Umwelt Bundesamt

DEHSt
Deutsche Emissionshandelsstelle

Germany‘s Emissions Trading Scheme on Fuels

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12th EU ETS COMPLIANCE CONFERENCE

Germany‘s Emissions Trading Scheme on Fuels (BEHG/nEHS)

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BEHG Enforcement: Monitoring and Reporting (V 2.7)

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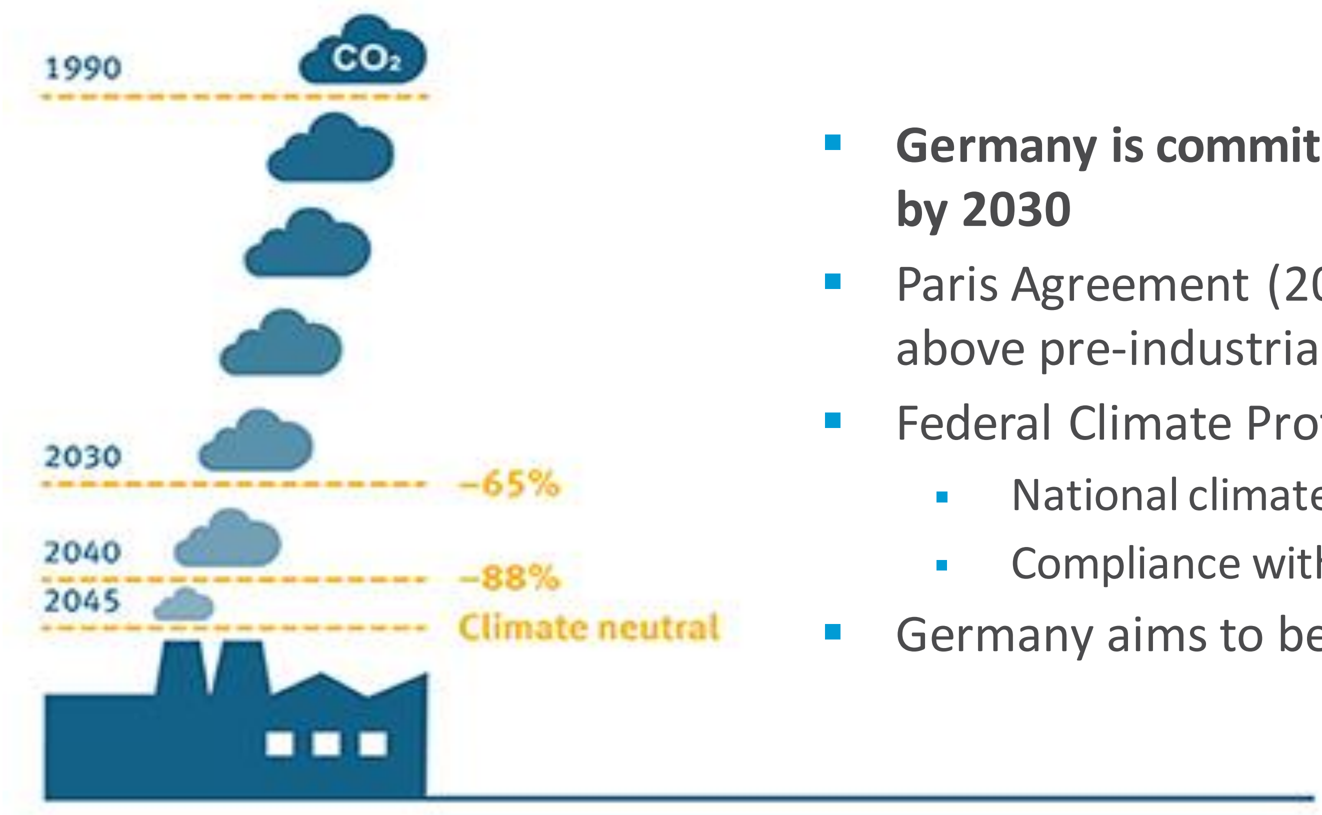
Background



- **Germany is committed to substantial GHG emission reductions by 2030**
- Paris Agreement (2015): Limit warming to well below 2°C - 1.5 °C above pre-industrial levels
- Federal Climate Protection Act (2019/amended 2021)
  - National climate protection targets
  - Compliance with European targets
- Germany aims to be climate neutral by 2045

