Umwelt Bundesamt

DEHSt
Deutsche Emissionshandelsstelle

Introduction “Climate Protection & EU ETS”

Climate change is a major challenge for current and future generations.

In order to protect the climate, greenhouse gas emissions must decrease significantly.

At the European level, this has been achieved since 2005 through the European Emissions Trading Scheme. It puts a price on emissions from power plants, industrial facilities and air traffic.

Introduction “nEHS”

To complement this, Germany introduced a National Emissions Trading System for emissions outside the European Emissions Trading Scheme in 2021.

The German Emissions Trading Authority at the German Environment Agency is responsible for implementing both systems.

Included are primarily fuels whose combustion produces climate-damaging CO_2 emissions – including gasoline, diesel, heating oil, liquefied petroleum gas, natural gas, coal and materials for waste incineration.

Gas and coal suppliers, companies in the mineral oil industry and operators of waste incineration plants are obliged to participate in emissions trading as obliged parties.

Explanation “Certificates & Price (development)”

For each ton of CO_2 emitted by the combustion of fuels, the obliged party must purchase and surrender a certificate.

This gives the emitted CO_2 a price.

The certificates in national emissions trading are initially sold at fixed prices.

Afterwards it switches to a trading system in which the price is formed on the market.

The obliged parties pass the cost of the certificates on to the consumers of the fuels. This gives citizens and companies an incentive to reduce their fossil fuel consumption. The use of renewable energy and climate-friendly technologies becomes more attractive.

Example “Impact of the nEHS by passing on the costs”.

For example:

A refinery supplies diesel fuel to a service station, putting the fuel into circulation.

The refinery must purchase a certificate for each ton of CO_2 that may be released when the diesel is burned. It passes the costs on to the service station operator.

The latter in turn passes the costs on to the refueling customers.

The price increase makes it more attractive for refuelers to reduce their consumption – for example, by adopting a fuel-saving driving style, carpooling, or using a bicycle or public transportation.

Conclusion

The revenues from emissions trading flow into the German government’s Climate and Transformation Fund. This is used to finance climate-friendly projects in the areas of energy supply, decarbonization, building refurbishment, hydrogen economy and electromobility.

Social measures such as a climate dividend and support programs to reduce fossil energy consumption can also be used to make ambitious CO_2 pricing socially acceptable.

National emissions trading leads to fewer greenhouse gas emissions. It creates the conditions for actively supporting a societal shift toward greenhouse gas neutrality in terms of social and economic policy. It therefore is a cornerstone of our climate protection efforts.