The overview of the EUA price, unfortunately only visible for paid subscribers of emission letter

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VET Report of the DEHSt draws attention to ineffective support of the Ministry (BMUB) for Non ETS Emissions - EUA Excess Volumes

The VET report about the EU-ETS emissions was published by the DEHSt on 1 June 2017. Contents of this report are among other subjects the previous year's total emissions of German facilities being part of the EU system of tradable emission rights (EU-ETS) and their structure.

This VET report shows clearly that the EU-ETS has fulfilled its tasks but the divisions of the non EU-ETS in Germany have not. But this is exactly what the Federal Environment Ministry refuses to confess and blames a “non functioning EU-ETS” for the fault, and ineffective support programmes being worth billions fail to be stopped instead of using this money better for more effective measures.

A guest commentary by Jürgen Hacker makes this correlation transparent and proves it by figures of the DEHSt VET report (DEHSt is, as it is known, an authority of the Federal Environment Agency UBA and consequently affiliated to the Federal Environment Ministry).

Furthermore Emissionshändler.com® report in their Emission News 06-2017 about the aspect of excess volumes of emissions certificates in the EU-ETS. In fact the VET report refers objectively about the excess volumes but the consequence of the effects on a certificate's price should find attention.

CO2 emissions 2016 in the European Emissions Trading System (EU31)
Approximately 11,500 stationary systems are situated in the area of the 28 member states of the EU plus the three states Iceland, Liechtenstein, and Norway (EU31) participating in the European emissions trade (air operators not included). The sum of emissions having been emitted by these systems amounted to approximately 1.75 billion tons of CO2 in 2016. Roundabout 1.7 billion emissions rights reached the operators' accounts by means of a free allocation and by means of auction; 0.7 billion result from the secondary market - which means they have been bought in addition from existing overstocks in the EU-ETS.

If exclusively the above-mentioned figures were taken into consideration, the result of reflections that the overflow of emission certificates having been in the EU-ETS had finally decreased for once. But when taking a closer look it can be seen that such a result is wrong, unfortunately, and should be reviewed thoroughly in case of reflections about

Development of verified emissions 2005-2016
Basing first of all on the VET report of the German Emissions Trading Authority DEHSt, it becomes obvious that those five European member states with the highest emissions went through completely different developments since 2005.
One of the developments shows that, in comparison with the European average, German and Polish emissions decreased significantly less. The development in Spain, Italy, and in was a completely different one as a significantly emission decrease above average could be recognised there.

But it can be said in any case that the total reduction of emissions to be determined in the EU 31 starting on a level of 100% in the year 2005 and arriving at by now in the year 2016 generated an increase of the emissions rights' overstocks as the shortening of the freely submitted certificates and the auctions still have not kept up with this development.

Throwing a glance on the following graphic (Source DEHSt/VET report 2016), the well-known effect of cumulated rising availabilities of emission rights in the years 2009-13 can clearly be recognised. But the availability decreases slightly in 2014 (see yellow column). On studying the graphic the impression arises that the volume of roundabout billion tons of exhausted CO2 in the EU 31 is approximately 200 tons higher than the sum of freely allocated (dark blue) and auctioned (light blue) emission rights – a reason why the surplus of certificates is supposed to

But this is not the case because the volume of allowances auctioned in 2016 (light blue) does not include 200 million emission rights which have been supplied to the Back-loading, just like a volume of 400 million certificates in the year 2014 and 300 millions in 2015.

With the beginning of 2018 these 900 million will be shifted to the market stability reserve (MSR) to be established in order to reduce the surplus of emission rights having been accumulated so far until the and amounting to 1.6 billion certificates. Consequently it can be said that the surplus rose to proper 2.5 billion emission certificates so far and will in the MSR, which is what the plans of the European Parliament intend to provide in the course of the present trilogy negotiations.

Even if the whole Back-loading volume of 900 million were deleted definitely, this process would take years and would nevertheless fail to give any guarantee to the market that a deletion will really happen.

This is why that even in this “Best Case” 1.6 billion emission rights will continue to beat down the certificates' price thoroughly because the EU-ETS “works well” in the sense of permanent reduction of emissions and a simultaneous shortage of free allocation and auctions is unable to keep pace.
Below a guest commentary from Jürgen Hacker, CEO of bvek.de

The EU ETS works and provides the results it is supposed to provide

The CO₂ Emissions of German ETS facilities shrank also in 2016, in fact by 0.6% in comparison with 2015. An average reduction of 1.2% per annum has been achieved since 2008.