Targets for reducing GHG emissions in Germany (reference year is 1990)

Background

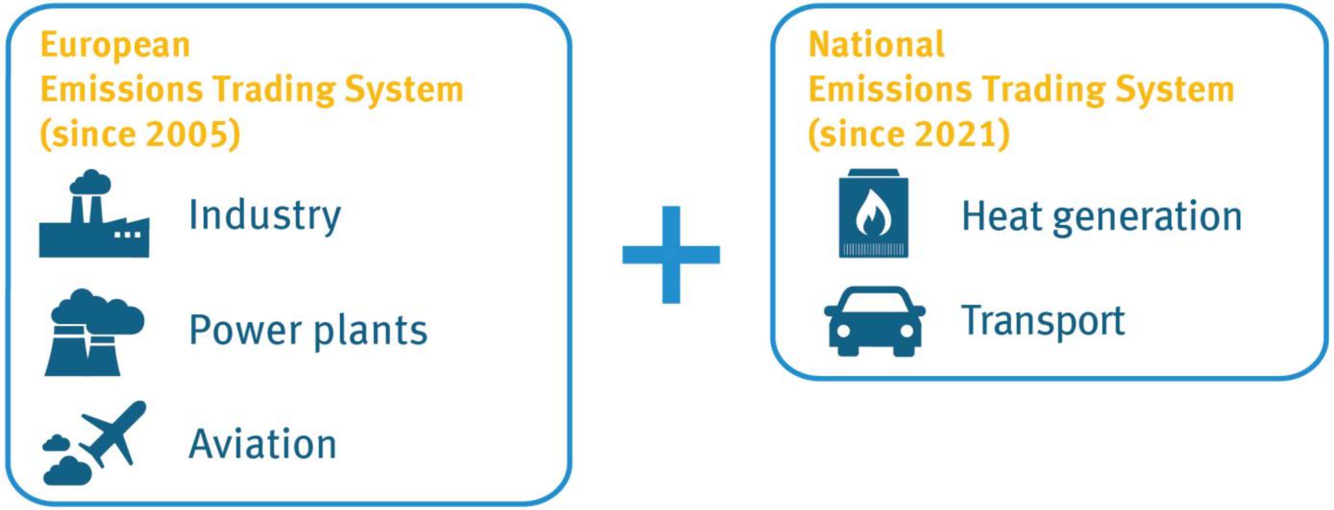
- Emissions’ reduction trend is sobering, especially in German road transport
- **In 2019: CO_2 pricing for sectors outside the EU ETS** via a national emissions trading system for fuels (**nEHS**) **has been concluded**:
  - CO_2 pricing should provide a steering instrument to **contribute to achieving targets** and
  - to **refinancing other measures** (Energy & Climate Fund, Renewable Energy Costs)
    → 40 billion euros of revenues in 2021-2024 are estimated
- December 2019 the Emissions Trading Act for Fuels (**BEHG**) implementing the nEHS came into force
- **UBA/DEHSt is the responsible authority for BEHG**

Overview of nEHS

Overview of nEHS

Purpose of the nEHS as per Section 1 BEHG

- **The goal is to introduce certificate trading for fuel emissions**
- Pricing CO_2 emissions outside the EU ETS
  - Major concerns are the heat and transport sectors
- Introduction as a market-based instrument
  - Principle of emissions trading
    → Persons intending to emit CO_2 , need relevant rights
  - No fixed emission targets for individual participants but reduction incentive using a price-based steering effect



