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 As we have announced since October 2014, the Emission Newsletter will be a paid subscription service from March 2015 onwards.
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Emission News 04-2015

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CO2 exchange, emissions report and VET entry in registry - Characteristics and pitfalls that should be noted in March

Plant operators creating their yearly emissions report at the end of March, and the VET-entry (Verified emission Table = entry of the emission in the registry account) should give some things their attention, as reported in this issue of Emissionshändler.com® letter.

The preservation of trade and business secrets, the correct and timely order in VET-entry, the note of (non-existent) N2O and PFC emissions, as well as giving away any gains from trade of CERs / ERUs in EUA certificates are issues related to the VET-entry should not be missed out.

Furthermore Emissionshändler.com® provides in this [Emission News 04-2015](#) an interview with Jürgen Hacker, chair of the Federation of emissions trading and climate change on the future of the EU ETS as well as the quantities and price aspects of the planned initiative of market-stability reserve MSR.

The VET entry for the three different emissions of CO2, N2O and PFC

Plant operators have been creating their emissions report in March 2015 in order to pass the examination by their verifier should take an interest in this year especially for the pdf version of the report, which includes a new feature.

(Faded text from the original document, likely bleed-through from the reverse side.)

Since these emissions do not occur in most of the emissions trading systems, these are not listed in the pdf-version of the annual report in the summary of greenhouse gas emissions, i.e. the respective corresponding blank field is not filled in. One would think that the form software should be able to write a "zero" in the field, but this is not the case. Plant operators (who do not have such issues) that do not put attention on this fact think that these

(Faded text from the original document, likely bleed-through from the reverse side.)

The screenshot shows a web form titled "Enter Emissions" with the following sections:

- Installation:** A dropdown menu showing "2014".
- Year for which emissions are entered:** A dropdown menu showing "2014".
- CO2 Emissions:** A text input field with the label "Please enter the value for CO2 emissions in tonnes:" and a value of "0.000".
- N2O Emissions:** A text input field with the label "Please enter the value for N2O emissions in tonnes of CO2 equivalent:" and a value of "0".
- PFC Emissions:** A text input field with the label "Please enter the value for PFC emissions in tonnes of CO2 equivalent:" and a value of "0".
- Buttons:** "Cancel" and "Continue" buttons at the bottom right.

3 different types of emissions

The user is well advised while submitting N2O and PFC emissions - if the report also does not exist -

(Faded text from the original document, likely bleed-through from the reverse side.)



It can be also successfully registered instead of writing "no" for the system for the next monitoring period especially CO2 emissions.

In any case, it is necessary to confirm the entry and get a valid number.

Besides the known CO2 emissions, emissions of

Why most operators are not aware of this fact is likely to remain a mystery. In Germany at least, DEHSt created a "Guide to developing monitoring plans and emission reports for stationary installations in the 3rd trading period (2013-2020)," dated 17.12.2014, in which these and other issues are mentioned.

known in principle that now all the other systems need to make a correct entry in its register Account menu item "Compliance".

Possible variants of a proper and lawful VET entry

According to the since 01.01.2013 applicable EU accreditation and verification regulation EU / 600 + 601/2102 of June 2012, the CO2-annual report of 2013 should be approved since March 2014 by two verifiers. This is nothing new to the vast majority of operators. However, this change in the flow of the VET-entry results not only several versions, but also the possibility of misunderstanding, which leads to an immediate account lockout.

Once the system operator or contracted consultant who created the CO2 annual report on his investment is ready, he passes the editing right on this report to its verifier. With this, he has previously signed a contract that governs this test technical and commercial, incl. liability issues.

This verification contract is now also specifying that a second verifier will now crosscheck the test results of the first verifier accordance with the law. This second examiner (if necessary, also auditors) is visible in addition to the first auditor with a test access to the register account of the operator in the registry account under the menu item inspection / verifier. The test access of a verifier also implies that these entries can be made in the VET-table (Verified Emission Table) and can be confirmed.

At the beginning of the corresponding process stays VET entry in the table is "submit" / "propose".

Verified Emissions		Emissions
Year		
2013		20.8
2014	propose	
2015		
2016		
2017		
2018		
2019		
2020		

(*) Emissions entered or corrected by Competent Authority

Compliance VET-table before the first entry

The following several procedure variants to complete a VET entry by 31 March successfully:

1. verifier 1 submits the amount of emissions (as specified annual report) and an authorized representative of the operator confirms this
2. verifier 2 submits the amount of emissions (as specified annual report) and an authorized representative of the operator confirms this
3. verifier 1 submits the amount of emissions (as specified annual report) and 2 verifier confirms this
4. authorized representative of the operator submits the amount of emissions (as specified annual report) and verifier 1 confirms this
5. authorized representative of the operator submits the amount of emissions (as specified annual report) and 2 verifier confirms this



From the mentioned five enumerated opportunities for a successful VET-entry, however, it is also clear

This situation can occur more likely when this order "who, what, when does"

The result can then be that the VET-entry or its confirmation is not received by March 31 and then an **automatic account lockout is introduced** which is likely to cause greater difficulties for the operator.

