

Using Revenues from EU-Emissions Trading

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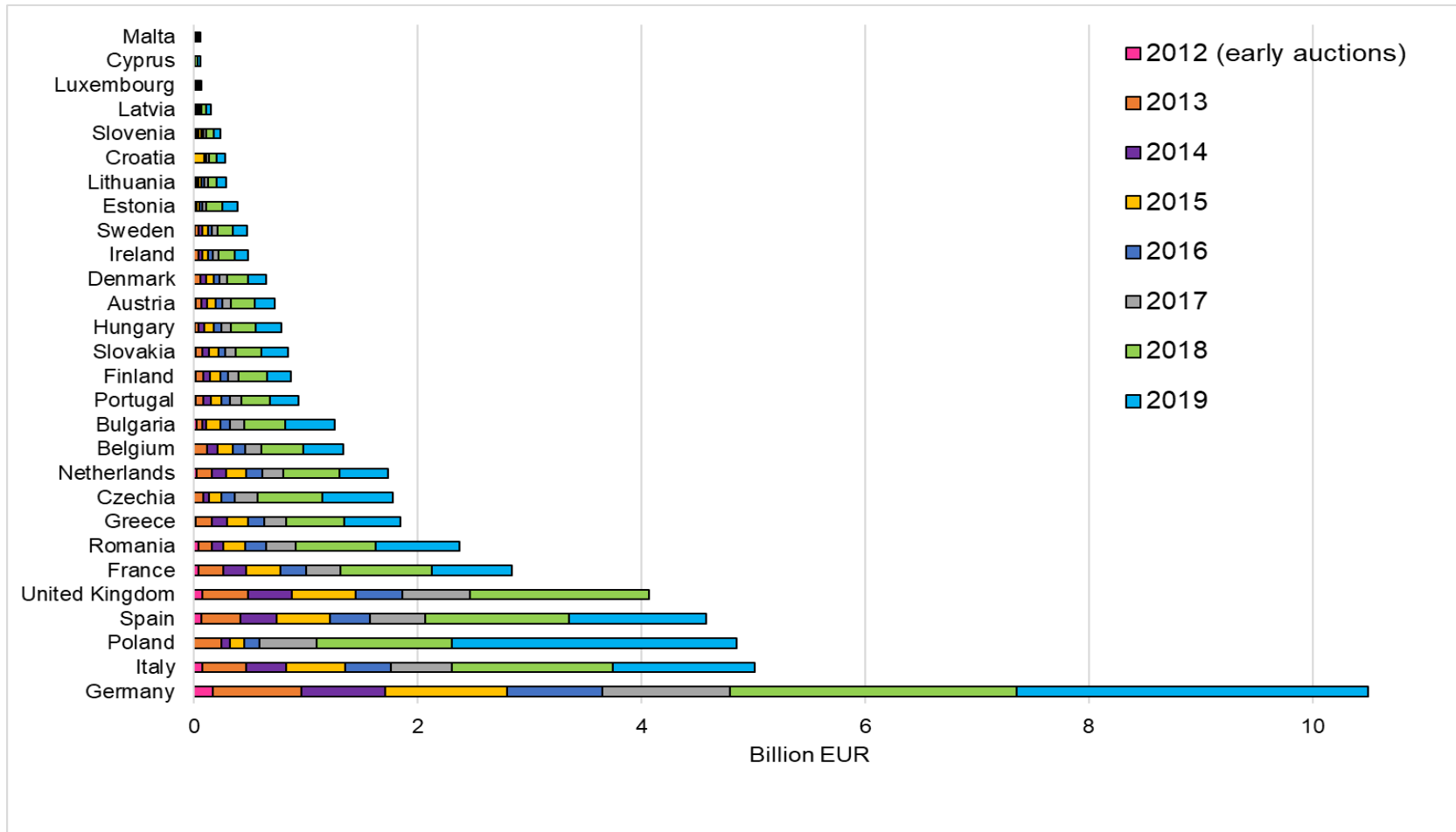


