

National Emissions Trading System (nEHS)

# Selling National Emissions Certificates

2021 Annual Report



Umwelt   
Bundesamt

DEHSt  
Deutsche  
Emissionshandelsstelle

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As of July 2022

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## Selling emission certificates in the national emissions trading system (nEHS)

The nEHS, which complements the existing European Emissions Trading System (EU ETS), came into effect on 01/01/2021 and introduced a CO<sub>2</sub> price for the heating and transport sectors at a national level in Germany. The fundamental principle is simple: For each tonne of CO<sub>2</sub> that can be released from the combustion of fuel, a national emission certificate (hereinafter referred to as ‘nEHS certificate’ and abbreviated as nEZ) must be purchased and surrendered to the nEHS registry at the German Emissions Trading Authority (DEHSt) at the German Environment Agency (UBA). In the first two years of the system only the main fuels listed in Annex 2 of the Fuel Emissions Trading Act (BEHG)<sup>1</sup> are subject to the surrender and reporting obligation<sup>2</sup>. The revenues from the sale belong to the Federal Government and, in principle, flow in their entirety into the Energy and Climate Fund (EKF).

The first trading period (2021-2030) for the nEHS is divided into a fixed-price phase (‘introductory phase’) and an auctioning phase. It will initially be possible to purchase nEZs at a fixed price during the introductory phase (2021 to 2025) which will enable participants to adjust to the new system. The fixed price per nEHS certificate specified in the BEHG<sup>3</sup> will increase annually until 2025 (see Infobox below). The auctioning phase begins with a price corridor in 2026, then from 2027, auctioning with free pricing on the market will be possible, unless it is decided in 2025 to continue with a price corridor to 2027. The framework conditions for the transactions are defined in the Fuel Emissions Trading Regulation (BEHV)<sup>4</sup>.

DEHSt is the competent authority for the enforcement of the nEHS. This is the first DEHSt report on the sale of nEHS certificates in Germany for the reporting year 2021. Future reports on the results of sales will be published at regular intervals on the [DEHSt website](#).

### European Energy Exchange (EEX) as the commissioned body for the sales

EEX in Leipzig was awarded the [Contract for the sale of nEHS certificates in the nEHS](#) Contract for the sale of nEHS certificates in the nEHS on 15/03/2021. DEHSt, as the competent authority responsible for the enforcement of the nEHS, put this task out to tender throughout Europe and thus made use of the possibility provided for in paragraph 3(2) BEHV: to commission a third party for implementing the sales in the nEHS. The mandate of EEX as the commissioned body covers the sale of nEZs during the entire fixed-price phase up to and including 2025. After completion of the extensive technical, legal and organisational requirements, the admission of participants to the sale on EEX started on 09/08/2021. The first sales date was 05/10/2021.

### Sales process overview

In the period from October to December 2021, German sales were carried out twice a week, on Tuesdays and Thursdays, from 09:30 to 15:30 CET on the EEX spot market. From 2022 onwards, the sales will also be carried out on the EEX twice a week, on Tuesdays and Thursdays, but from 09:00 to 15:00 CET. During the fixed-price phase, the supply volume of current vintage nEHS certificates is not limited per sales date. In the corresponding following year, the limited post-purchase of nEZ of previous year’s vintage is possible for obligated parties as per BEHG (see Infobox). The post-purchase of nEHS certificates is thus possible for the first time in 2022 for vintage 2021 certificates. The 2021 and 2022 sales calendars are available on the [EEX website](#). The sales results will be published on the EEX website on the same day following the sale.

1 The German legal text is available in German on this website: <https://www.gesetze-im-internet.de/behg/BJNR272800019.html>. An English translation of the German legal text can be found on this website: [https://www.bmu.de/fileadmin/Daten\\_BMU/Download\\_PDF/Gesetze/behg\\_en\\_bf.pdf](https://www.bmu.de/fileadmin/Daten_BMU/Download_PDF/Gesetze/behg_en_bf.pdf).

2 See: [‘Leitfaden zum Anwendungsbereich sowie zur Überwachung und Berichterstattung von CO<sub>2</sub>-Emissionen: Nationales Emissionshandelssystem 2021 und 2022’](#). The text is only available in German.

