



The Federal Ministry
for the Environment,
Nature Conservation
and Nuclear Safety

Use of auctioning revenues in the EU ETS / Germany

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EU-ETS

Basics regarding Auctioning

Phase I (2005 – 2007)

- Member States had to allocate 95 % of the allowances for free
- **Option: 5 % auctioning allowed**, no MS used that option

Phase II (2008 – 2012)

- **Option: 10 % auctioning allowed, Germany used** the option (allocation for electricity supplier was reduced correspondingly)
- **Windfall-profits** of power producers in Phase I
- Auctioning provides for an **early price signal** of allowances

Phase III (2013 – 2020)

- Auctioning is the **default allocation method**: EU-wide auctioning of more than 50% of allowances (weekly; only spot)



EU ETS: Germany

Sale / auction results since 2008

| Year | Type | No. Of Dates | Volumes | Average Price | Revenue |
|-----------|----------------------|--------------|-------------|---------------|-----------------|
| 2008-2012 | Sale / Auctioning P2 | 278 | 238,087,000 | € 13.39 | € 3,187,984,930 |
| 2013 | Auctioning P3 | 46 | 182,560,500 | € 4.33 | € 790,486,965 |
| 2014 | Auctioning P3 | 47 | 127,127,500 | € 5.90 | € 750,052,250 |
| 2015 | Auctioning P3 | 49 | 146,122,500 | € 7.60 | € 1,110,531,000 |
| 2016 | Auctioning P3 | 49 | 161,628,000 | € 5.26 | € 850,387,520 |
| 2017 | Auctioning P3 | 46 | 197,495,500 | € 5.81 | € 1,146,817,980 |
| 2018 | Auctioning P3 | 41 | 173,020,500 | € 14.92 | € 2,581,650,990 |

Source: Own calculations based on data from EEX, KfW.



EU-ETS Directive

Framework regarding the use of revenues

Directive 2009/29/EC, art. 10 para 3:

- **At least 50 % of the revenues generated** from the auctioning of allowances ... should be used for one or more of the following:
 - to **reduce greenhouse gas emissions**, including by contributing to the Global Energy Efficiency and Renewable Energy Fund and to the Adaptation Fund ... to **adapt to the impacts of climate change**
 - to **develop renewable energies**
 - to **increase energy efficiency**
 - measures to **avoid deforestation** and increase afforestation and reforestation **in developing countries**
 - to encourage a **shift to low-emission and public forms of transport**
 - to cover **administrative expenses** of the management of the Community scheme
- Member States shall inform the Commission as to the use of revenues and the actions taken



Germany

Nearly 100 % used for Climate Targets

Revenues are used for financing German Emissions Trading Authority (DEHSt):

- **2013-2021:** administrative expenses are **estimated at 18 m EUR/a.**
e.g. in 2016 they represent 1% of total revenues

Revenues flow into the Energy and Climate Fund:

- Enables the **financing of additional programs** to promote **environment-friendly, reliable and affordable energy supply** and **national and international climate protection, e. g.**
 - energy efficiency and renewable energy
 - National Climate Initiative
 - energy storage and grid technologies
 - energy-efficient modernization of buildings
 - promotion of electromobility
 - compensation for the electricity price hikes caused by emission trading



Germany

Energy and Climate Fund

| Outflow of Funds in 2017: | EURO | Share |
|--|----------------------|---------------|
| Promotion of energy-efficient refurbishment of buildings | 932.708.000 | 45,2% |
| R&D renewable energy and energy efficiency | 130.678.000 | 6,3% |
| Compensation for the electricity price hikes caused by emission trading | 288.723.000 | 14,0% |
| Promotion of electromobility | 222.854.000 | 10,8% |
| Action program climate protection 2020, climate protection plan 2050 | 3.047.000 | 0,1% |
| Promotion of energy efficiency | 94.325.000 | 4,6% |
| Market incentive program for innovative renewable energy | 62.224.000 | 3,0% |
| National Climate Initiative | 99.639.000 | 4,8% |
| Promotion of adaptation and sequestration of CO ₂ in German forests | 12.223.000 | 0,6% |
| Promotion of measures for climate change adaptation | 3.221.000 | 0,2% |
| International energy and resources partnerships | 15.336.000 | 0,7% |
| Cooperation in the EU on the Renewable Energies Directive | 3.752.000 | 0,2% |
| Other measures within the range of energy efficiency | 124.561.000 | 6,0% |
| Programs and measures belonging to energy transition and structural change | 55.367.000 | 2,7% |
| Administrative expenses (DEHSt) | 15.978.000 | 0,8% |
| Total | 2.064.636.000 | 100,0% |



