

# German National Emissions Trading System

## General Information

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### ETS Description

Germany launched its national ETS (nETS, *Nationales Emissionshandelssystem*) for heating and transport fuels in 2021, bringing a wide range of sectors in Germany under a carbon price.

The nETS covers all fuel emissions not covered by the EU ETS and operates upstream. It is being phased in gradually, with an increasing fixed price per tCO<sub>2</sub> from 2021 to 2025. In 2026, certificates are auctioned within a price corridor of EUR 55 (USD 62.15) to EUR 65/tCO<sub>2</sub> (USD 73.45/tCO<sub>2</sub>), with no free allocation<sup>[1]</sup>. After completion of the auctioning period, certificates are sold at a fixed price of EUR 68/tCO<sub>2</sub> (USD 76.84/tCO<sub>2</sub>) in 2026. All main fuel types (gasoline, diesel, heating oil, natural and liquid gases) have been covered from the outset, while solid fuels such as coal were included in 2023 and waste incineration in 2024. During the fixed price and price corridor phases, the cap is flexible.

The nETS was established through the 2019 “Fuel Emissions Trading Act” and amended in 2020, 2022, 2023, and 2025. In February 2025, legislation was adopted to transition most nETS coverage to EU ETS 2. Due to the postponement of the obligation to surrender allowances in the ETS 2 by one year, the nETS will continue until 2028. When the ETS 2 starts, nETS will not apply to those sectors covered by the supranational system or which are opted in.

The Act forms part of the “Climate Action Program 2030”, adopted to reach the country’s 2030 climate targets and aim for climate neutrality by 2045.

<sup>[1]</sup> USD conversion based on 2025 IMF exchange rate; actual future exchange rates may differ.

### ETS Status

in force

### Jurisdictions

Germany

### Year in Review

In January 2024, Germany’s national ETS expanded to include waste incineration.

In February 2025, the German parliament adopted a law to transition from the nETS to the EU-wide ETS 2. The ETS 2 was originally set to start on 1 January 2027, but in November 2025, the EU agreed to postpone this by one year to 2028. According to the law, Germany’s system will end when the EU ETS 2 fully applies. The law foresees making use of the “opt-in” option, which allows Member States to add sectors not covered in the European system. In addition to fuels used in transport, buildings, and small industries, Germany plans to opt in additional sectors (into EU ETS 2). The coalition agreement states that combustion emissions from agriculture will not be opted in ETS 2. Also, the law does not extend the opt-in option to waste incineration, as the government is awaiting further EU-wide analysis on the effectiveness of carbon pricing in the waste sector. As a result, both will remain under the nETS unless new provisions are introduced by then.

Between August and September 2025, the government adopted and brought into force a second amendment to the Fuel Emissions Trading Ordinance (BEHV), specifying the auction procedures for 2026 within the price corridor.

## Sectoral coverage

Fuel use in agriculture and/or forestry

Waste

Transport

Buildings

Industry

## Revenue usage

Climate mitigation

Low-carbon innovation

Assistance for individuals, households, and businesses

## Emissions & Targets

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

672 MtCO<sub>2</sub>e (2023)

### GHG reduction targets

**By 2030:** 65% reduction from 1990 GHG levels (“Climate Change Act”)

**By 2045:** Climate neutrality (Climate Change Act)

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

EUR 55 (USD 62.15)

## Size & Phases

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### Covered emissions (2023)

42.00%

### Verified ETS Emissions

282.60MtCO<sub>2</sub>e

### GHGs covered

CO<sub>2</sub>

### Phases

**PHASE 1:** Ten years (2021-2030)

### Cap or total emissions limit

An absolute cap limits the total emissions allowed in the system and is fixed ex-ante.