Auctioning revenues under the EU ETS

- In third trading period (2013-2020) more than half of total allowances have been auctioned
- Share of auctioned allowances has been increasing between 2013-2020
 - revenue has increased to about EUR 14 billion in 2019
- Total revenues stationary sector 2013-2019: almost EUR 50 billion
- Largest shares:
 - Germany: EUR 10.5 billion
 - Italy: EUR 5.0 billion
 - Poland: EUR 4.9 billion


 About 41% of revenues 2012-2019

EUA auction revenues in the third trading period by EU Member State

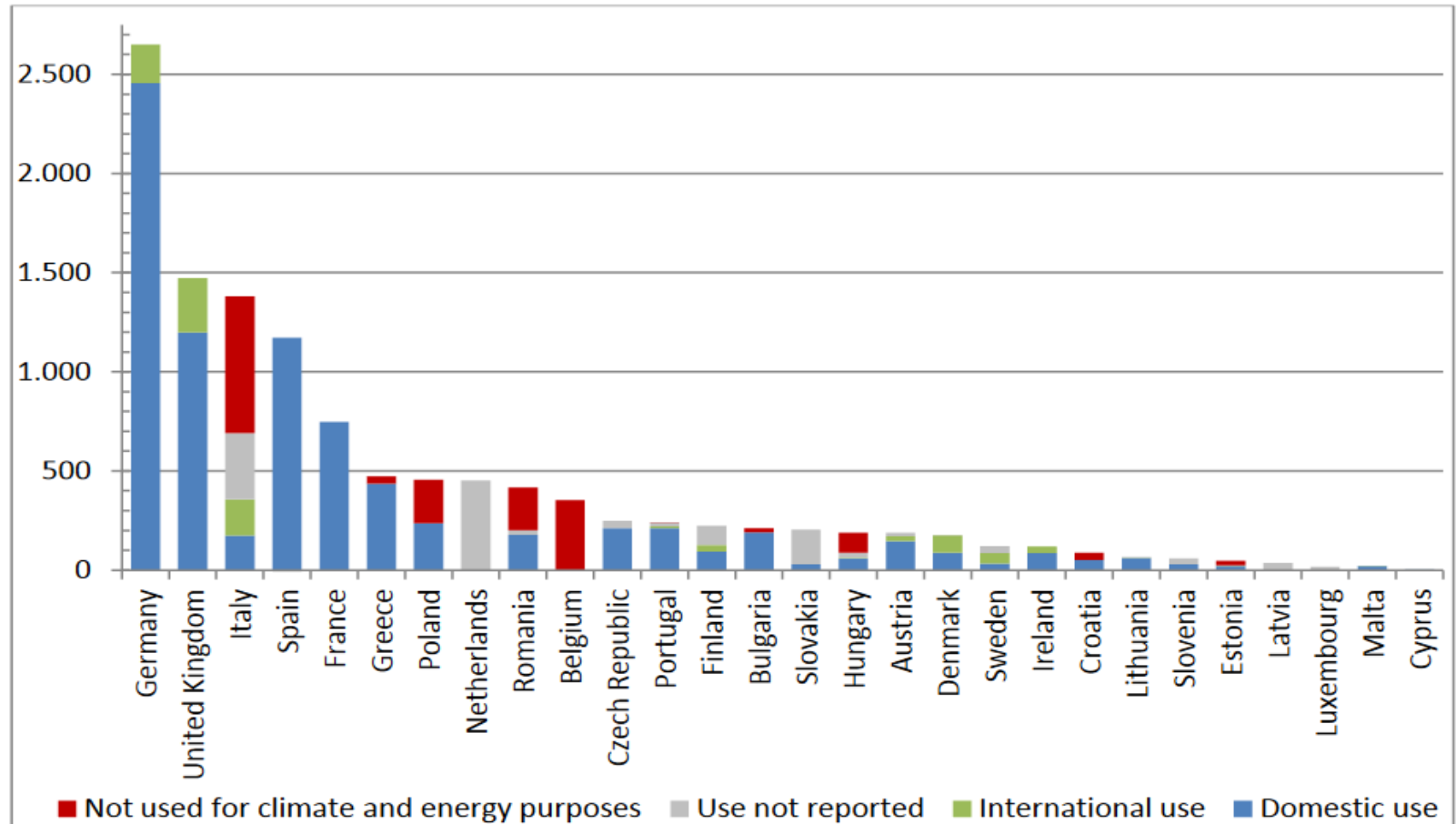


Source: European Energy Exchange (EEX) (2020),
Intercontinental Exchange (ICE) (2020)

