

**ETS for buildings and road transport: MRV experiences from
Germany's Emissions Trading System on Fuels (nEHS)**

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ETS for buildings and road transport: MRV experiences from Germany's Emissions Trading System on Fuels (nEHS)

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Outline

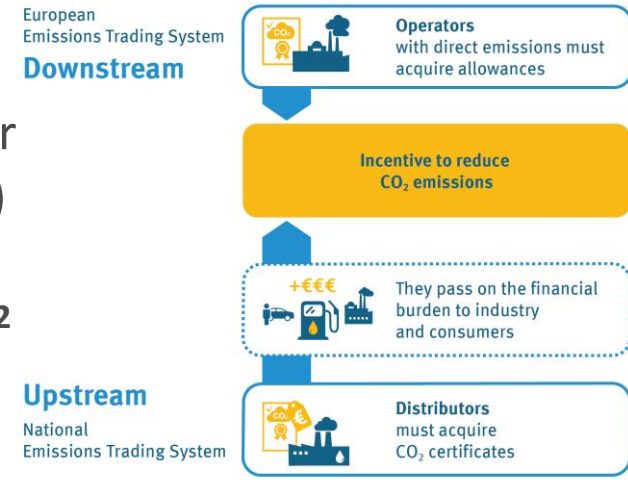
- Basics of nEHS
- Phases of national emissions trading
- Scope of nEHS
- Compliance cycle of nEHS
- Avoiding of double charging
- MRV principles for an ETS2 – learnings from nEHS

Basics of Germany's Emissions Trading System on Fuels (nEHS)

Distributing Fuels – Upstream Approach

- considers **potential emissions** and **not the actual emissions** that occur at a later time when the fuels are used (point of regulation: upstream)
- applies to **all fuels** whose combustion **have the potential to cause CO₂ emissions**
- corresponds to **fuels subject to Energy Tax** (exemption: tax free coal and waste incineration)
- Biomass → emission factor = 0 provided **sustainability criteria are met**

⇒ **Comparable with ETS2, but not restricted to certain end users**



Fuels in the National Emissions Trading System



Phases of national emissions trading

1st trading period, 2021-2030

Fixed-price phase: 2021-2025

Initial value, 2021: € 25 per t CO₂

Final value, 2025: € 55 per t CO₂

Those obligated can purchase 10% of their quantity bought in the previous year at the previous year's price until 30/09

Auction phase: 2026-2030

2026: Price corridor between € 55 and € 65 per t CO₂

From 2027: Price on the market. (unless the decision is made to continue the price corridor)

2021/2022*

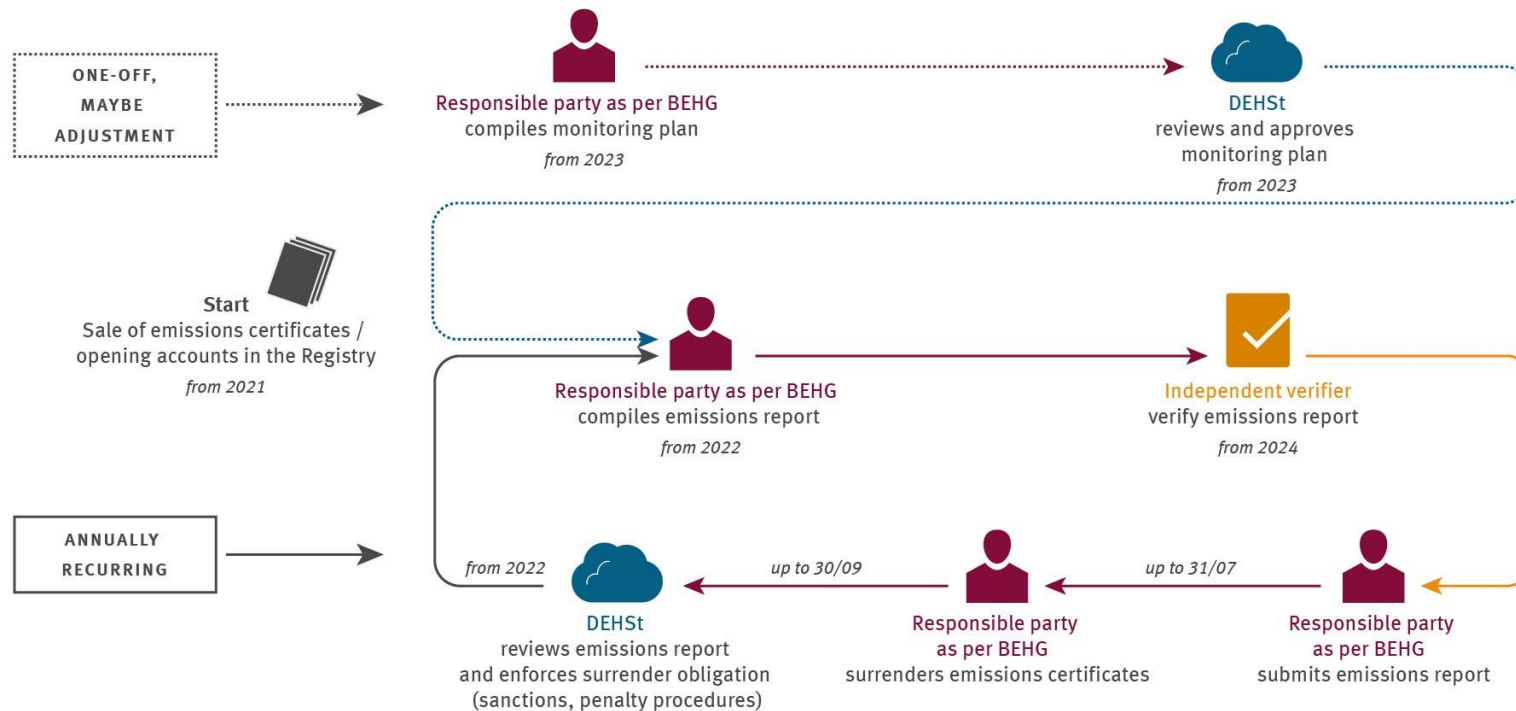
Simplified reporting obligations for selected fuels (Annex 2 BEHG)