Germany

National Climate Initiative

Basic Facts

Aims at **fostering** the implementation of **national climate targets** through:

- Support for climate action strategies at local level and funding for their implementation
- Diffusion of relevant technologies (e.g. LED)
- Capacity Building: Information, training, public awareness, networking, know how exchange
- Monitoring and evaluation

The National Climate Initiative helps to anchor climate action at grassroots level, and benefits consumers as well as companies, municipalities and educational institutions.



Target Groups

- municipalities
- industry and companies
- consumers
- educational institutions

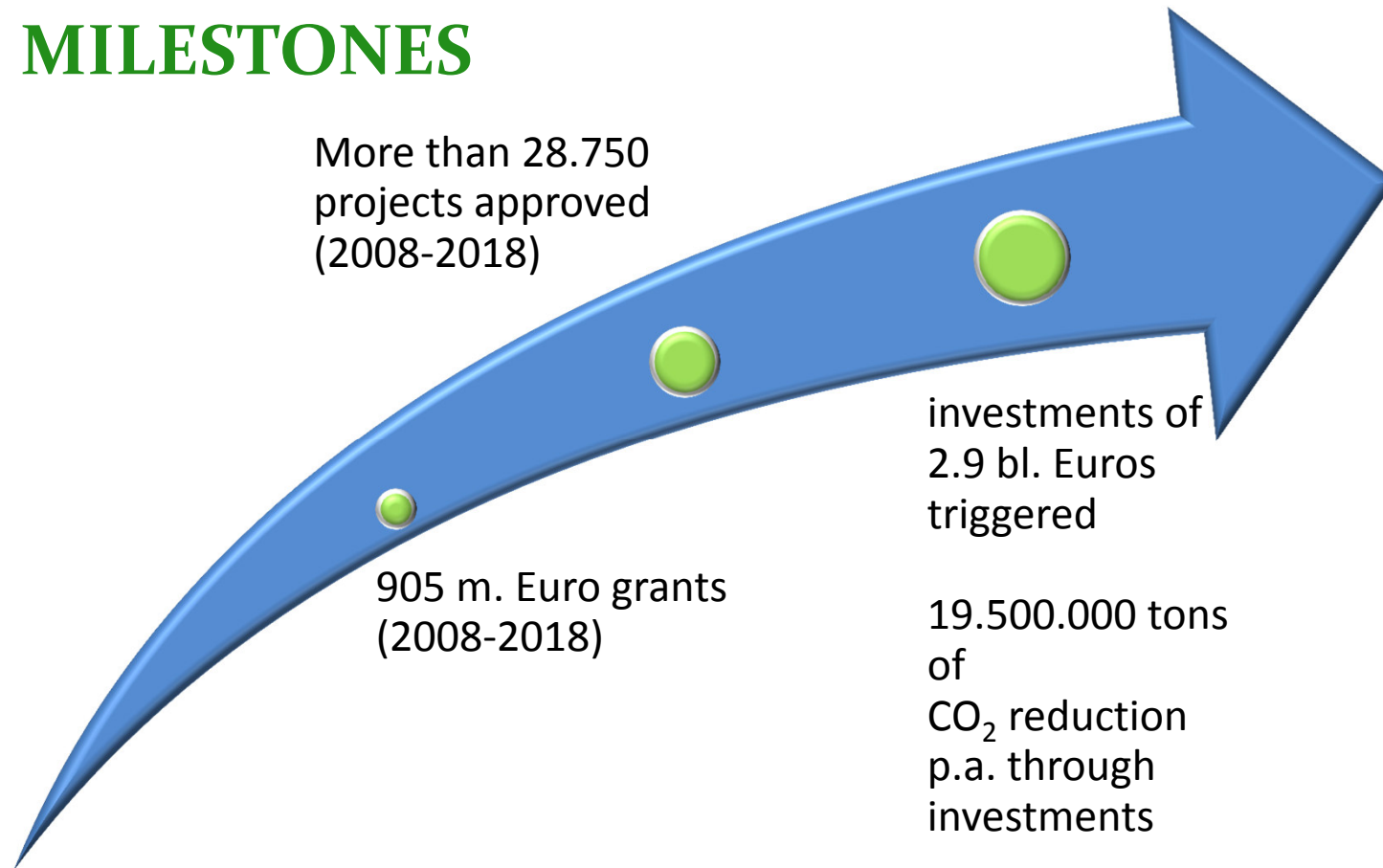


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National Climate Initiative

MILESTONES





EU ETS

Compensation of Indirect Carbon Costs

ETS-Directive, Art. 10a

- **Member States *may* also adopt financial measures for sectors exposed to high electricity prices due to carbon costs**