Phases of national emissions trading

1st trading period, 2021-2030

Fixed-price phase: 2021-2025

Initial value, 2021: € 25 per t CO_2

Final value, 2025: € 55 pro t CO_2

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 CO_2

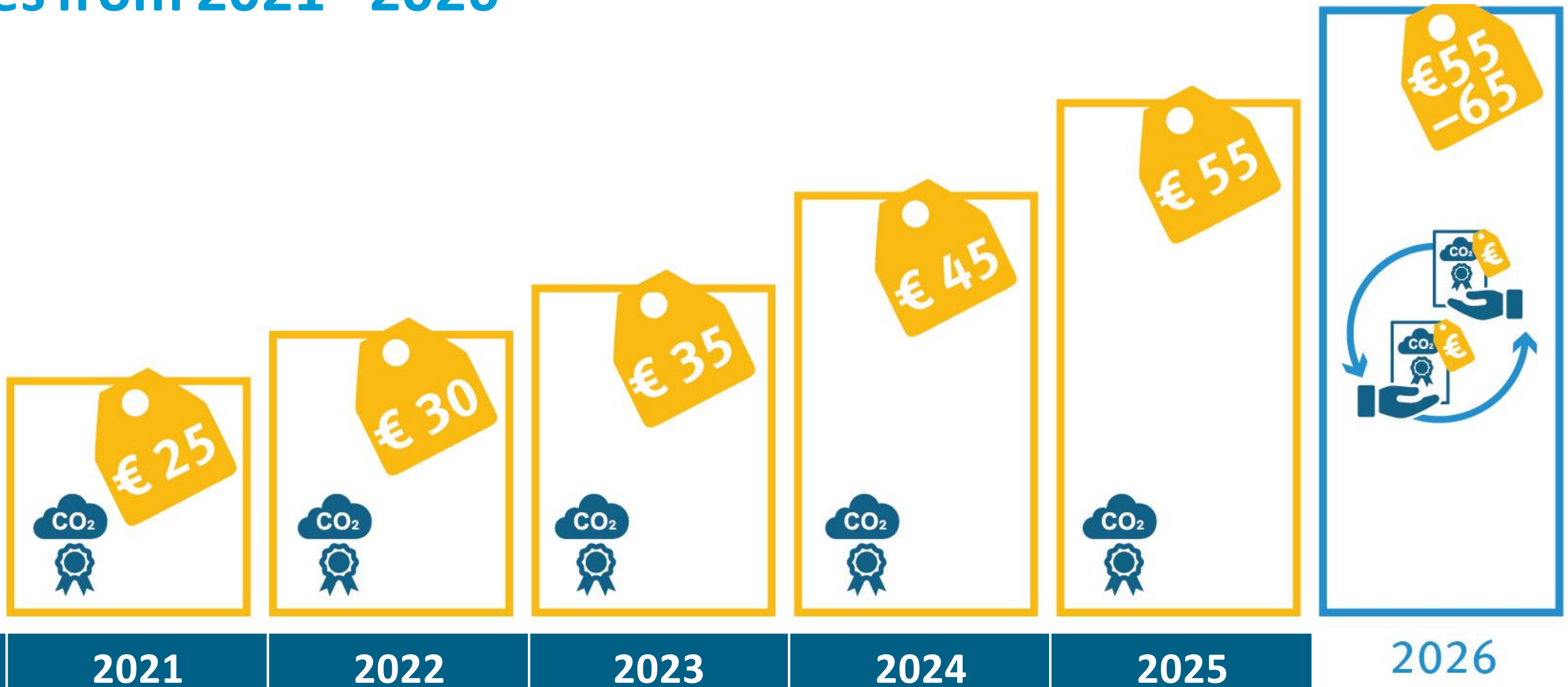
From 2027: Price on the market. (unless the decision is made to continue the price corridor)

2021/2022

Simplified reporting obligations for selected fuels (**Annex 2 BEHG)**

BEHG overview of prices from 2021 - 2026

Fixed prices and auctioning



	Unit	2021	2022	2023	2024	2025
Natural gas	kwh	0.5 cent	0.5 cent	0.6 cent	0.8 cent	1.0 cent
Premium petrol	l	6 cent	7 cent	8 cent	11 cent	13 cent
Diesel	l	7 cent	8 cent	10 cent	12 cent	15 cent
Light heating oil	l	7 cent	8 cent	10 cent	12 cent	15 cent

