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Press Relations Officer: Martin Ittershagen
Deputy Press Relations Officer: Stephan Gabriel Haufe
PR-staff: Fotini Mavromati, Martin Stallmann,
Marc Rathmann, Uwe Weber (office)
Telephone: +49 340/2103 -2122, -6625, -2318, -2250, -2507, -2637
Address: Umweltbundesamt, Postfach 1406, 06813 Dessau-Roßlau
Email: pressestelle@uba.de
Internet: www.umweltbundesamt.de
Internet: www.fuer-mensch-und-umwelt.de

Umwelt Bundes Amt
For our Environment

Emissions trading provides climate protection incentives

CO_2 emissions in 2010 rose only moderately despite thriving economy

The volume of 454 million tonnes of carbon dioxide (CO_2) produced by the some 1,630 concerns in the energy and industrial sectors involved in emissions trading in Germany in 2010 represents about six percent more climate-damaging CO_2 emissions over the previous year in a weaker economy. As total emissions are under 2008 levels emissions, reduction efforts will proceed in the second trading period.

The greatest absolute increase in emissions -18 million tonnes- occurred in energy installations, now amounting to 356 million tonnes CO_2 per year. This represents a rise of about five percent over 2009. The energy sector cannot completely offset this volume with its free allowances. The enterprises have the option of being allocated additional certificates or buying them on the market from other companies.

With the exception of a few industries, CO_2 emissions rose across the board. Emissions in the iron and steel industries followed the trend in the economy: compared to the weaker previous year, CO_2 emissions grew by 6.5 million tonnes, or 26 percent. Nevertheless, steel industry emissions remained below 2008 levels.

Overall the volume of 454 million tonnes CO_2 emissions exceeds the allowance extended by the 437 million certificates allocated to operators in 2010. Of this volume, 396 million were distributed free of charge and 41 million were auctioned off. The missing difference in allowances allocated and actual CO_2 emissions in 2010 must be acquired by operators on the market. Current market price per certificate is about 17 euros. Emissions trading thus creates a strong incentive for Germany's energy sector and energy-intensive industry to invest in clean reduction measures.

This incentive will grow stronger in future as the cap on number of emissions certificates decreases in the third trading period, from 2013-2020—by an estimated 1.74 percent starting in 2010. The annual budget allocated to Germany for the second trading period is 452 million tonnes.

"New rules for allocation of certificates will apply in the third trading period: the electricity sector must cover its need entirely from what is available on the market or through auction as the industry is only allotted free certificates based on stringent benchmarks. This will increase the incentive to invest in clean technologies in all sectors and make emissions trading more

efficient in general," explains Dr. Hans-Jürgen Nantke, Director of the German Emissions Trading Authority (DEHSt) at the Federal Environment Agency.
Installation operators have until 30 April 2011 to render their certificates with which to offset their actual emissions. DEHSt is now reviewing emissions reports from 2010 and will publish its detailed assessment of results in mid-May 2011.

German Emissions Trading Authority (DEHSt)

The German Emissions Trading Authority at the Federal Environment Agency is the national authority mandated to implement emissions trading in Europe for stationary installations as well as for the aviation sector. Its mandate also includes allocation and distribution of emissions allowances, review of emissions reports and management of an emissions trading registry. It is also responsible for the administration of project-based mechanisms Joint Implementation (JI) and Clean Development Mechanism (CDM).

Dessau-Roßlau, 1 April 2011