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Emissions trading in Europe goes into next round German Emissions Trading Authority delivers positive summary

Some 530 million certificates were transferred in the German Emissions Trading Registry during the 2005-2007 trading period, amounting to a volume of more than one year's budget of emissions allowances (approx. 500 million) exchanging hands in Germany. In other words, slightly more than one third of the certificates allocated were actually traded. The remaining certificates were applied directly by installation operators in compliance with their obligation to surrender them. "On the whole the pilot phase has been positive. The infrastructure of emission trade is operational, and installation operators have got used to and are using the system", said Prof. Dr. Andreas Troge, President of the Federal Environment Agency. "It is now up to emissions trading to prove itself by actually achieving emissions reductions on a large scale", continued Troge.

Ever more states and even some regions in the USA are taking up emissions trading as a flexible climate protection policy instrument. The European- and particularly German- experience gained in 2005-2007 is much needed. After the pilot phase, the second trading period in the EU Emissions Trading Scheme (EU ETS) started on 1 January 2008, during which tighter national emissions budgets are valid throughout Europe. For Germany this now means a total of 453 million emissions allowances per year for the industrial and energy sectors. A certain percentage of allowances will no longer be allocated free of charge, due to be sold or auctioned instead (40 million per year). Orientation towards technical standards will gradually replace the system of free allocation on the basis of historical emissions. For the next five years the energy and industrial sectors will be jointly responsible as follows: the energy sector will assume a majority of the required carbon dioxide emissions reductions, and power plants will be awarded emissions allowances based on efficiency standards.

In addition, industrial installations are now obligated to achieve moderate emissions reductions of 1.25 percent, based on historical carbon dioxide emissions. Operators of smaller installations with annual emissions of less than 25,000 tonnes carbon dioxide are not subject to this obligation.

European emissions trading between sectors in the second trading period has been conceived as to achieve the EU emissions reductions target for carbon dioxide, and the German reduction target as per the Kyoto Protocol in particular: an average 21 percent per year from 2008 to 2012, compared to 1990. German businesses can contribute significantly to that effort by means of bilateral climate protection projects with developing countries envisioned by the Kyoto Protocol, the Clean Development Mechanism (CDM). Another goal for the trading period is to gain experience in the auctioning of emission allowances and to include other emissions sectors such as aviation.

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