German ministries in dead-lock over benchmarks

The German ministries of environment and economy are at odds over how to distribute the 456 million allowances annually, which is the limit imposed on the country's ETS sector by the EU commission. The disagreement centres around the allocation to power plants, according to observers.

The environment ministry has proposed to allocate allowances to electricity generators according to two fuel-specific benchmarks for CO2 emissions per unit of electricity produced, one benchmark for natural gas and one for coal.

However, the economics ministry is advocating three benchmarks, adding one for more heavily polluting lignite plants.

Environment Minister Sigmar Gabriel has countered that lignite-fired power plants should receive no special treatment.

Jürgen Hacker of the German emissions trading association told Point Carbon he would prefer only one benchmark for power production. "And two benchmarks are better than three," he said.

However, Hacker said he saw it as more important how many running hours the emission benchmark was measured against.

According to the environment ministry's proposal, power plants that were put on-line before 2003 would be allocated according to their individual historical

production in the 2000 to 2005 period, while newer plants would receive allowances according to a standard number of running hours.

"This could probably lead to problems with the commission, which has said that existing plants should be treated equally," Hacker said.

Hacker also feared the process of verifying the historical production factors could be time-consuming, further delaying the installation-level allocation plan.

A spokesperson with the German environment ministry said the second-phase NAP was still being discussed within the government. A decision is expected in April, he said.

Emissions factors

The figure shows typical emissions factors for power plants in Germany, million tonnes of CO2 per TWh generated, by fuel type.
Source: Point Carbon.