Prices are rounded and without VAT and other surcharges

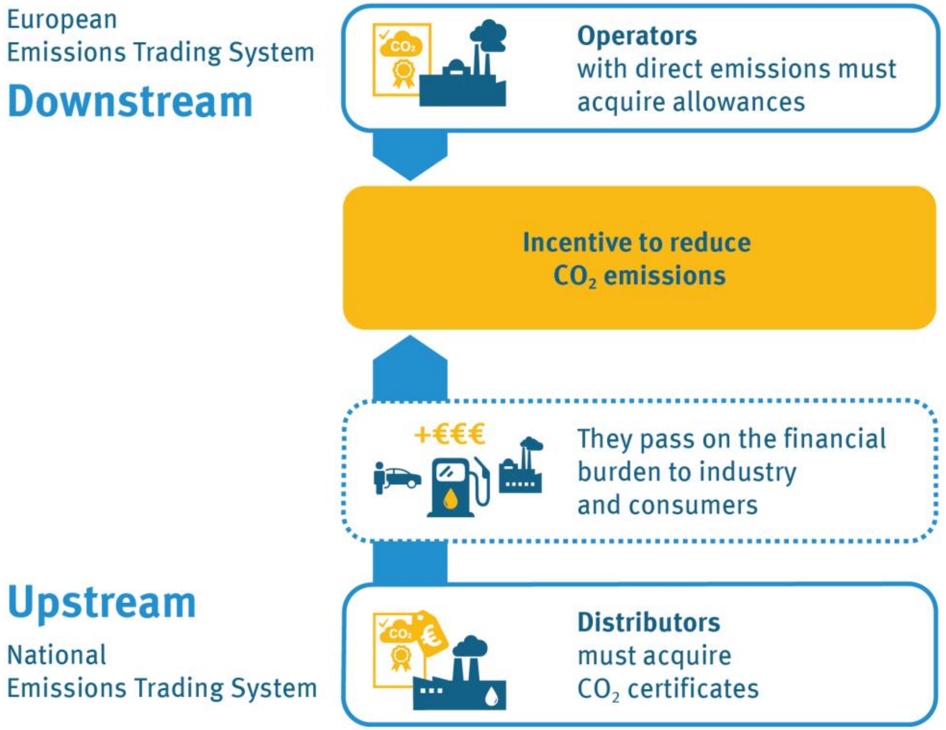
Basics of nEHS

Basics of nEHS

Upstream Approach - Distributing fuels

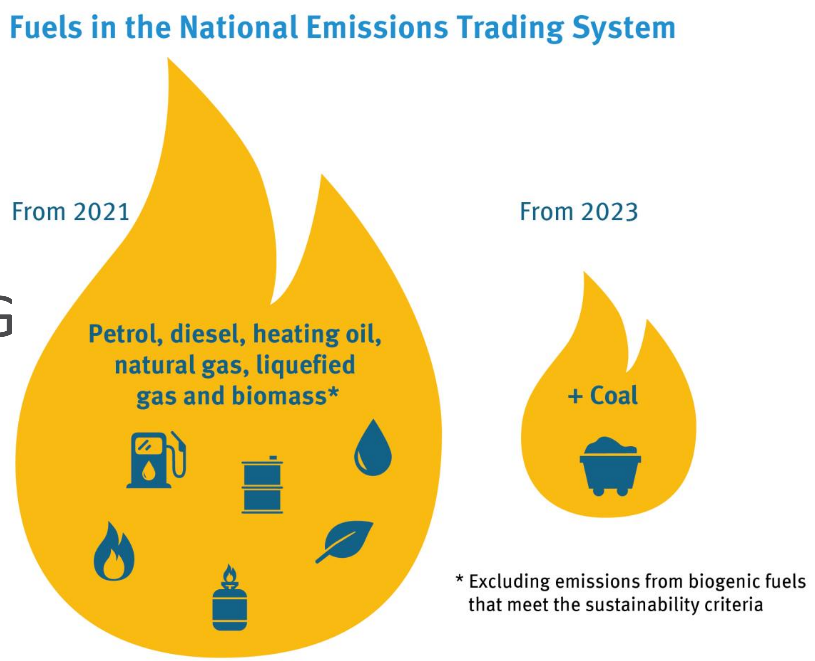
- With regard to fuel distributors BEHG considers
  → **potential emissions** and **not** the **actual emissions** that occur at a later time when the fuels are used (upstream).

- Linking to emitters is not practically possible in the heat and transport sectors due to the large number of emitters.
- Therefore: passing on the costs along the value chain → to customers



Basics of nEHS

What fuels are subject to BEHG?