3 See footnote 1

4 The German legal text is available in German on this website: <http://www.gesetze-im-internet.de/behv/BJNR302600020.html>.

## Participation in the sales process

The admission conditions for participating in the sales process are based on the specifications in paragraph 5 BEHV. In addition to direct participation in the sale on EEX, there is in principle also the option to purchase nEHS certificates via another admitted participant (an intermediary). Furthermore, both indirect and direct participants have the possibility to trade nEZs amongst themselves. Further information on sales and direct admission to EEX is available on the [EEX website](#). A list of intermediaries offering indirect access to the sales is also published on the [EEX website](#).

## Overview of the core sales data

The following tables summarise the core data of the sale of nEHS certificates (nEZs) on EEX in 2021 and 2022:

2021	
<b>Sales product</b>	nEZ spot contracts for 2021
<b>Sales period</b>	From 05/10/2021 to 16/12/2021
<b>Sales volume for the entire year</b>	Unlimited <sup>5</sup>
<b>Sales volume per sales date</b>	Unlimited <sup>5</sup>
<b>Sales frequency</b>	Twice weekly (Tuesdays & Thursdays from 09:30 to 15:30 CET)
<b>Minimum bid quantity</b>	1 nEZ
<b>Sales mode</b>	Fixed-price procedure with a fixed price of 25 euros per nEZ

2022		
<b>Sales product</b>	nEZ spot contracts for 2022	nEZ spot contracts for 2021
<b>Sales period</b>	From 11/01/2022 to 08/12/2022 <sup>6</sup>	From 11/01/2022 to 22/09/2022
<b>Sales volume for the entire year</b>	Unlimited <sup>5</sup>	Limited (see Infobox below)
<b>Sales volume per sales date</b>	Unlimited <sup>5</sup>	Limited (see Infobox below)
<b>Sales frequency</b>	Twice weekly (Tuesdays & Thursdays from 09:00 to 15:00 CET)	
<b>Minimum bid quantity</b>	1 nEZ	
<b>Sales mode</b>	Fixed-price procedure with a fixed price of 30 euros per nEZ	Fixed-price procedure with a fixed price of 25 euros per nEZ

<sup>5</sup> During the fixed-price phase, the number of available nEHS certificates with the vintage of the respective current year is not limited for the buyers on the sales dates. Insofar as the annual emission volume pursuant to paragraph 4(1) and (3) BEHG (called base cap) is exceeded for a calendar year within the trading period and the annual volumes of the Effort Sharing Regulation (EU-Klimaschutzverordnung) are not complied with, the demand for emission certificates in excess of this will be covered by the German Federal Government by making use of flexibility options pursuant to the Effort Sharing Regulation.

<sup>6</sup> Presumably last sales date in 2022. Additional dates may be scheduled at a later date.



## Fixed prices and rule for ‘post-purchase’ of nEHS certificates

Sales on the EEX within the nEHS will initially be subject to a fixed-price phase regulated by law from 2021 to 2025. The fixed price for a nEHS certificate, i. e. for one tonne of CO<sub>2</sub>, in a given year is:

- ▶ 2021: 25 euros
- ▶ 2022: 30 euros
- ▶ 2023: 35 euros
- ▶ 2024: 45 euros
- ▶ 2025: 55 euros.

The number of available nEZs with the vintage of the respective current year is not limited on the sales dates during the fixed-price phase. In the following year, a limited post-purchase of nEHS certificates with the vintage of the previous year is possible pursuant to paragraph 10(2) BEHG (the ‘post-purchase rule’). The balance of nEHS certificates shown on the fuel distributor’s compliance account as of December 31 of each year forms the assessment basis for this purpose. In the following year, an obligated party as per BEHG can buy up to 10 percent of this balance of nEHS certificates at the previous year’s price on the EEX, or have them bought by intermediaries.

A transaction fee of 0.0049 euros or 0.49 cents (0.0058 euros including VAT) is charged by EEX for each nEZ purchased. Fixed fees or charges do not apply.