- **Based on benchmarks of electricity consumption per product unit** (most efficient available technologies, CO₂ emissions of European electricity production mix)
 - Only **six Member States** implemented compensation in Phase III
→ Market Distortions
 - **Commission Proposal for Phase IV:** Member States ***should*** adopt [...]
 - Compensation of significant indirect costs added to use of auctioning revenues (earmarking)

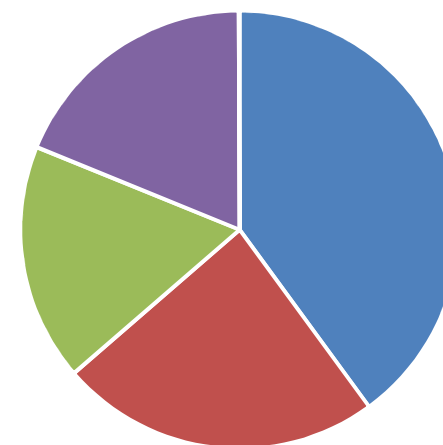


EU ETS: Germany

Compensation of Indirect Carbon Costs

- Yearly compensation financed from auctioning revenues
- Based on product specific energy benchmarks to incentivize efficiency

| Compensation for year | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------|-----------|-----------|-----------|-----------|------|
| Applications | 358 | 349 | 337 | 329 | 323 |
| Accepted | 340 | 334 | 330 | 326 | 322 |
| Installations | 970 | 928 | 909 | 902 | 891 |
| Subject to ETS | 476 | 471 | 471 | 470 | 460 |
| ⊖ Price € | 7.94 | 4.68 | 6.17 | 7,80 | 5,40 |
| Total | 314m € | 188m € | 244m € | 289m € | 202m |



Chemical Industry 40,1 %
Iron and Steel 24,1 %
Non-ferrous metals 17,3 %
Paper 18,4 %
Clothing Industry 0.1 %

Source: DEHSt



Compensation of Indirect Carbon Costs

Six Member States established compensation schemes in Phase III

| TITLE | MEMBER STATE | INTENSITY | TOTAL BUDGET |
|---|----------------|-----------|-------------------------------|
| Compensation for indirect EU ETS costs in the UK | United Kingdom | 85% | GBP 113 million (2013-2015) |
| Compensation of indirect EU ETS costs in Greece | Greece | 85% | EUR 128 million (2014-2020) |
| State aid for indirect CO ₂ costs (ETS) | Germany | 85% | EUR 756 million (2013-2015) |
| Compensation for indirect EU ETS costs | Spain | 85% | EUR 5 million (2013-2015) |
| Compensation for Indirect EU ETS costs in the Netherlands | Netherlands | 85% | EUR 156 million (2014 - 2015) |
| Compensation for Indirect EU ETS costs Vlaanderen | Belgium | 85% | EUR 304 million (2013-2020) |

Source: EU COM



EU ETS Phase IV Modernisation Fund

- **Aim: Modernisation of power sector / energy systems and improving energy efficiency**
- **Eligibility: Member States with GDP < 60 % of the EU's average GDP (10 MS); share for each MS based on two components**
 - **50 % verified emissions (VET)**
 - **50 % GDP level**
- **Total size: 2 % of the overall cap of Phase IV (2021 – 2030) amounting to about 310 million EUAs (estimated volume up to € 10 billion)**



EU ETS Phase IV Innovation Fund

- **Aim: Demonstration of innovative low-carbon technologies, e.g.**
 - CCU & CCS for industrial processes and power generation,
 - Industrial sector projects
 - Renewables

- **Eligibility:** Industries/Companies for all Member States but only industrial sectors covered by the ETS

- **Total size: at least 450 million EUAs in Phase IV (2021 – 2030)**



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Thank you for your attention

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