- BEHG applies to fuels distributed as listed in Annex 1 BEHG
  - **All fuels** whose combustion **have the potential to cause CO_2 emissions**
  - Corresponds to energy products pursuant to Energy Tax Act (EnergieStG)
  - Biomass in principle also included:
    - zero emission factor applies to **sewage sludge** and **biogenic fuels** provided **sustainability criteria are met** (Section 7(4)(2) BEHG)

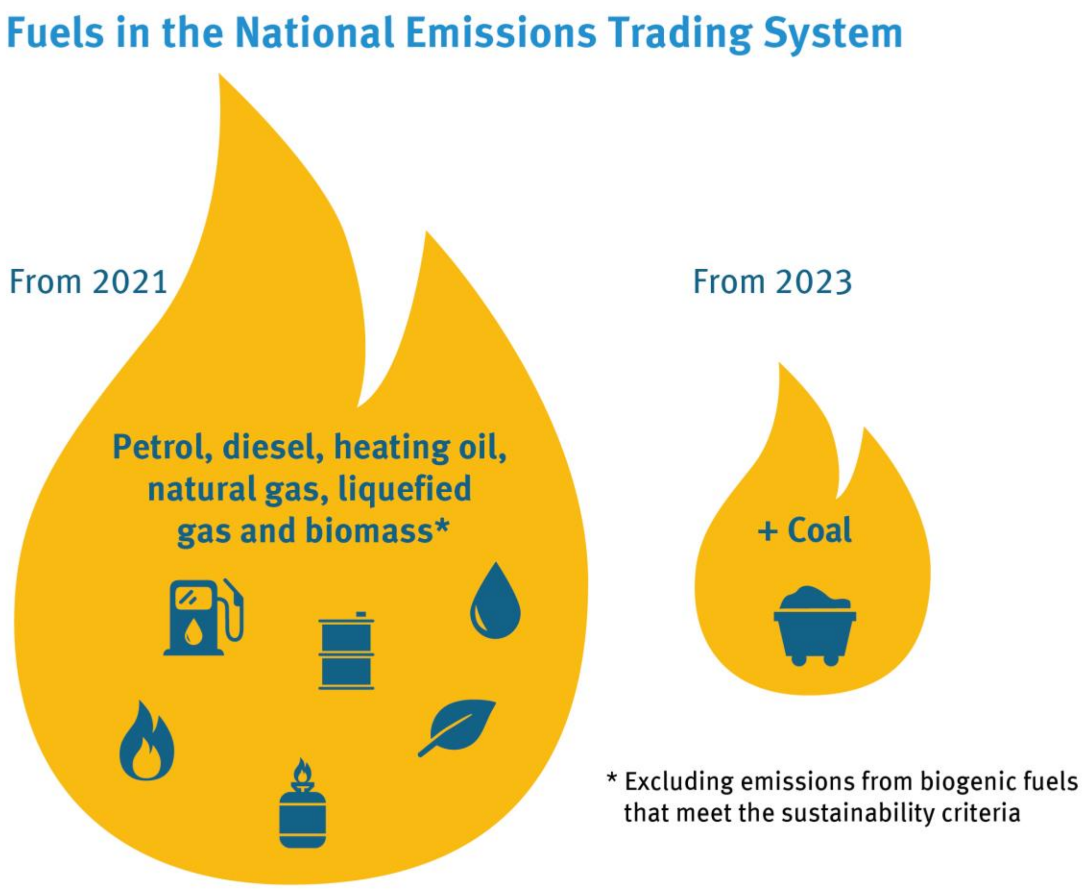
Scope

- Distribution of fuels = placing of fuels on the market
- This is the case 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
    → The responsible party as per BEHG is in principle the tax warehouse owner who is liable for the energy tax.
  - e.g. the chargeable supply of natural gas to the end user,
    → The responsible party as per BEHG is the energy taxable supplier who delivers to the end user
- **Coal**: Deviations from system of energy tax debtors and those subject to BEHG (cf. Section 2(2) p. 2 BEHG)
  → Introduced only from 2023
- **Fuels under tax suspension or tax exemption:** → no BEHG obligation
- **Tax relief:** Energy tax inccurs several times for the same fuel
  - Energy tax law addresses this problem using tax relief
  - BEHG obligation, but deductible in the case of certain relief situations to avoid multiple reporting and surrender obligations

