

04.04.07 German allocation method targets dirty power stations

Germany plans to use two methods for allocating carbon allowances to power producers included in the EU emissions trading scheme, a move designed to penalise dirty power stations.

In a draft emissions trading bill seen by Point Carbon, Europe's biggest economy and emitter plans to use one benchmark method for coal and one for natural gas to allocate permits. This means lignite and hard coal plants will receive a similar percentage of permits per unit of power produced, despite lignite being far dirtier.

The German ministries of economy and environment have been in disagreement over how to allocate allowances to power producers. The environment ministry has been advocating two benchmarks, one for coal and one for gas, while the economy ministry has favoured three benchmarks, including one for lignite.

The draft, dated 22 March, seeks to award 0.75 allowances per kWh produced for coal-fired power plants, and 0.365 allowances per kWh for power plants fired with natural gas. However, lignite-fired power plants may still receive more allowances than hard coal plants due to higher running hours.

"It is very likely that the ministries will agree on different running hours (for the two coal types)," said Jurgen Hacker of the German emissions trading association.

Hacker also expressed concern that the final law might contain too many special provisions, which could result in the European commission protesting against the law.

For instance, there are some differences where installations will be covered by an adjustment factor, which will be applied to ensure that the overall number of allowances does not exceed the cap set by the commission, according to Hacker.

German power plants will be allocated according to capacity, emissions per unit of electricity generated, and the number of running hours per year. Allocation to the non-power sector is based on historical emissions, with a compliance factor of 0.9875, according to the bill.

The German cabinet was set to discuss the emissions trading law proposal today, but the discussion has been postponed to 18 April.

Oslo