*no monitoring plan, obligatory use of default values for reporting, no obligation to verify the emissions report

Scope of nEHS

- **Distribution of fuels** = placing of fuels on the market → where **energy tax** has **been incurred** for a fuel in accordance with the chargeable events specified therein:
 - e.g. when fuels are removed from a tax warehouse → Responsible party: for example, tax warehouse owner who is liable for the energy tax
 - e.g. the chargeable supply of natural gas to the end user → Responsible party: energy taxable supplier who delivers to the end user or, generally, responsible party for withdrawal from the natural gas grid
 - e.g. when fuels are imported from another country → Responsible party: recipient/importer of the fuels
- **Deviations** from system of **energy tax debtors = responsible party**
 - **Fuel supplier** storing fuel amounts in **another tax warehouse** while not being the warehouse keeper (= tax debtor) is **responsible party**
 - Tax-free coal (coal user) and waste incineration (operator of waste incineration installation)
- Fuels under tax suspension or tax exemption → no BEHG obligation
- **Tax relief**: Energy tax occurs several times for the same fuel → **“double counting”** within nEHS
 - BEHG obligation, but deductible to avoid multiple reporting/surrender obligations

Compliance Cycle of nEHS



- **nEHS-deadlines** for emissions reports (31.07.) and surrendering of certificates (30.09.) are **later** than EU ETS deadlines:
 - avoiding the need for corrections of the nEHS emissions reports due to prior tax corrections
 - provision of data from emissions reports in EU ETS necessary for ex-ante exemptions in nEHS (deadline later than 31.03. needed)
- No need for **greenhouse gas emissions permits** in nEHS
 - regulated entities already hold a permission based on tax legislation with all relevant information that also GHG emissions permits would entail → reference to permission (ID) part of monitoring plans
 - during introductory phase waiving of monitoring plan anyways

Avoiding double charging

Overlaps between EU ETS and nEHS

- Fuel emissions trading ('**upstream**') and EU emissions trading ('**downstream**')
- If a fuel covered by nEHS is delivered to an installation subject to the EU ETS and used there
→ Double-balancing of fuels
 - CO₂ cost for direct emissions from EU ETS installation,
 - CO₂ costs of the fuel distributor under nEHS passed on to fuel recipients (EU ETS installation).

Provisions in BEHG: Avoiding double charging due to CO₂ price,

- either beforehand via **ex-ante exemptions** for fuel distributor (covered by nEHS) **or**
- afterwards via **ex-post compensation** of EU ETS installations.

Double charging with nEHS → also possibility for ex-ante exemption

MRV principles for an ETS2 – lessons learned regarding EU Fuel ETS

- ETS2: own regulatory area with its own economic players and specific background → little in common with stationary installations in EU ETS, but strong relation to energy tax requirements
- **MRV rules** for ETS2 cannot simply be adopted from EU ETS
 - **no need** for **emission permit** (already permitting procedures due to energy tax legislation)
 - **tier approach not suitable** → standard values for emissions factors etc. should be used wherever possible and not only in case of small “emitters”
 - the general **principle of continuous improvement** (incl. improvement report and proof of unreasonable costs) **not suitable** → consistency with fuel amounts subject to tax legislation is strictly needed as a continuous principle
- **General monitoring principles** for ETS2
 - MRV practices based on existing implemented systems of excise duty provisions as far as possible
- **Flexibility** for MS-specific **solutions** needed due to different implementation of excise duty requirements

Thank you for your attention!

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This presentation is based on a speech held by the German Emissions Trading Authority (DEHSt) and is not clear for publication. Check against delivery. References and quotations from the presentation must at all times be approved in written form by the DEHSt.

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