## 1 Overview of 2021

22 nEHS sales dates of vintage 2021 certificates were successfully carried out at the EEX for Germany in 2021.

Overall more than **287 million nEZs** were sold at a fixed price of 25 euros with a total value of just under **7.2 billion euros**. The average participation was 24 buyers per sales date (see also Chapter 2.1). This does not include indirect buyer participation via intermediaries.

The following table gives an overview of the key sales figures for three months in 2021.

Table 1: Overview of German nEZ sales in 2021

Month	Vintage year	Number of sales dates	Sales volume	Buyers	Price	Revenues
October	2021	8	6,260,224	*4	€ 25	€ 156,505,600
November	2021	9	134,940,188	*27	€ 25	€ 3,373,504,700
December	2021	5	146,152,908	*50	€ 25	€ 3,653,822,700
<b>Total</b>	<b>2021</b>	<b>22</b>	<b>287,353,320</b>	<b>*24</b>	<b>€ 25</b>	<b>€ 7,183,833,000</b>

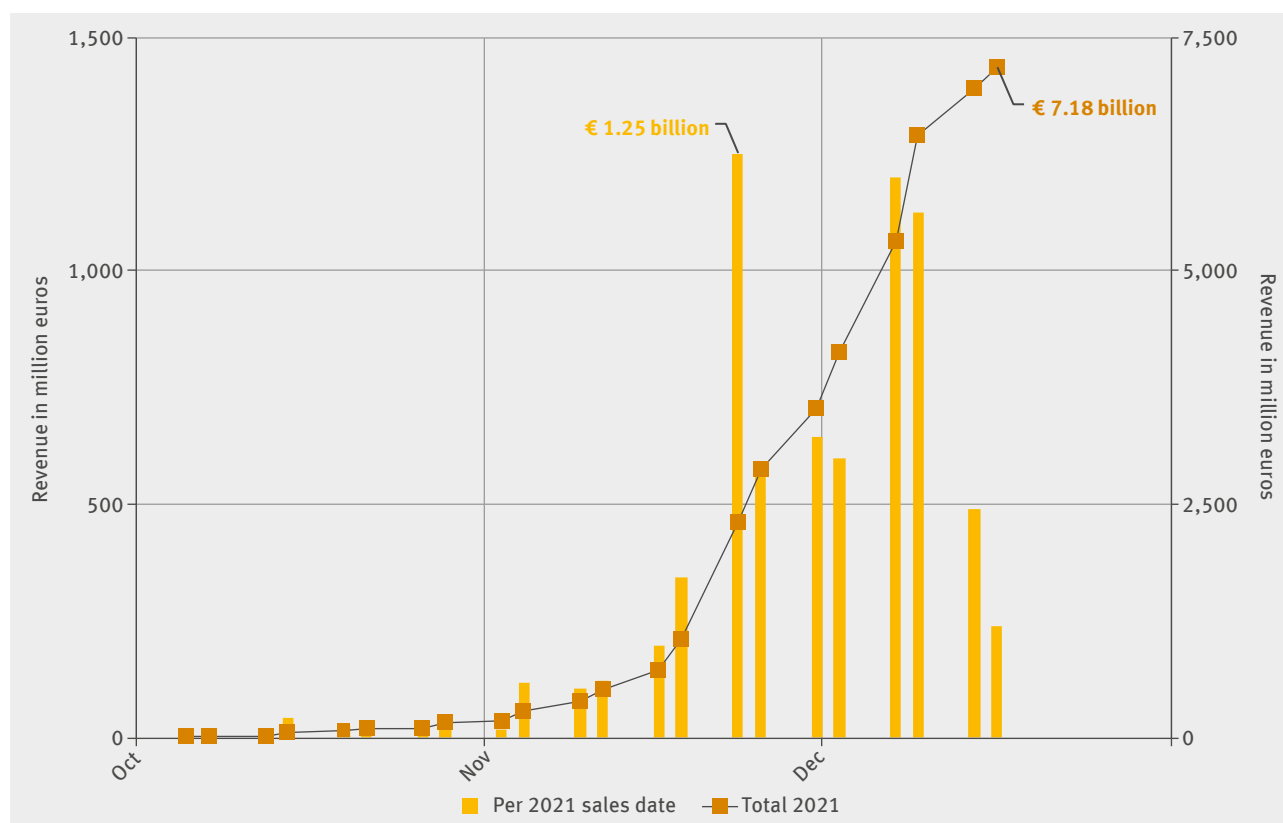
Source: EEX, DEHSt  
\* Average per sales date

