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Emissions trading: Allocation procedure for second trading period completed

1,625 installations receive free emissions allowances

During the allocation procedure for the second trading period of emissions trading (2008-2012) the German Emissions Trading Authority (DEHSt) at the Federal Environment Agency awarded certificates to 1,625 installations. In the first trading period, 2005-2007, there were still 1,849 installations participating in emissions trading. The number has gone down because installations have been combined or decommissioned, and small facilities, e.g in the ceramics industry, have been excluded from emissions trading. The total budget amounts to roughly 452 million tonnes carbon dioxide (CO₂) per year. Allocation of free emissions allowances can vary, as set out in the provisions of the Allocation Act 2012 (*ZuG 2012*): installations with annual CO₂ emissions volumes of under 25,000 tonnes are exempt from any cuts. Industrial installations are subject to modest reductions of 1.25 per cent, whereas those in the energy sector receive very different allocations depending on specifics of the facility. These cuts provided for by law also vary.

The overall budget of exactly 451.86 million emissions allowances per year includes: a reserve of 23 million allowances, as well as another 40 million per year which the federal government will sell on the market. As of 2008, 29 installations obliged to engage in emissions trading have an allocated budget of 9.79 million emissions certificates per year, whereby the foreseen budget of 11 million maximum for this category of installation is not depleted.

The multiple cuts made to installations in the energy sector are as follows: firstly, the reduction factor- owing to intended sale- affecting installations that produce electricity was 0.844 per cent (about 15 per cent). This reduction concerns 427 installations in the energy sector, which generates the annual share of 40 million emissions certificates sold on the market. Secondly, to safeguard the total budget, allocations to installations in the energy sector will be subject to further proportionate cuts depending on their standard of efficiency. Without such cuts the volume of allocations would exceed that available in the German budget, namely 13.28 million emissions certificates per year. 176 installations in the energy sector are

affected by the so-called proportionate cuts. Individual reductions can amount to up to 35 per cent.

A detailed evaluation of the allocation procedure for 2008-2012 will be issued by DEHSt in the coming weeks.

Dessau, 13 February 2008