

Introduction of the new National Emissions Trading System (nEHS)

Climate change is a major challenge for current and future generations. Therefore, Germany has committed itself to ambitious climate protection targets under the Paris Convention with the intention of becoming greenhouse gas neutral by 2050.

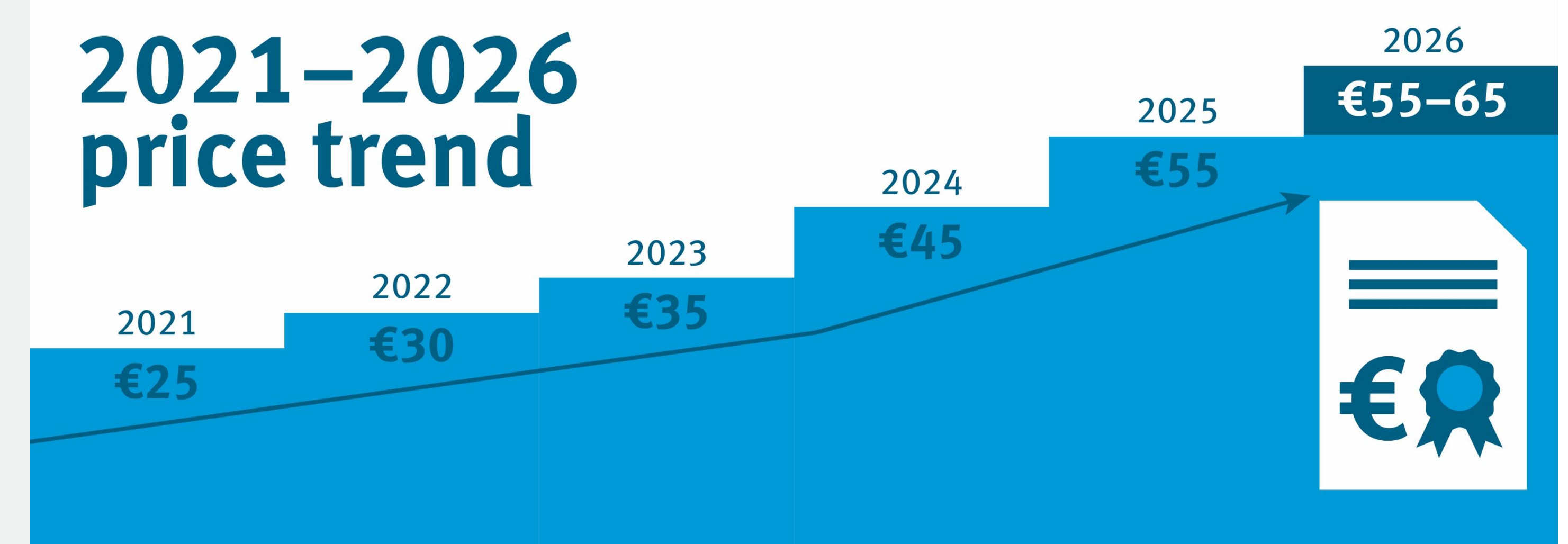
Carbon pricing is a key instrument for cost-efficient greenhouse gas emissions reductions. The European Emissions Trading Scheme (EU-ETS) largely covers emissions from industry and power generation.

The new **National Emissions Trading Scheme (nEHS)** will introduce a price for CO₂ emissions in Germany outside the sectors covered by the EU-ETS starting in 2021 and focusing initially on the **areas of heating and transport**. Compensation mechanisms will ensure that emissions covered by the EU-ETS will not be subject to additional carbon costs resulting from the nEHS.

National emissions trading will use a proven instrument well-known in the EU-ETS. The nEHS is also a market-based instrument and relies on a simple principle: anyone who emits greenhouse gases must acquire the relevant emission rights ('certificates').

The cost of the certificates will be paid by fuel suppliers and distributors subject to energy tax. They are obliged to report emissions and surrender a corresponding volume of allowances. They will then pass on **the costs from nEHS to their customers** so that the desired incentive to reduce emissions will be achieved. CO₂ prices will gradually increase which in turn will increase the incentive to reduce or completely abandon the burning of fossil fuels.

2021–2026 price trend



The main fuels such as petrol, diesel oil, fuel oil, liquified gas and natural gas that cause CO₂ will be included in the nEHS from 2021 and coal from 2023 onwards.

The German Emissions Trading Authority (DEHSt) at the German Environment Agency is responsible for the implementation of the nEHS.

Regulatory concepts of emissions trading



Unlike the EU-ETS, the nEHS is not based on the actual emissions at the installation level but on fuels placed on the market, even before the fuels reach the installation ('**upstream**' emissions trading).



Further information is available at:
www.dehst.de/National-emissions-trading

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