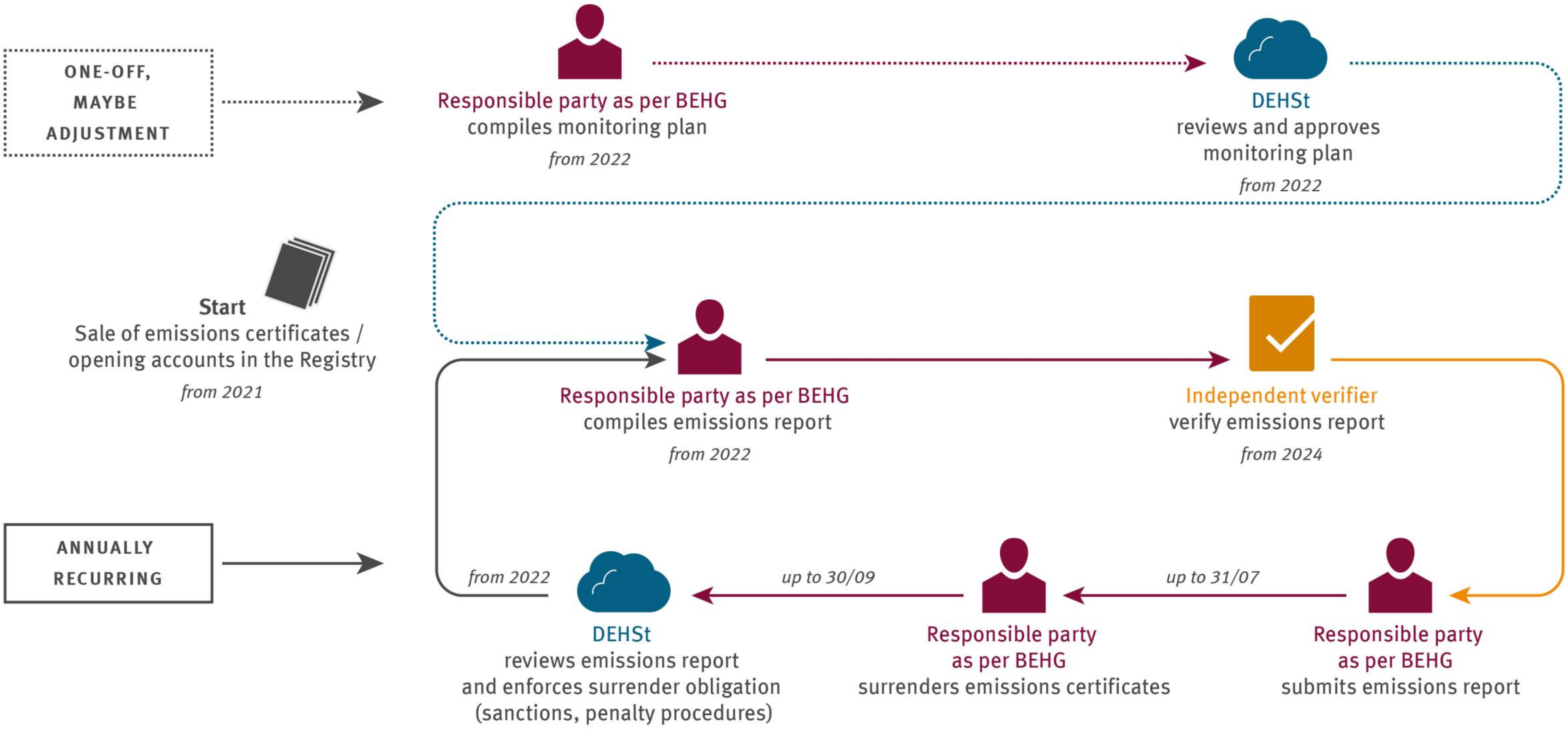
Overview of relief in 2021 and 2022 (introductory phase)

- Reporting obligation only for the following fuels: **Petrol, fuel oils, heating oils, natural gas and liquid gases** (see Annex 2 BEHG)

