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

German climate policy and carbon pricing

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EU – Non-ETS regulation

- Germany's GHG emission reduction targets compared to 2005
  - 14% by 2020 (Effort Sharing Decision)
  - 38% by 2030 (Climate action regulation (EU) 2018/842)
- GHG emission reduction **until 2017: 3%** (0.3% annually)
- From 2021, sharp increase in mitigation obligations for these areas (2.4% annually)
- Failure to meet the EU binding targets leads to **hefty payment obligations** (from 2021 compensation will consist exclusively of purchase of annual emission allocations from other MS)
- Use of budget funds for failure to meet targets in transport, buildings, industry and agriculture starts in 2020

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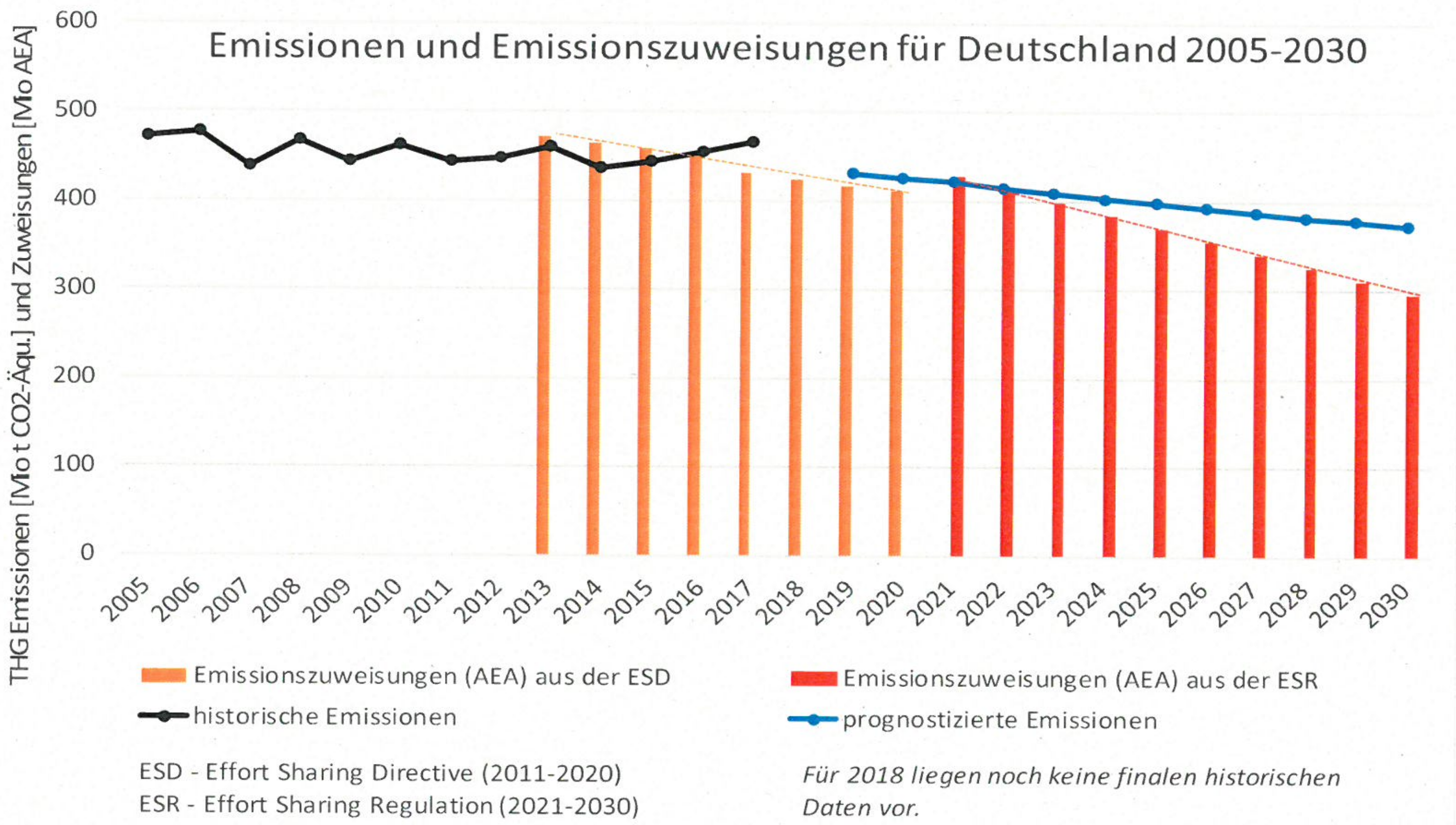
Emissions trends



2030 Climate programm of measures
- climate change act -

- Cabinet decision to reach 2030 targets
  - essential elements:

1. Climate change act

- Legal implementation of sectoral targets (describing a yearly budget 2021-2030)
- Expert group („Klimarat") to measure yearly progress (overall and at sectoral level)
- Climate cabinett to review yearly effectiveness of measures taken
- Steering mechanism: if sector does not reach its targets, emergency programme is beeing startet within 3 months
- departmental responsibility is embodied in law

2030 Climate programm of measures
- carbon pricing -

2. Carbon pricing in the non-ETS sectors

- A carbon price supports efficient mitigation as it provides economic incentives for investment in low-carbon technology.
- A **national ETS** to be established to cover non-ETS sectors (mainly traffic and buildings, indirect emissions („upstream ETS"))
- It will **start with a fixed price** on CO_2: 2021 with 10 EUR and increasing to 35 EUR by 2025; 2026 a minimum price of 35 and a maximum price of 60 EUR/t CO_2 is introduced
- Review in 2025 on the need of a price corridor for the years 2027 to 2030
- national ETS does not guarantee target achievment due to price regulating elements but moderate start is neccessary for political enforceability

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2030 Climate programm of measures

- phasing out coal in Germany I -

3. Phasing out coal in Germany

- Mainly adoption of recommendations by the Commission on Growth, Structural Change and Employment ("German coal commission"):
  - **By the end of 2022**, coal-fired power plant capacities will be reduced from the current level of well over 40 gigawatts (GW) to only 30 GW **(-10 GW)**.
  - **Until 2030** capacity of coal-fired power plants will be reduced to 17 GW **(-13 GW).** This contributes to about 50 % **(~45 Mio. t CO_2)** of energy sector's emission reduction target for 2030 (a decrease of 61-62 percent compared with 1990).
  - All coal-fired power plants in Germany will be **offline by 2038** at the latest. A review in 2032 will evaluate whether it is possible to advance the cut-off date to 2035.

2030 Climate programm of measures

- phasing out coal in Germany II -

- **No adoption of the recommendation to cancel** the saved emission allowances due to coal capacity reductions in emissions trading (Art. 12(4) ETS directive).
  - However national legal framework is in place. Decision by the German federal government is required to cancel allowances
- Impact on the functioning of the ETS is limited: Market stability reserve in place that will take out ETS-allowances due to emission reductions from capacity reductions in Germany
- New: Germany works towards introducing a **moderate minimum price in the EU ETS** with the aim to safeguard investments in climate-friendly technologies.
  - Such a minimum price could become active if national coal phase outs have a major impact on ETS prices.
- Also new COM presidency announced to raise ambition for 2030 emission reduction target
  contribution of the EU ETS to reach higher reduction targets after 2025 can compensate the effects of national coal policies

Thank you for your attention

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