Up to the official start of the sales on 5<sup>th</sup> October, all parties involved in the process faced the challenge of making the necessary preparations within a relatively short period of time. These included establishing the registry infrastructure and handling the account opening applications on the part of DEHSt; a timely provision of the sales platform and processing the extensive admission applications by EEX; application for opening accounts and, if necessary, admission to the sales platform or, alternatively, commissioning a suitable intermediary among the fuel distributors.

From the start of the admission process, there was lively interest in direct admission by obligated parties as per BEHG and also by a larger number of companies that offer their services as intermediaries to third parties on the market. The admission process proved to be more time-consuming than initially expected, but EEX, in close coordination with DEHSt, took measures to efficiently adjust and accelerate the processes of handling the applications for admission. As a result, the momentum in the admission review process has increased significantly over time. The vast majority of market participants have used the services of intermediaries for the purchase of nEHS certificates. As far as DEHSt is aware, many obligated parties as per BEHG covered their demand for nEHS certificates towards the end of the sales phase, which may explain the comparatively modest sales figures in the first few weeks. The sales volumes per sales date are not limited, i. e. market participants were also able to purchase a larger quantity of nEHS certificates at later sales dates. In addition, to relieve the pressure on the closing phase, it was possible to extend the original 2021 sales calendar with three more sales dates so that the last sale took place on 16<sup>th</sup> December (instead of 7<sup>th</sup> December).

Overall, all challenges associated with the start of the selling process were successfully overcome, enabling all market participants to cover their nEZ demand for the 2021 reporting year within the sales phase.

The following figure shows the development of German sales revenues (nEZ) in 2021. In addition to the values per sales date, the cumulative total proceeds are also shown. The development of sales revenues was characterised by a strong upward trend due to an increasing demand for nEHS certificates. While around 12.5 million euros were generated at the beginning of sales on 5<sup>th</sup> October, the daily proceeds amounted to around 117 million euros on 4<sup>th</sup> November. Since 18<sup>th</sup> November, the proceeds per sales date have always been above 300 million euros with the exception of the last sales date. Peak proceeds of over 1.25 billion euros were achieved on 23<sup>th</sup> November.