- In order to enable rapid introduction and efficient implementation for distributors and the DEHSt:
  - **Waiving** the obligation **to submit** and **approve** a **monitoring plan**
  - **Exclusive use of default values for emissions report**
  - **Waiving** the obligation **to verify the emissions report**



Compliance Cycle of BEHG



Avoiding double charging, Section 7(5) BEHG

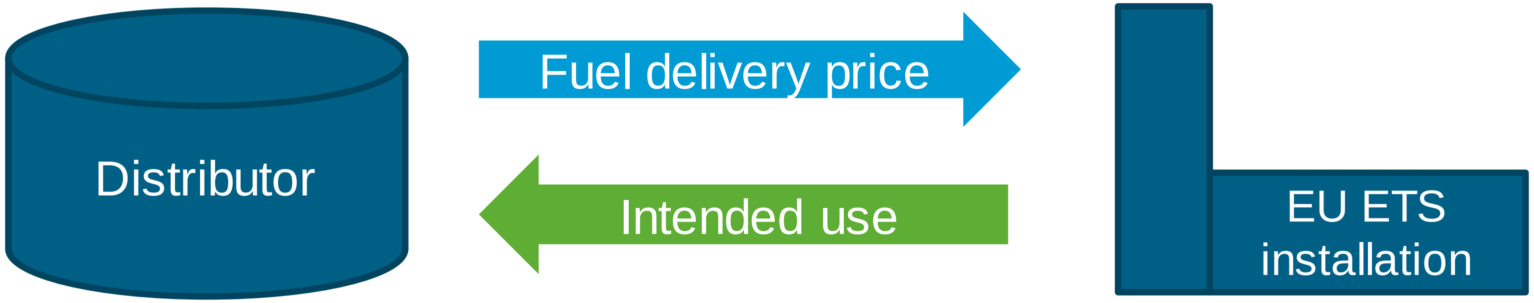
Overlaps between EU ETS and nEHS

- Fuel emissions trading (**‘upstream’**) and EU emissions trading (**‘downstream’**)
- If a fuel is delivered to an installation subject to the EU ETS and used there within the scope of BEHG
  → Double-balancing of fuels
  - CO_2 costs for direct emissions from EU ETS installation,
  - CO_2 costs of the fuel distributor passed on to fuel recipients (EU ETS installation).

Goal: Avoiding double charging due to CO_2 price

- **Avoid beforehand:** exemption of the distributor from surrender obligation
- **Direct delivery only:** supply chains cannot be traced (compensation is possible for remaining double-counted emissions for EU ETS installations according to Section 11(2) BEHG → compensation of double charging)
- **Use in EU ETS installations:** fuel emissions are included in the EU ETS emissions report.

Deduction of the amount delivered (Section 11 of EBeV 2022)



Private sector level

Implementation level

Emissions report (31/07)

E = (fuel amount – **amount delivered**$_{\text{EU ETS}}$)

Explanation: fixed prices are not part of the fuel delivery price

Confirmation of the EU ETS installation

Emissions report (31/03)

Confirmation

- Amount of material delivered
- Amount of material used
- Stocks
- Difference amount
- Statements:
  - Declaration of intent to use
  - Freedom of charge of the agreed delivery price
- ...

Compensation of indirect charges

Offsetting mechanisms according to Section 11 BEHG to avoid indirect charges

Important: Persons responsible as per BEHG are generally not the addressees of these regulations.

- **Hardship cases** according to Para. 1 → *Ordinance authorisation*:
  - Minimum protection against disproportionate indirect charges by BEHG that could arise in very atypical individual cases
  - e.g.: Company cannot continue to operate due to the overbearing burden of BEHG CO_2-costs
- **Compensation for EU ETS operators** according to Para. 2 → *Ordinance authorisation*:
  - Compensation of double charges for cases without the possibility of advance deduction according to Section 7(5) BEHG, i.e. no direct fuel delivery to EU ETS facilities.
- **Carbon leakage regulation** according to Para. 3 → *Ordinance authorisation*:
  - Avoiding company relocation and carbon leakage
  - Carbon Leakage list of EU-ETS was adopted in nEHS taking into account emission and trade intensity
  - There is no free allocation in nEHS but a possible compensation of BEHG additional costs

Thank you for your attention!

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Umwelt Bundesamt

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