Use of auctioning revenues under the EU ETS

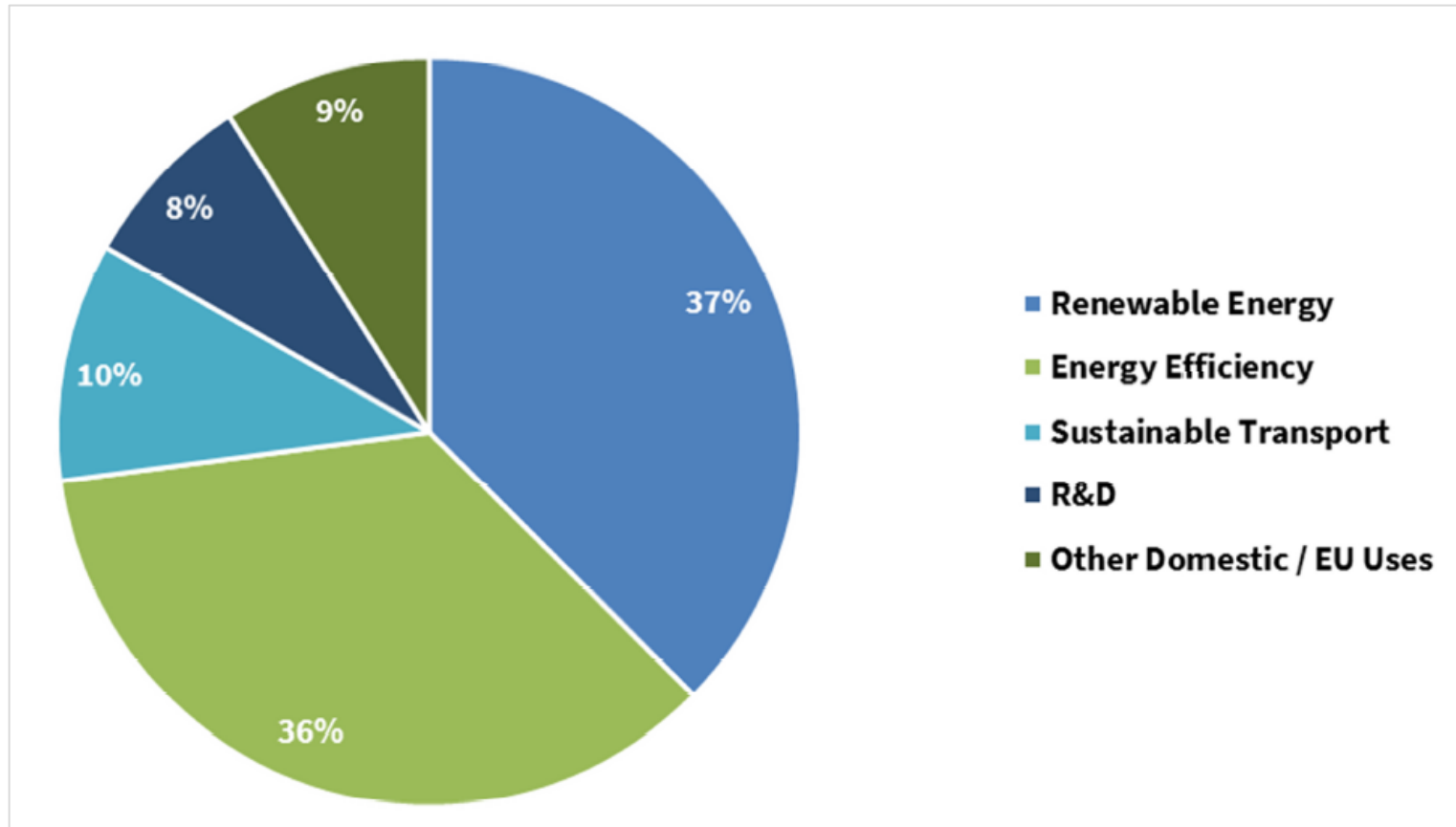
- At least 50% of revenues generated from auctioning of allowances should be used to support climate and energy activities
- In practice, 80% of the revenue has been used for climate and energy related purposes on average over third trading period
- Largest share (60-70%) used for domestic/EU climate and energy purposes
- Small share (around 10%) used for international climate and energy purposes (bilateral & multilateral funding)
 - Multilateral funding: largest share 2013-2015 went to UNFCCC Green Climate Fund, followed by World Bank, African Development Bank

