Austrian National Emissions Certificate Trading System

General Information

ETS Description

Austria launched its national emissions certificate trading system (*Nationales Emissionszertifikatehandelsgesetz* – NEHG) for fossil fuels not already covered by the EU ETS in October 2022.

Although the NEHG does not establish a carbon tax, the carbon pricing instrument **follows in central parts the logic of existing energy taxes** (fuel tax, coal tax, and natural gas tax). Thus, if a certain event is taxable under the existing energy taxes regime, an obligation to buy allowances arises under the NEHG. Taxable events are the production, import, or release of energy products from a tax warehouse in Austria or the supply of coal and natural gas to consumers. In practice, only a limited number of energy distributors and oil companies are subject to the NEHG, while the majority of (end) consumers are not directly liable.

The NEHG aims to cover emissions outside the EU ETS, encompassing predominantly emissions in the buildings and transport sectors. Between 2022 and 2026, the system will operate with an annually increasing fixed price and without a cap.

The NEHG will end in December 2026 and will be replaced by the EU ETS 2 from January 2027 (see the 'EU ETS 2' factsheet for more).

ETS Status

in force

Jurisdictions

Austria

Year in Review

In June 2024, Austria revised its NEHG to prepare for the EU ETS 2, which will replace the national ETS. The draft foresees making use of the "opt-in" option, which allows Member States to add sectors into their national ETS not covered in the European system. In December 2024, the European Commission approved the Austrian request for the opt-in. In addition to fuels used in transport, buildings, and small industries, the NEHG also covers fuels used in agriculture and forestry, to maintain the same scope as the current national ETS.

The Austrian ETS will conclude at the end of December 2026, with the EU ETS 2 scheduled to commence from January 2027. However, if implementation of the EU ETS 2 is postponed to 2028 due to exceptionally high energy prices, the Austrian system will continue through 2027. During the transition phase from 2025 to 2027, entities will report under both systems. Reports, reporting deadlines and calculation methods for the NEHG and EU ETS 2 have been synchronized to streamline compliance. The launch of the market phase in 2026 is no longer foreseen.

Also in June 2024, Austria enhanced relief measures for industries beyond the agricultural and forestry sectors. By November 2024, eligible companies from various industries could apply for partial relief for 2022 and 2023 to mitigate additional costs, prevent carbon leakage, and address specific financial hardships.

Sectoral coverage

Agriculture and/or forestry fuel use
Transport

Buildings
Industry

Revenue usage

Assistance for individuals, households, and businesses

Emissions & Targets

Overall GHG Emissions excl. LULUCF (MtCO2e)

72.8 $MtCO_2e$ (*2022*)

GHG reduction targets

By 2030: 48% reduction from 2005 ("EU Regulation 2023/857")

By 2040: Climate neutrality (foreseen to be established in the current legislative program; not legally binding)

Current Allowance Price (per t/CO2e)

- 2022: EUR 30 (USD 32.44)
- 2023: EUR 32.50 (USD 35.14)
- 2024: EUR 45 (USD 48.66)
- 2025: EUR 55 (USD 59.47)

Size & Phases

Covered emissions (2023)

36.00%

Verified ETS Emissions

26.00$MtCO_2e$

GHGs covered

Several gases (CO2e)

Phases

PHASE ONE*:* Five years (2022 to 2026), including:
- Introduction phase (2022 to 2023)
- Fixed-price phase (2024 to 2026)

Cap or total emissions limit

There is no cap foreseen in the NEHG.

Sectors and thresholds

TYPES OF FUELS COVERED: The NEHG covers all distributors (producers/importers) of fossil fuels used in transport, buildings, and agriculture, as well as in small industries. This essentially concerns the following fossil fuel sources: petrol, gasoil (diesel), heating oil, natural gas, liquefied gas, coal, and kerosene. Fuels blended with biogenic ones receive a lower emissions factor than purely fossil fuels.

Aviation and navigation in international inland waters as well as certain fuels like sustainable LNG are exempt from the surrender of allowances during the fixed-price phase.

Provisions are in place to avoid unnecessary double burdens for installations covered by the EU ETS. Emissions that arise from fuel delivered to and used in an EU ETS-covered installation must be reported by said installation and can then be exempted from the NEHG. Exemption can be granted in advance, although a subsequent refund is also possible.