The industrial confidentiality in the emissions report

Plant operators since the start of emission trading creating their annual emissions report should consider the opinion of Emissionshändler.com® listed on page 2, if the disclosure of trade secrets to be allowed or not.

Many decision makers may think that it is a trivial question, because nobody wants their competitors in the same industry or other public utility in the same region knowing the quantities of primary energy or production that are used in-house.

It causes greater legal uncertainty in the case of encountering legal ground.

The legal basis of the DIRECTIVE 2009/29/EC of 23 April 2009 is described in *Directive 2003/87/EC* states in *Article 15*:

Disclosure of information and professional secrecy

Member States and the Commission shall ensure that all decisions and reports relating to the quantity and allocation of allowances and to the monitoring, reporting and verification of emissions are immediately disclosed in an orderly manner ensuring non-discriminatory access.

Information covered by professional secrecy may not be disclosed to any other person or authority except by virtue of the laws, regulations or administrative provisions in place"

Whoever is the owner in the emissions report is the question of whether the business and trade secrets contained in his emissions report should be kept secret and "Yes" should be marked, which may be

likely to ensure that it stays that way. However, a

Infobox Important Changes – Emission-Trading for Aircraft Operators

A new trading period (2013-2020) started on 1/1/2013 with relevant REGULATION (EU) No 421/2014; in addition, the previously valid Monitoring Guidelines were replaced by the Monitoring Regulation:

For aircraft operators this includes the following regulations:

Reporting of "only" Intra-EU flights and flights to and from certain areas in the outermost regions of the EU from 01/01/2013 to 31/12/2016, and adjustment of the allocation amounts

Postponement of the 2014 deadlines for reporting and surrendering 2013 allowances by one year to 2015.

The thresholds to determine whether aircraft operators are impacted by emission trading have been adjusted too:

- *Non-commercial aircraft operators are excluded from ETS if the emit less than 1,000 tonnes of CO2 are emitted per year.*
- *Commercial aircraft operators are excluded if they emit less than 10,000 tonnes of CO2 or fewer than 243 flights are performed in 3 subsequent 4-month periods*

Important: *In order to judge if an aircraft operator is above or below the relevant thresholds, the original scope of the ETS Directive ("full scope") is applicable, not the temporary reduced scope (Intra-EU) according to Commission Regulation (EU) Nr. 421/2014 .*

For any questions regarding the requirements of the ETS reporting period 2013 – 2020 we kindly refer you to our partner for emission trading in aviation: ETS Verification GmbH, see information at the end of this Emission News.

If this is not the case, as it probably handles hundreds of plants operating for several years, it has this security most likely not in every case.

This view is also supported by the fact that the verifier is

therefore gets no full inspection stamp. A corresponding demand for national authorities, as well as to the DEHSt



It can only be recommended for an operator to be sure and secure at least with a ~~member's contribution~~ ~~in accordance with the provisions of any law.~~ A similar formulation could be e.g.:

This emission report and its annexes contain detailed information on the structure, function and energy of notifiable plant. This applies particularly

to the description of the plant, description of the reporting system components and all relevant data and all other data in system design, the construction, the use, the composition of the fuel used in the system and the personnel address data should be treated accordingly.

Take advantage of CER / ERU exchange rates until 31.03.2015

As DEHSt told to all operators on 23/02/2015 by e-mail, CER / ERU the years 2008-2012 can be exchanged only until 31.03.2015 in the EEA or aEUA for airlines.

The still unusual method for some operators of exchange of CER / ERU in EUA / aEUA on the registry account (without a concomitant obligation to return), led to a fact, that many decision-makers have not understood why from "nothing "money can be made (what good merchants can easily explain) due to the lack of reasonable information. In addition, what they do not understand that this method does not do well.

However, now companies start to realize at the end of the period that the exchange of CER / ERU - which have a value of only around 10 cents / t against EEA with a current market value of about 6.50 EUR / t – is a profitable business.

In any case, Article 60 of the Decree of 02.05.2013 register, which ***governs the use of international credits through exchange (EEA) certificates, applies:***

An operator may request the exchange of an international credit for a general allowance pursuant to Article 11a(2) of Directive 2003/87/EC until 31 March 2015 and pursuant to Article 11a(3) and (4) of that Directive until 31 December 2020. It shall propose a transfer of international credits from the relevant operator holding account to the EU International Credit Account for operators in the Union Registry.