Overview of the use of auctioning revenues per Member State – total 2013-2015 (EUR 1,000)



Source: [Ramboll 2017](#), p. 18

EU Member States' domestic use of auctioning revenues 2013-2017



Source: [ICAP 2019](#), p. 11

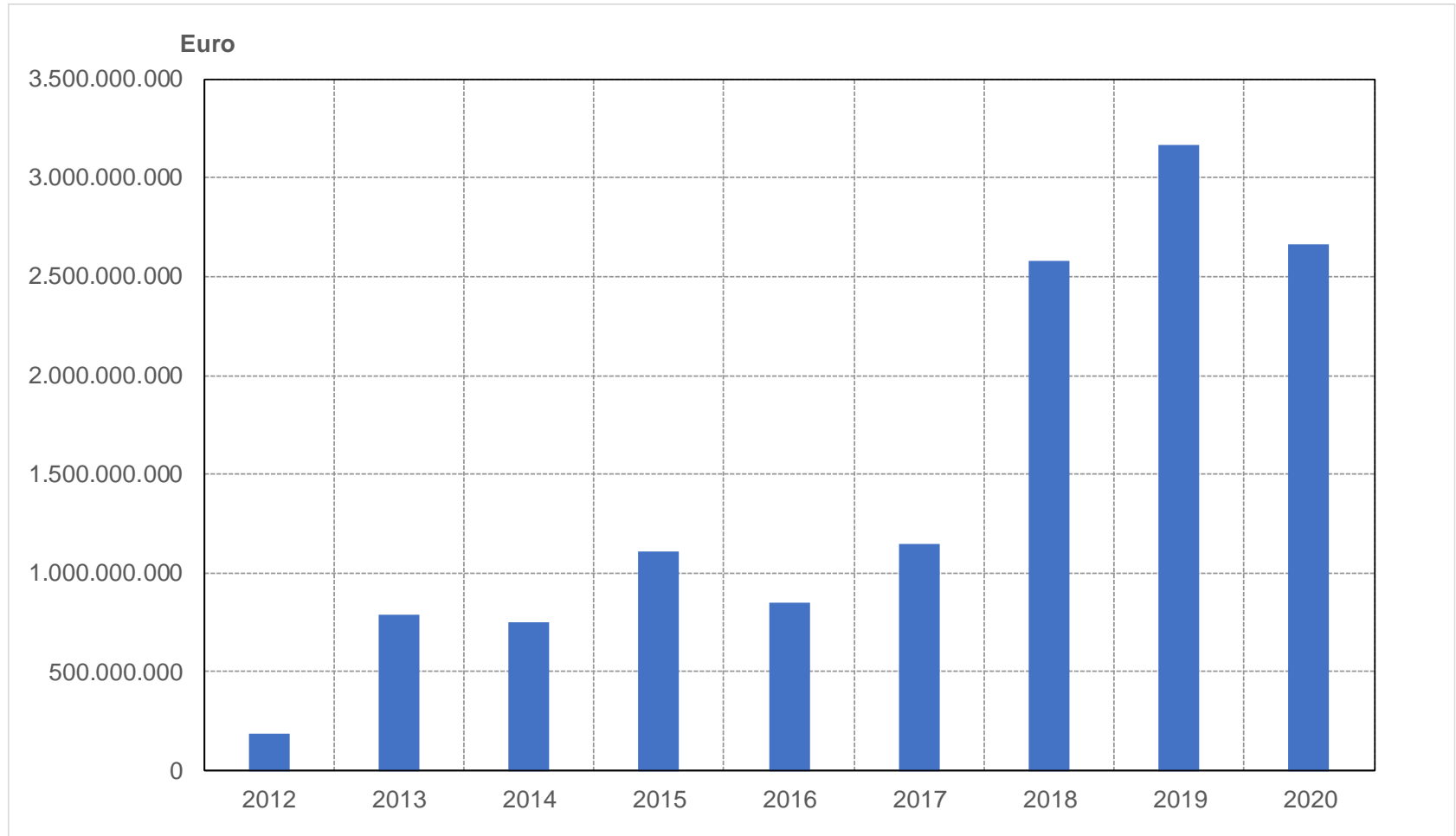
Challenges related to reported information

