

05.02.07 Auctioning seems certain in German second-phase NAP

Germany will very likely change its NAP to introduce auctioning of 10 per cent of its allowances in the second phase of the EU emissions trading scheme, according to Jürgen Hacker of the German emissions trading association.

Ministries have compiled wish-lists for how to spend the €700 million in revenues auctioning is likely to generate.

The German government did not include auctioning of EU allowances when it set up the national allocation plan (NAP), but when the plan will be presented the German parliament for approval it will most likely have been changed to include the auctioning of 10 per cent of Germany's allocation.

"Two or three weeks ago I would have said there is a 75 per cent chance of auctioning being introduced, but today I would say it's 95 per cent certain," Hacker said.

The country's second-phase allocation was set to 453.1 million allowances per year by the EU Commission on 29 November, and the country is still trying to convince Brussels that 465 million allowances is the better number.

While most focus has been on the second-phase cap, pressure has been building in the ruling parties' parliamentary ranks to auction part of the allocation, to curb windfall profits for generators and improve the market functioning in the EU emissions trading scheme (ETS).

"Everybody has believed that parliament would change the allocation bill for the second phase, but now I think they will be presented with a bill that includes auctioning," Hacker said.

The German emissions trading association (BVEK) has been a long-time proponent of auctioning, but Hacker said talks with officials had now shifted towards discussing how to organise auctioning. He also said it was likely that Germany would choose to maximise the number of allowances that is allowed to sell or auction under the emissions trading directive, namely 10 per cent.

In principle Germany's powerful utilities are against auctioning, but price hikes and windfall profits have weakened the utilities public image and therefore diminished their political capital, according to Hacker.

Germany will place 45.3 million allowances for auctioning in each year of the 2008-2012 period if it settles on a 10 per cent threshold for auctioning, which would generate around €700 million given current second-phase prices. Germany would then join the UK, which will auction 17 million allowances each year, and Poland, the Netherlands and Hungary, which will auction a couple of million annually.

A spokesman for German Environment Minister Sigmar Gabriel said that the minister did not have a strong stance on the subject, and would listen to the majority of the parliament. Economy Minister Michael Glos, who has been against auctioning in the past, said in January that he was reconsidering his view.

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