In practice, the exchange in own operator holding account is not so easy with the aforementioned statutory provision, since each operator shall do this just once and therefore usually not previously informed about the menu. This is especially so because the roster account corresponding menu items from the system are not displayed at all without CER / ERU.

Infobox

The external authorised representative and the CO₂-Know-how

An external consultant and representative as Emissionshändler.com® can assist companies with the relief of his authorised representative and may advise in all essential technical and administrative tasks regarding the account.

Here Emissionshändler.com® can be used as external third authorised representative upon request taking over all activities, such as account management and monitoring the changes in legislation and pointing out the annual duties and deadlines.

Insofar Emissionshändler.com® is also a knowledge carrier and a "CO₂-Know-how-Backup" for the management of the company as well as a practical guide for the previous account representative.

An application and more information are available on request.



CO₂ account package

Warning: Last minute advice: For all matters relating to the register account, the representatives, the technical access to the account and the delivery of certificates advises Emissionshändler.com® until 30.04.2014. Please ask for our help, we will send you our service and consulting agreement, and/or give you free advice. Freecall in Germany 0800-590 600 02.

Conversions for "old systems" and for "new plants"

The conversion process of CER / ERU in EUA is for stationary plant operators who already subject to emissions trading before 01/01/2013 as opposed to operators who perform differently after that date in the emissions trading. The biggest difference is

~~that older systems can receive their own account~~ ~~and as a rule, the new installations,~~ ~~that is why the new installations receive their own~~ ~~account and the CERs for all years up to~~

What amount of CERs / ERU in EUA are available, can be ~~calculated with the operator~~



on access to the registry account. All other details are described in our free [Emissions Trading for Dummies](#).

The CER / ERU exchange for "new plants" poses a risk of loss in March

The conversion of 4.5% CER / ERU certificates in EUA certificates in March 2015 brings the risk of loss, as many operators of new plants do not realize the opportunities a good time VET entry can give (entry of verified emissions of the previous year). As the deadline for the (two sides confirmed) VET entry is 31.03.2015, many of the new plant operators shall carry out this entry only in the last week of March,

Thus, an exchange with cheap CER / ERU can be no longer made in the following week, as they are then invalid.

Remainders cer1 and ERUs in the EU register account

Operators who still lead after the 31.03.2015 remnants of cer1 / ERU certificates on their EU-registered account, that dating years 2008-2012, these are marked red through the system and are found invalid.

Page 1 of 1 (3 rows found)

Unit Type	Original CP	Applicable CP	Project Number	Project track	Eligible	Ineligible
CER	1	1	CN11		0	12,105
CER	1	1	CN767		0	5,832
CER	1	1	CN868		0	168
CER	1	1	NR99		0	311
Unit Item AA1	1	1	RU1000002	TRACK_1	0	1
Total:					0	18,617

Invalid CER/ERU for the commitment period1 on the account

These certificates must then be removed within a statutory period

Emissionshändler.com® will provide more details in the upcoming issue letters, when and how the transfer takes place and what this could mean for the accounting by an entity.

Interview of Emissionshändler.com with Jürgen Hacker, Chairman of the bvek eV, Association of emissions trading and climate protection

Emissionshändler.com: The EU emissions trading has been strongly publicly criticized sometimes last year - from "not working", "to be repaired" to "get rid of it" as presented the headlines – isn't this correct?

Hacker: No, completely wrong! Exactly the opposite is true! The EU's system of tradable emission permits, or EU-ETS, works great and does exactly what it is designed for - namely limiting greenhouse gas emissions to the policy of the predetermined limit and this at the same time at the lowest possible cost for the EU economy.

Emissionshändler.com: But has the price of emission allowances (EUA) yet plummeted and offers for the view of the critics no or too few incentives to reduce emissions?

Hacker: These critics do not understand the function of environmental economic instrument or do not want to understand it because of their own interests.

The climate performance of the EU ETS is in fact completely independent from the price for EUAs and is solely determined by how many EUAs are provided to the system by the policy. The resulting market price of EUAs, however, only determines that the EU ETS underlying issuers must make the necessary emission avoidance - namely those with low specific avoidance costs - and those who do not need to take any emission avoidance are those with higher own abatement costs. Only if all participants are coordinated, the climate benefit is actually delivered to the total economically lowest possible cost. In addition, this is in the interest of the common good, because the means for unnecessarily higher costs of emissions control can no longer be spent for other socially necessary and important tasks such as education, basic research, infrastructure, social economies.

Emissionshändler.com: But the CO₂ emissions rose again in Germany in 2012 and 2013, which is from the point of view of Federal Environment Minister Hendricks based on the increased emissions of German coal power plants, which can again produce less power because of the low EUA



prices than gas power plants. Germany is in danger of missing its national climate protection goal for 2020.

