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Press Relations Officer: Martin Ittershagen
PR-staff: Anke Döpke, Dieter Leutert,
Fotini Mavromati, Theresa Pfeifer, Martin Stallmann
Address: Postfach 1406, 06813 Dessau-Roßlau
Telephone: +49 340/21 03-2122, -2827, -2250, -2318, -3927, -2507
E-Mail: pressestelle@uba.de
Internet: www.umweltbundesamt.de



Despite rise in German industry's emissions in 2007

Emissions trading was already effective in first trading period

Although the German businesses participating in emissions trading in 2007 produced some 487 million tonnes of climate-damaging carbon dioxide (CO₂) - amounting to 9.7 million tonnes, or two percent more than in 2006- emissions trading already proved itself effective during the first trading period. Average CO₂ emissions of 479 million tonnes in the first trading period (2005-2007) were slightly below the average in the 2000-2004 base period despite significant economic growth. Even in 2005, and to some extent in 2006, when it was not yet clear whether there would be sufficient supply of emissions allowances and they cost between 20 and 30 euros, emissions were considerably lower than in the 2004-2007 period. This trend indicates that facility operators quickly adopted measures to reduce emissions (e.g. switch to other fuels) in 2005-2006.

The emissions trading sector currently accounts for roughly 57 percent of carbon dioxide emissions in Germany. 2007 marked the last year of the first emissions trading period in Europe. The Allocation Act of 2007 entitled participating operators to dispose of emissions allowances equivalent to an emissions volume of 499 million tonnes CO₂ per year. In effect, last year's emissions were below the volume represented by the free distributed emission allowances by about 12 million tonnes, and below the average for 2005-2007 by some 20 million tonnes. During the second trading period in 2008-2012, the emissions trading budget will drop to roughly 451 million allowances per year. Comments by Dr. Hans Jürgen Nantke, Head of the German Emissions Trading Authority at the Federal Environment Agency, were, "The lower volume of allowances in the second trading period is already an indication of their price, which will prove a real incentive for businesses to carry out measures to reduce emissions." The emissions produced in the last year by large-scale energy plants and emissions-intensive industrial sectors participating in emissions trading showed a contrasting trend to total CO₂ emissions in Germany, which decreased by 2.7 percent in 2007. The main reason for the increase in the emissions trading sector is that businesses used more hard coal and lignite to produce electricity, resulting in an additional 7.5 million tonnes CO₂. The low cost of emissions allowances in 2007 offered businesses only little incentive to opt for the less damaging but

more expensive natural gas over coal as the fuel with which to generate power. Another factor responsible for the rise was growth in the German construction sector, exemplified in the cement industry by a disproportionately high increase in emissions of 1.6 million tonnes, or eight percent.

On 10 March 2007 the Federal Environment Agency (UBA) published figures on the overall trend in greenhouse gas emissions in Germany, see (<http://www.umweltbundesamt.de/uba-info-presse/2008/pd08-016.htm>). On account of warm weather, high energy prices and increased use of renewable energies, carbon dioxide emissions declined by 2.7 percent compared to the previous year, and markedly so in private households, commerce and trade, and in the service sectors. The emissions trading sector did not comply with this trend, however.

Data on CO₂ emissions in the emissions trading sector is based on verified reports for the year 2007 made by industries in Germany obliged to trade. The Federal Environment Agency has received nearly all of these reports and has begun to review the emissions reports submitted by participating businesses. Detailed assessments of the carbon dioxide emissions in the emissions trading sector are due to be posted on the Internet shortly by the Federal Environment Agency: <http://www.dehst.de/>.

Carbon dioxide emissions of Germany's industries subject to emissions trading (preliminary data)

Carbon dioxide emissions	2006 mn t	2007 mn t	Change, in mn t	Percent
In German (all sectors)	880.3	856.6	-23.7	-2.7
In emissions trading	477.3	~ 487	~ +9.7	+2

More information available at <https://www.register.dehst.de/>

Dessau-Roßlau, 1 April 2008