Source: EEX, DEHSt

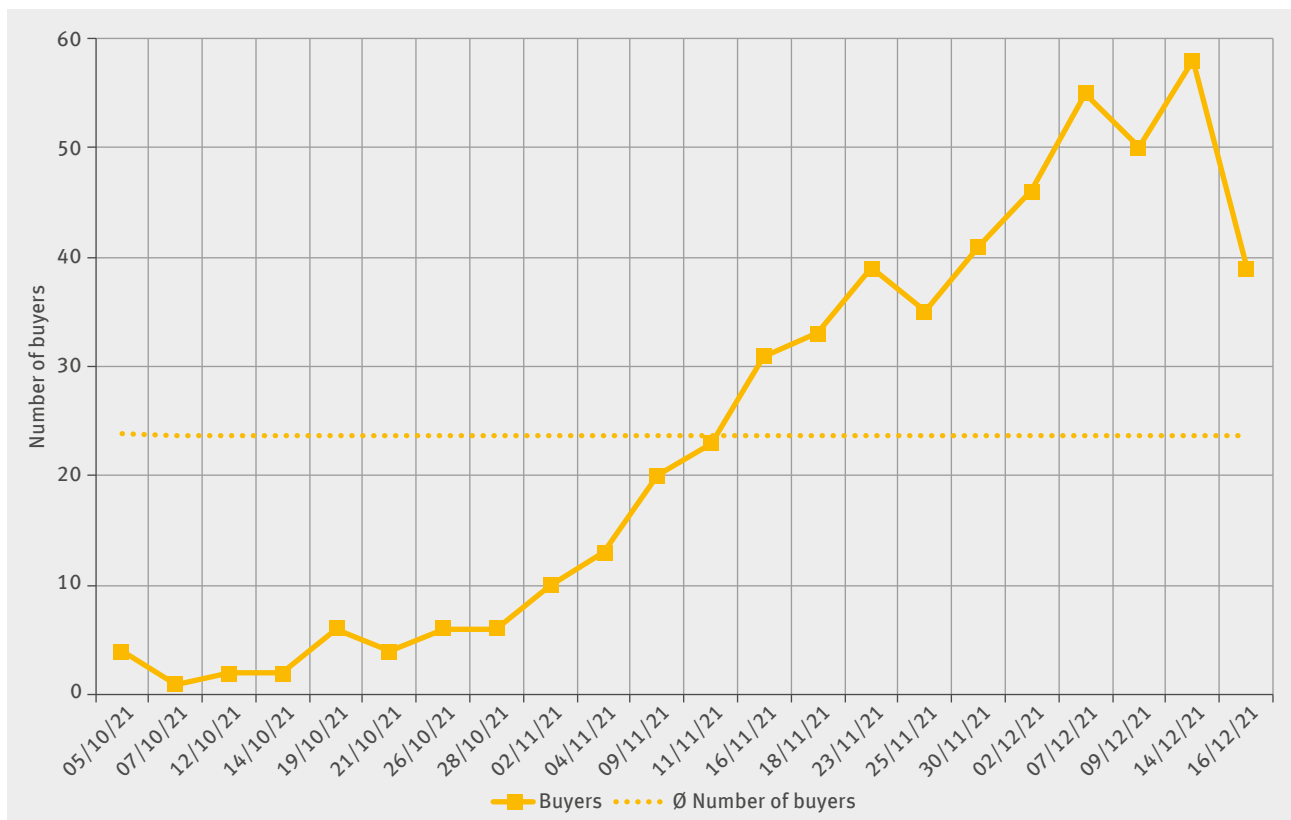
Figure 1: German sales revenues (nEZ) in 2021

## 2 Buyer participation

### 2.1 Participation

The number of participants in the sale of nEHS certificates averaged across all 22 sales dates was about 24 buyers in 2021 as a whole (October – December period). Participation on the individual sales dates fluctuated between 1 and 58 buyers in the reporting period and was characterised by a relatively steady growth trend. It was not until the last sales date of the year that participation was substantially lower than on the previous date. Since 16<sup>th</sup> November, participation on the sales dates has always been above 30 participants.

The following figure illustrates the participation trend in nEZ sales over time.