The German Emissions Trading Authority (DEHSt), a sub-division of the Federal Environment Agency, published the so-called VET report 2016 on 1st June. Contents of this annual report are, among others, the previous years' total emissions of German facilities being part of the EU system's trade-able emissions rights (EU-ETS) and their structure.

These newest figures show first of all that, in comparison with 2015, the emissions of 2016 shrank by 2.7 million t CO₂-aq which corresponds to 0.6%. However, the modification within one year still does not permit a general statement about the functioning of EU-ETS. Additionally the system's development since introduction of the system has to be considered. This is shown in the spreadsheet (on page 6).

It doesn't make much sense to include the figures of the pilot stage 2005-07 because this period of time first of all treated the development and the test of the system's elements as there are supervision, reporting, or emissions rights' registers. Besides, no shortage in emissions rights showed up, nor had these been transferable in the following periods. The EU-ETS can be considered as “serious” only with the beginning of 2008. In the meantime exact and verified data are available for these 9 years. However, when comparing the data it has to be considered that the scope of application has been extended since 2013. In order to achieve still a reasonable comparison, those emissions resulting from sources being registered additionally under the system after 2013 will have to be presented and subtracted separately. But the statements of the VET report only allow a calculation of those facility figures which came in completely new. The emissions of those additional sources of facilities being subject to the system already before 2013 with regard to their main emissions are not included. But only very small sources are concerned in this context. All in all they will not change the final result and can be neglected for general statements about the system.

The first period 2008-12 produced an average emissions result of 451.3 million t of CO₂/year. The figures are only very close below the national German budget of emissions rights amounting to 451.8 million t/year – so to say a spot landing! Also later in the course of the running period 2013-20 the emissions continued to shrink. Within the last 9 years the CO₂ emissions averagely shrank all in all every year by 6.1 million t which corresponds to 1.2%/year.

Consequently the EU-ETS works and provides exactly the emission volume reduction the politics intended it to do.

But the data of the VET reports still produce a further result. If the emissions of German ETS facilities are deducted from the totality of German CO₂ emissions, the result will be the CO₂ emissions of German non ETS sources. But neither the Federal Environment Agency nor the Federal Environment Ministry deign to present this column of figures anywhere in their numerous publications – although Germany is solely responsible exactly for these emissions on the national sector and determines the climate protection measures totally independent. So why are these figures not published?

Because it turns out as a matter of fact that these non ETS emissions not only increased again within the last two years but also that they neither decreased at all in the average of the last 9 years but remained as high as ever! They only changed a little bit in their structure (higher in the traffic sector, lower in the heat sector).

Consequently this breakdown to ETS and non ETS emissions of Germany's CO₂ emissions proves two facts:

First of all the non ETS emissions and not the ETS facilities are “responsible” for the fact that Germany will most probably
not achieve its own goal until 2020 regarding climate protection

These are in particular not emissions of German coal-fired power plants as these are all ETS facilities. If their emissions were higher than indicated in earlier forecasts, other ETS facilities must have emitted less than predicted. But that is how an ETS system works. It observes safely the political requirements for the system's emissions but optimises constantly with regard to terms of costs who is emitting how much more or less. This is correct as it is and in the sense of common interest. Because the climate does not care what kind of facilities blow greenhouse gases into the atmosphere. A CO\textsubscript{2} molecule from a coal-fire plant is as climate effective and harmful as one from a gas power plant or an industrial company. A really effective climate protection depends exclusively on the fact how much every facility is emitting in total. It is not unimportant, however, to take into consideration the costs which arise for the protection of the climate. Higher expenditure than necessary for the achievement of a goal mean a higher loss in social prosperity. Social resources wasted unnecessarily will not be available for other important social tasks as there are for example education or social development.

Secondly it becomes obvious that, contrarily to forecasts of the Federal Environment Ministry's climate protection plans, non ETS emissions have not decreased.

All the protection instruments for the climate having been applied together with constantly new national packages of measures, above all various subsidy programmes worth billions (euphemistically called “support programmes”) turned out to be ineffective.

These climate protection instruments consequently once again did not work “nor deliver” what they were supposed to deliver.

