

**German Federal Ministry for Economic Affairs and Climate Action (BMWK):** Authority responsible for establishing the regulatory framework of the national ETS.

**German Emissions Trading Authority (DEHSt)** at the German Environment Agency (UBA): Implementing authority, e.g., responsible for the registry and receiving emission reports.

### Regulatory Framework

[Fuel Emissions Trading Act](#)

[Emissions Reporting Regulation 2022](#)

[Fuel Emissions Trading Regulation](#)

[Carbon Leakage Regulation](#)

### Evaluation / ETS review

The German government published its first [evaluation report](#) in December 2022. It analyzes the program implementation, impacts, and assesses the inclusion of waste from 2024.

The next evaluation report will be published in 2024. From 2024 onwards, the German ETS will be evaluated every four years.

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