Hacker: Ms. Hendricks is unfortunately completely wrong with her analysis of problems and their possible solutions. It is true that the CO₂ emissions from German coal power plants grow. However, they are part of the EU ETS and the overall reduction. Also all German ETS installations together in 2008-2012 on average have even less CO₂ emitted than amount of EUAs issued in Germany. Therefore, it must have other German ETS installations emitting less and thus compensating the increased emissions of coal power plants. In addition, that is all that matters - not who reduces emissions, but that all together emit less. The EU ETS has provided the climate politics predetermined performance not only across the EU as a whole, but also in the German EU-ETS sector. The real problem of the German CO₂ emissions is the emissions not covered by the EU ETS. They are increasing in average every year 2 million tons or 0.5%, since 2008 year after year! This trend is not the EU ETS responsibility, but the federal government with its national climate change policy! This has obviously failed. However, the blame for this is often laid on the EU ETS.

Emissionshändler.com: So is everything in EU emissions to the opinion of BVEK trading all ok?

Hacker: Not at all! The EU ETS can and should be urgently developed and made more efficient. BVEK has made five concrete proposals. From an economical point of view, therefore, it is important that the scope of the scheme should be extended. First, the fuel of the transport sectors should be included, because this is possible particularly simple and without significant additional bureaucratic costs. However, the fuel in the heating sector can be included almost just as easy.

Emissionshändler.com: BVEK wants to include the demand of road transport in the total demand, but the EU ETS provides only about a half of EUAs for these needs, such as the traffic emits. This would drive up the price of EUAs. How do you explain that the to the stationary ETS system operators?

Hacker: If, as proposed by BVEK last June, the EU ETS would be extended to the fuel for the

transport sector from 2016 and the EUAs would be increased by only 50% of traffic emissions, the currently criticized surplus of about 2 billion EUAs will be eliminated by the end of 2020. I guess that the current EUA price will increase by about 10-15 euros. That is still only half the price that has been predicted in 2009 by the European Commission establishing the EEA amounts for 2013-2020 and to which all-stationary plant operators are prepared. In addition, it is naive to believe that the EUA price will remain permanent on the current low level. We see it in the political actions e.g. Market Stability Reserve (MSR) that changes the policies, which forces EUA to go up, not by constant government intervention in pricing but through improved design of the overall system.

Infobox What is bvek?

The bvek eV., federal association for emissions trading and climate protection was established in 2001 to professionalize the discussion of the very complex mechanisms involved in the introduction of systems of tradable emission rights and transnational climate protection activities in Germany, to promote the exchange of information among its members and the politicians and the public as a competent contact persons. The main objective of bvek is to promote the active implementation of international obligations to reduce emissions by adequate measures.

The bvek is campaigns for an economically efficient system of tradable emission rights to climate protection. The current EU system is urgently in need of improvement and design in Germany. Lessons should be taken from the mistakes in the first commitment period. The entire system should be changed to a substantially free and less bureaucratic market. Neither the self-interest of any company nor an industrial sector may be orientated, but only an optimal economic design. To ensure that the prosperity of Germany will be guaranteed. With this basic understanding, bvek brings up 10 principles in the forthcoming decision-making processes in Germany and the EU. The principles and further information www.bvek.de.

Emissionshändler.com: What is the opinion of BVEK for pricing impact of the introduction of the MSR that should come by 2020 according to the latest information?



Hacker: BVEK always considers price forecasts. I personally do

not expect any significant price changes in the next amount of EEA as the change according to current plans, but I expect to see decreasing from 2015 by a little in the amount of EEA. I also think whether the fact that the current price will be reduced. Only if a final agreement reduction in the total amount will be conducted in 2015, a significantly higher price level would be expected.

However, such a subsequent reduction of the EEA quantities is contrary to the system rules, according to which the amounts are a "binding" set binding to the ETS installations and to the policy. However, the type of the policy price effect could conform to the system by the inclusion of new sectors, as proposed by BVEK. In addition, the committees of the European Parliament for environmental and industrial policy are already thinking about it, as European parliamentarians have assured me recently.

Emissionshändler.com: What can BVEK do for plant operators when these members would be in the association and how big is the annual fee?

Hacker: Members can only join as individual persons. Their annual fee is 130 euros. Companies can become supporting members. Their annual contribution depends on the number of employees and ranges from 300 to 2,500 euros. But BVEK represents no selfish interests of a single system operator or a group or sector of plant operators, but it is in favour of further development and improvement of the EU ETS in the public interest purpose and thus only indirectly in the interest of all ETS system operators. BVEK offers the chance to competently participate in or promote this common good of the development of the EU ETS - also independent of any formal membership.

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The second part of "CO2 certificates serve as an investment fraud for individuals" will be come in one of the next Emission News

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Please contact us without obligation at +49 (0)30-398 8721-10 or info@emissionshaendler.com as well as via mail or find out more about the Internet services under www.emissionshaendler.com.

Kind emission regards



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