But the Federal Environment Ministry refuses to confess this because the failure of their own politics would be the consequence of such a confession. That is why the presentation of the German non ETS emissions' development will be kept secret, hoping that the large German public will probably not find out.

**Infobox**

**Switzerland introduces Emission Trading for Air Traffic**

Switzerland and the European Union (EU) strive for a link of their respective emission trading systems (ETS). A conforming agreement (linking agreement) had been initialized already in January 2016. It is planned that together with the agreement's entry into force of both EHS, also aircraft operators shall newly be involved in the Swiss EHS.

The prior collection of tonne kilometre data (TKm data) having been produced by the aircraft operators concerned is necessary for the inclusion of Swiss air traffic. These TKm data will be needed for the calculation of free allocation of emission rights for the aircraft operators.

In order to guarantee a correct TKm data acquisition in 2018, the aircraft operators are requested to establish a monitoring plan until at the latest. In this plan they describe the method, the responsibilities and quality assurances for the data acquisition.

The demands on the monitoring plan will be adjusted with the regulation for the collection of tonne kilometre data caused by flight routes, and their appropriate reporting (TKm regulation) coming into force on . The demands are strictly oriented towards the guidelines in the EU ETS.

The Federal Environment Ministry of Switzerland BAFU expects approximately 120 monitoring plans, most of them from foreign operators amongst them a high number of non-commercial respectively non-industrial operators.

Principally all aircraft operators flying inside Switzerland or from Switzerland to the European economic area (EWR) are obliged to submit a monitoring plan to the BAFU for verification. Also operators are concerned who are operating flights departing on the bi-national airport Basel-Mulhouse to the EWR as well as flights between the airport Basel-Mulhouse and Switzerland, as long as these flights are operated in accordance with the Swiss traffic law.

Aircraft overflying Switzerland without landing are not concerned by this rule.

Any airline or aircraft operator that wants to learn more about how to create a monitoring plan or about the intricacies of ETS may approach ETSVerification GmbH for information or guidance. Contact below.

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In cooperation with ETS Verification, the verification body for aircraft operators

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For reasons of distraction, another scapegoat needed to be found. It made sense in this case to join the mutual wave of EU scolding and to explain the EU with its instrument of a system called tradeable emission rights being unloved from the beginning as “guilty”.

As the environment minister Hendricks and her state secretaries have been claiming for years, the EU-ETS ostensibly fails to work because the emission rights’ price is considered to be too low and offers no attraction for an emission decrease, thus being responsible for the higher emissions of coal-fired plants.

As it often happens in political life, facts being correct in their own are mentioned but are then tied together in an incorrect way which, as a result, leads to a false statement. It is correct that Germany will not achieve its climate protection goal and it is correct that the emissions of coal-fired plants were higher than expected but both facts have nothing to do with each other. The statement of a causal link and the above-mentioned conclusions are, expressed in neo-(German) words, Fake News. As the facts of the represented CO₂ emissions development prove, the contrary is correct:

- Exclusively the EU-ETS works and delivers reliably what it is supposed to deliver.

But this does not mean that the present arrangement of the EU-ETS is already perfect and needs no further improvement. But the advancements of the EU-ETS as well as the regulations of the non ETS sectors (ESD- Effort Sharing Decision) being currently under negotiation at EU level promise only a very small grade of improvements.

- The fusion of both systems, in particular the enlargement of the functioning EU-ETS around the non ETS sectors would be an essential step!

The CO₂ emissions caused by traffic and heat could be integrated in the short term and carried out with a minimum of effort. Conforming propositions together with formulation of modifications being necessary for the EU directive are available. Hopefully the new Government being formed after the Federal elections in autumn will recognise it and will show engaged efforts. Chances for success are in fact realistic due to the delays in negotiations on EU level.

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Kind emission regards

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### Entwicklung der CO₂-Emissionen in Deutschland seit 1990

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### Fußnoten

2. Quelle DEHSt, VET-Bericht 2016, Mai 2017
4. Quelle: Deutsches Bundesamt für das Umwelt (UBA), Deutshes Bundesamt für Energie (BDEW), Berlin, 7.6.2017
5. = ohne Emissionsquellen bei EU-ETS-Bezugsrechnungen, die vor 2013 bei Nicht-EU-ETS waren
6. = ohne Emissionsquellen bei EU-ETS-Bezugsrechnungen, die vor 2013 bei Nicht-EU-ETS waren

bvek, Berlin 07.06.2017