**PHASE 1:** 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 EU’s “Fit for 55” legislative package, the German government has set a revised cap for the nETS 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

**Types of fuel covered:** All fuels used in the transport sector, for the production of heat and other sectors such as fuels in agriculture, rail transport and waste incineration, 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 were 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 no such evidence can 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

2,070 (2024)

## Allowance Allocation & Revenue

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### Allowance allocation

#### PHASE 1:

**Fixed price phase (2021 to 2025):** Allowances are sold for a fixed price. The price schedule is as follows:

- 2021: EUR 25 (USD 27.06)
- 2022: EUR 30 (USD 32.47)
- 2023: EUR 30 (USD 32.47)
- 2024: EUR 45 (USD 48.71)
- 2025: EUR 55 (USD 62.15)

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):** The auction volume is set at 100% of the annual cap, adjusted by adding the cap increment (to account for double-counting with the EU ETS 1) and deducting the cumulative additional allowance sales from the fixed-price phase (2021-2025). A price corridor with a minimum price of EUR 55 (USD 62.15) and a maximum price of EUR 65 (USD 73.45) per tCO<sub>2</sub> will apply in 2026. If the cap is exceeded an additional unlimited amount of allowances can be bought at a price of EUR 68 (USD 76.84) after the auctioning period.

**CARBON LEAKAGE RULES:** The German ETS is accompanied by a compensation mechanism to avoid carbon leakage for emission-intensive trade-exposed sectors. Regulations were released in July 2021 and applied retroactively to companies in 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 nETS 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 16 billion (USD 18.1 billion) in 2025

2025

### **Use of Revenues**

All revenues from the national ETS go into the Government's "Climate and Transformation Fund" (*Klima- und Transformationsfonds* – 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 – as well as support for industrial decarbonization and the hydrogen economy, and energy cost relief for industry and 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 and the corridor phase.

Borrowing is not allowed.

### **Links with other Systems**

The nETS is not linked with any other system.

### **Other carbon pricing instruments in the jurisdiction**

**ETS (supranational):** EU ETS 1

## **Compliance**

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### **Compliance mechanism**

Covered entities must surrender one compliance unit (national emissions certificate, nEZ) per tCO<sub>2</sub> 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)**

**FRAMEWORK:** The Fuel Emissions Trading Act (BEHG) establishes MRV obligations (monitoring plan, annual emissions reporting, surrender, deadlines, enforcement), supported by the Emissions Reporting Ordinance 2030 (EBeV 2030) for methods/report content and BEHV for registry/sales procedures.

**MONITORING:** Monitoring is upstream and calculation-based using quantities of fuels placed on the market and standard emission factors. A DEHSt-approved monitoring plan is required from 2023 onward.

**REPORTING:** Annual emissions reports must be submitted electronically by July 31 for the previous calendar year.

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 since 2023. As with the monitoring plan requirement, the verification requirement was waived for 2021 and 2022.

## Penalties and 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.

For 2026, entities must pay an excess emissions penalty of EUR 100 for each tCO<sub>2</sub> emitted for which no allowance is surrendered.<sup>[1]</sup>

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

[1] For 2025, the inflation-adjusted penalty is EUR 131 (USD 148).

## Market Regulation

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### Market Stability Provisions

#### FLEXIBLE CAP PROVISIONS

**Instrument type:** Quantity-based instrument

**Functioning:** To maintain the fixed price in the introduction phase, additional allowances exceeding the cap can be acquired by entities if the demand exceeds the cap. This was the case in 2021, where sold allowances exceeded the cap by 4.6 MtCO<sub>2</sub> and again in 2023 when reported emissions were about 2.4 MtCO<sub>2</sub> above the target, while in 2022, the sold volume was 4 MtCO<sub>2</sub> lower than the cap.

In 2026, allowances will be auctioned within a price corridor.

#### Market Design

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

#### MARKET TYPES:

**Primary:** EEX is the German ETS's sales and auction platform. During the fixed-price phase, allowances are issued at the predetermined price. Auctioning starts in 2026 within a price corridor and is conducted according to the BEHV and EEX auction procedures.

**Secondary:** Allowances can be purchased on the secondary market throughout the year. Secondary trading is over-the-counter.

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

## Other Information

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### Institutions involved

**German Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN):** Responsible for establishing the regulatory framework of the nETS.

**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 2030](#)

[Fuel Emissions Trading Regulation](#)

[Carbon Leakage Regulation](#)

#### Evaluation / ETS review

The German government published its first evaluation report in December 2022. [1]

A second evaluation report has been published in January 2025. [2] From 2025 onwards, the German ETS will be evaluated every four years.

[1] The 2022 report is available (German only) at <https://dserver.bundestag.de/btd/20/048/2004861.pdf>.

[2] The 2024 report is available (German only) at <https://dserver.bundestag.de/btd/20/144/2014488.pdf>.

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