In addition, companies that are particularly affected by the NEHG (e.g., in the transport sector) can also apply for a partial refund of the carbon price to avoid “hardship” cases. The NEHG also foresees compensatory measures for economic sectors that are at particular risk of relocating their production to countries with less stringent climate policies (carbon leakage) and for firms facing additional costs in the agricultural and forestry sectors. In June 2024, Austria enhanced relief measures for industries, merging carbon leakage and hardship provisions to support energy-intensive companies. By November 2024, eligible companies could apply for partial relief for 2022 and 2023.

INCLUSION THRESHOLDS*:* Trading participants that emit less than one tCO_2e emissions per year are exempt from the obligations.

Point of regulation

Upstream

Type of entities

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

Number of entities

300 entities

Allowance Allocation & Revenue

Allowance allocation

Introduction and transition phases (2022 to 2026): The number of available allowances is unlimited. Allowances are sold for an annually increasing fixed price:

- 2022: EUR 30 (USD 32.47)
- 2023: EUR 32.50 (USD 35.18)
- 2024: EUR 45 (USD 48.70)
- 2025: EUR 55 (USD 59.53)
- 2026: TBC*

* The price for 2026 has not been established in the current legal framework. However, the law specifies that if no price is determined for 2026, the price for 2025 will remain in effect until the start of EU ETS 2.

Auctioning share

100%

Total Revenue

EUR 1.18 billion (USD 1.27 billion) in 2024
2024

Use of Revenues

Revenues are recycled to consumers via the Regional Climate Bonus (see ‘Year in Review’ section). In 2024 about EUR 1.96 billion was redistributed via this mechanism.

Flexibility & Linking

Offset credits

The use of offset credits is not allowed.

Banking and borrowing

Banking is not allowed during the introduction and transition phases.

Borrowing is not allowed.

Links with other Systems

The NEHG will be replaced by the EU ETS 2 from 2027 (see the 'EU ETS 2' factsheet for more)..

Other carbon pricing instruments in the jurisdiction

ETS (supranational): European Union Emissions Trading System (EU ETS)

Compliance

Compliance mechanism

Covered entities must surrender one allowance per tCO2e emitted for all their covered emissions.

Compliance Period

One calendar year. Covered entities have until the end of July 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 (*Treibhausgasemissionsbericht*) based on electronic templates is to be submitted by the end of June. During the introductory phase, a simplified emissions report, which is based on the already available data of the energy tax declarations, was to be submitted.

The emissions report must be based on a previously approved monitoring plan. Every modification to the monitoring plan needs to be addressed to the competent authority by the end of each calendar year. During the introductory phase, a simplified registration and emissions reporting regulation applied. In this phase, no monitoring plan needed to be submitted.

VERIFICATION: The emissions report must be accompanied by a verification report by an independent verifier, a requirement which was absent during the introductory phase.

Penalties and enforcement

Entities must pay an increased certificate price for each tCO_2e for which no allowance has been surrendered, set at two times the fixed price, in addition to a financial penalty.

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

Market Regulation

Market Stability Provisions

PRICE STABILITY MECHANISM

Instrument type: Price-based instrument

Functioning: Introduced as an accompanying measure for the introduction of the national ETS. If the average energy price increases by more than 12.5% within one year, the allowance price increase for the next year decreases by 50% compared to the initially planned increase. Likewise, if the average energy price decreases by more than 12.5%, the allowance price will also increase by 50% in the following year.

Triggers: In 2023 and 2024, the changes in energy prices did not trigger the price stability mechanism. Thus, allowance prices remained on their foreseen path.

Market Design

The NEHG will no longer enter into a market phase. Hence no provisions are expected for market design.

Other Information

Institutions involved

Austrian Federal Ministry for Finance (BMF): Responsible for establishing the regulatory framework of the ETS.

Office for National Emissions Allowance Trading at the Austria Customs Office: Implementing authority, e.g., responsible for receiving emissions reports.

Regulatory Framework

National Emissions Trading Act 2022 - NEHG 2022

Amendments to National Emissions Trading Act 2022 adopted in 2024

Eco-social tax reform 2022

Evaluation / ETS review

The NEHG has already been amended and aligned with the EU ETS 2 to ensure a smooth transition. However, adjustments to the corresponding regulations are still forthcoming.

The current framework ensures that the market phase is aligned with Austria's climate targets and supports the transition to the second EU ETS, covering the buildings and road transport sectors. Additionally, provisions regarding exemptions for certain sectors are addressed within the existing legislative framework.

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