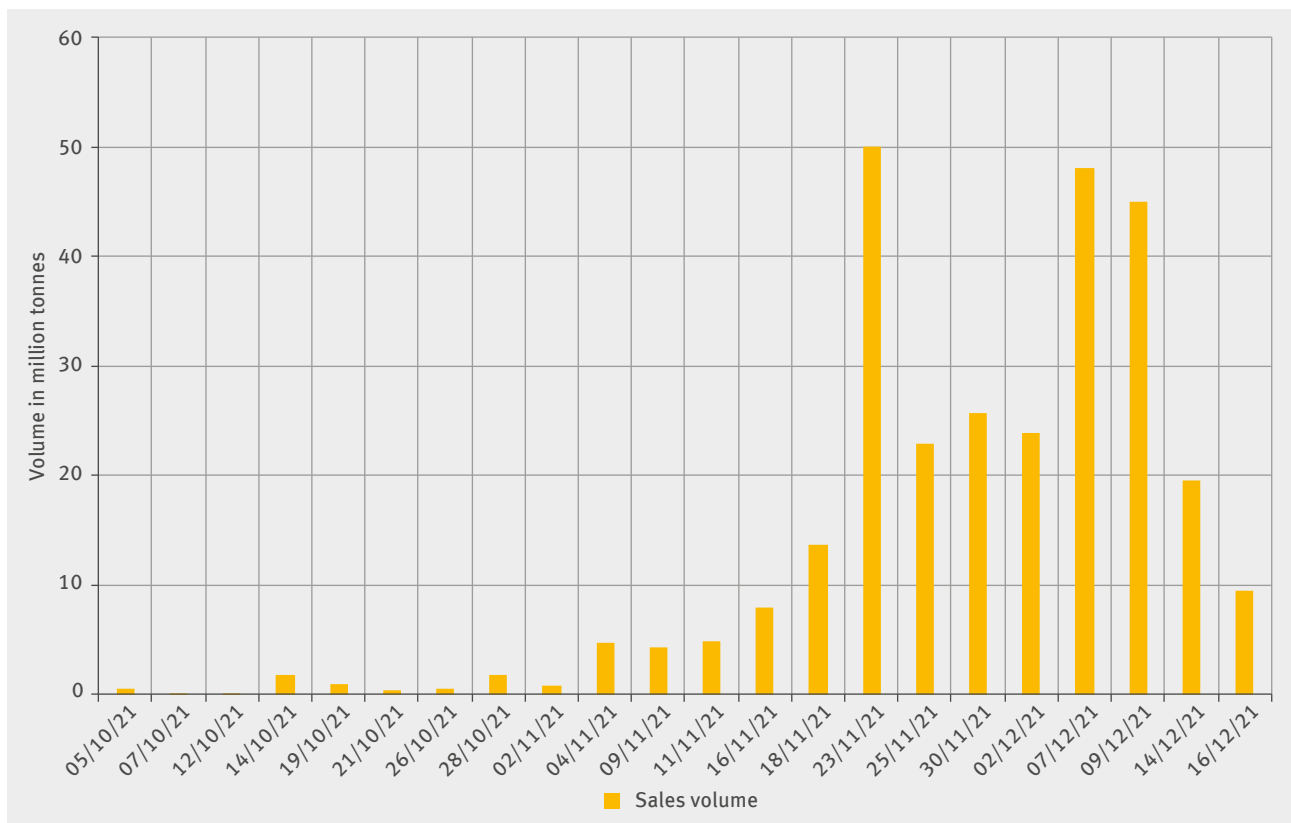
Source: EEX, DEHSt

Figure 2: Number of buyers per sales date (nEZ)

## 2.2 Volume demand

In the reporting period, the aggregate sales volumes of nEHS certificates per sales date fluctuated from less than 0.1 to 50 million emission certificates. In line with participation, volume demand was also characterised by a strong upward trend in the reporting period. Demand per sales date has always been above 10 million nEZ since 18<sup>th</sup> November with the exception of the last sales date. In total, valid buy bids amounting to more than 287 million nEHS certificates were submitted in the whole of 2021 (October – December period). This means that the average purchase volume per participant in the October to December 2021 period averaged across all sales dates was around 550,000 nEZ.

The following figure summarises the results per sales date.



Source: EEX, DEHSt

Figure 3: Volume sold per sales date (nEZ)

## 3 Implementation of current regulations

### 3.1 Objective and non-discriminatory access

Paragraph 5(3) of the Fuel Emissions Trading Regulation (BEHV) stipulates that objective and non-discriminatory access to EEX is to be granted to those entitled to admission pursuant to paragraph 5(1) BEHV. The currently available access options are available on the [EEX website](#).

Information regarding the admission process can be obtained by calling the EEX nEHS admission hotline at + 49 69 211 – 15566 (languages: German, English and French) or by email at [nehs-admission@eex.com](mailto:nehs-admission@eex.com). For general inquiries, EEX can be reached by email at [nehs@eex.com](mailto:nehs@eex.com). The nEHS FAQ are available via the following link: [www.eex.com/en/faq](http://www.eex.com/en/faq).

### 3.2 Publication of sales results

All sales results with accompanying data were made publicly available on the [EEX website](#) on the respective sales day during the reporting period.

### 3.3 Extension of the 2021 sales calendar

Pursuant to paragraph 6(1) BEHV, EEX published the extended nEHS sales calendar for 2021 on its [Website](#). The last sales date in 2021 took place on 16/12/2021.

### 3.4 Other occurrences

There are no occurrences to report in connection with the implementation of the current regulations.