- Information provided by Member States not fully transparent
- Comparability of data is limited; adding up data might imply inconsistencies
- Several Member States do not earmark revenues from auctioning allowances → money goes into general state budget, information on specific use is not available
 - More flexibility for using revenues
 - Partly due to unpredictability of revenues
 - Yet, without a clear link, benefits from carbon revenues not clear to general public
 - Less transparency about use of revenues
- Questionable whether spending is additional to climate finance reported elsewhere
- → Recommendable to improve reporting system (e.g. through automatic checks) and provide better reporting guidance to Member States

Use of auctioning revenues in Germany

- for financing German national emission trading authority (about 17 million Euros in 2019)
- for international purposes – 28 million Euros
- for funding of energy and climate measures by means of...
- ...Energy and Climate Funds (EKF)
 - In place since 2011 to support energy transition and climate change mitigation
 - Energy and Climate Funds: about 4.6 billion Euros in 2019 (3.15 billion from auctioning revenues, additional support granted from federal budget)

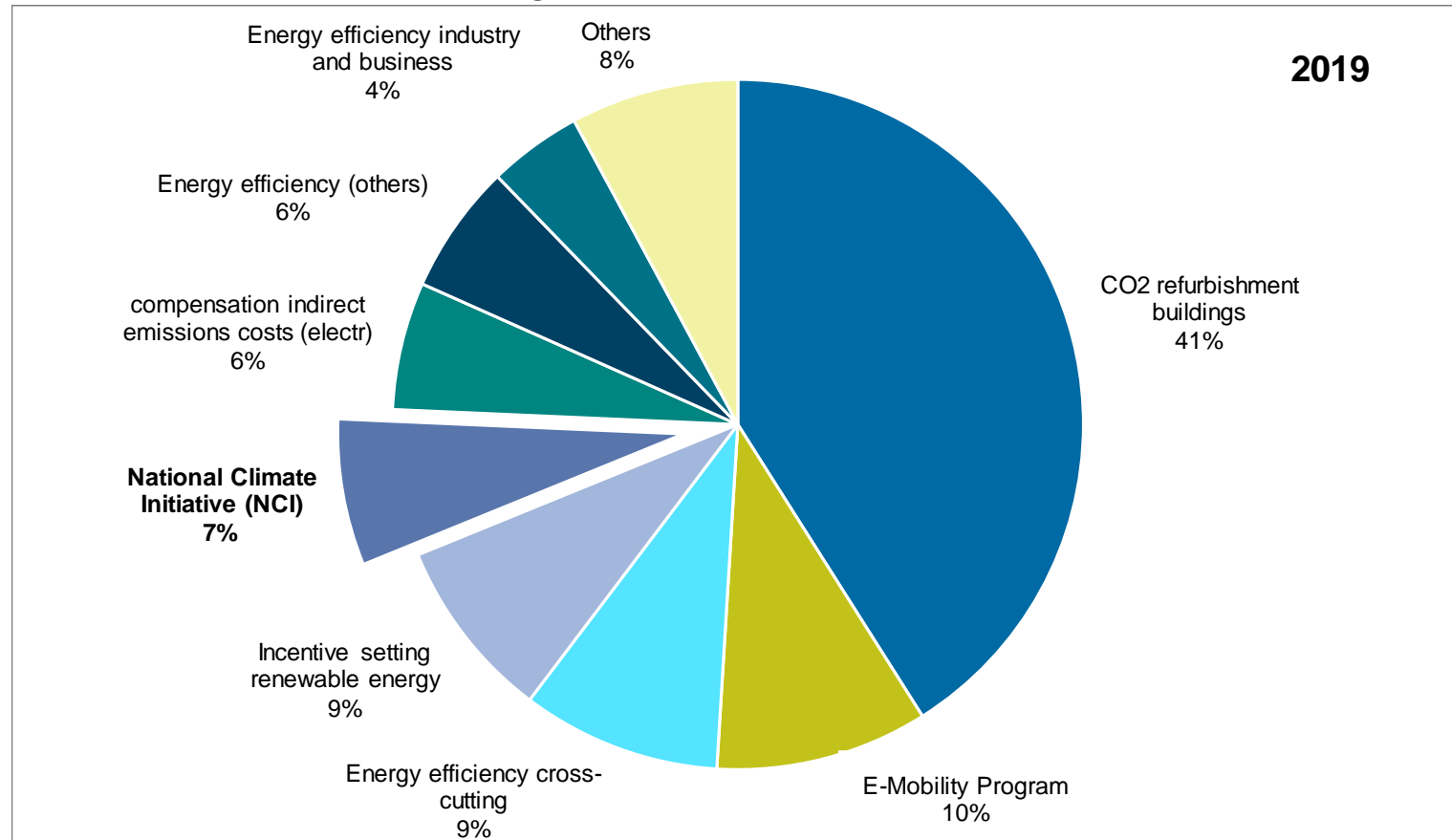
Auctioning Revenues Germany



https://www.dehst.de/SharedDocs/downloads/DE/publikationen/Factsheet_Auktionierung.pdf?__blob=publicationFile&v=4

Energy and Climate Funds - Germany

Distribution of funding – total 3.8 billion Euros

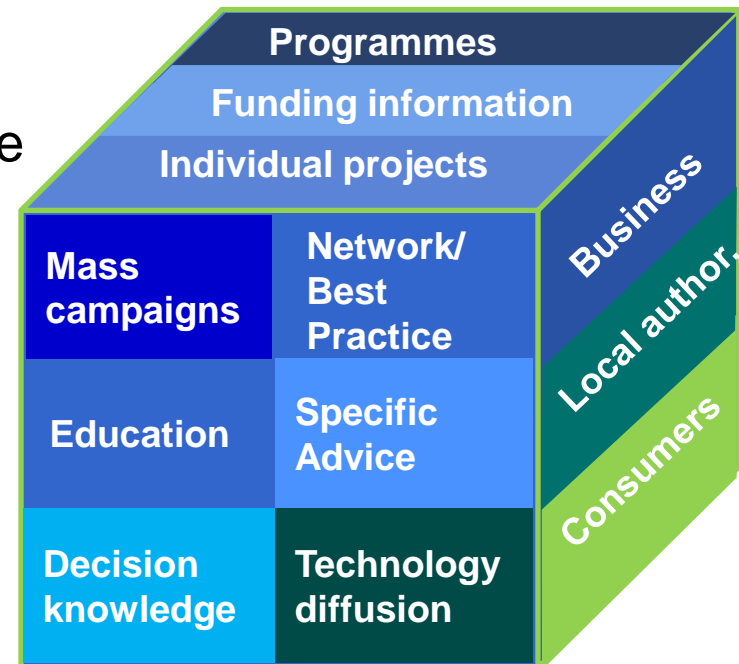


Source: Ministry of Finance - National budget 2019

The National Climate Initiative (NCI)

The National Climate Initiative (NCI) ...

- ... initiated in 2008 by the German Federal Ministry of Environment
- ... contributes to German mitigation targets
- ... involves actors, implements climate action locally
- ... sets examples for imitation
- ... aims at reducing barriers
- ... is heterogenous, multifaceted, flexible
- ... has a broad basis:
 - ✓ **Target groups**
 - ✓ **Funding structure**
 - ✓ **Size and duration**
 - ✓ **Action areas**
 - ✓ **Implementing actors**
 - ✓ **Impacts**



The National Climate Initiative (NCI) ...

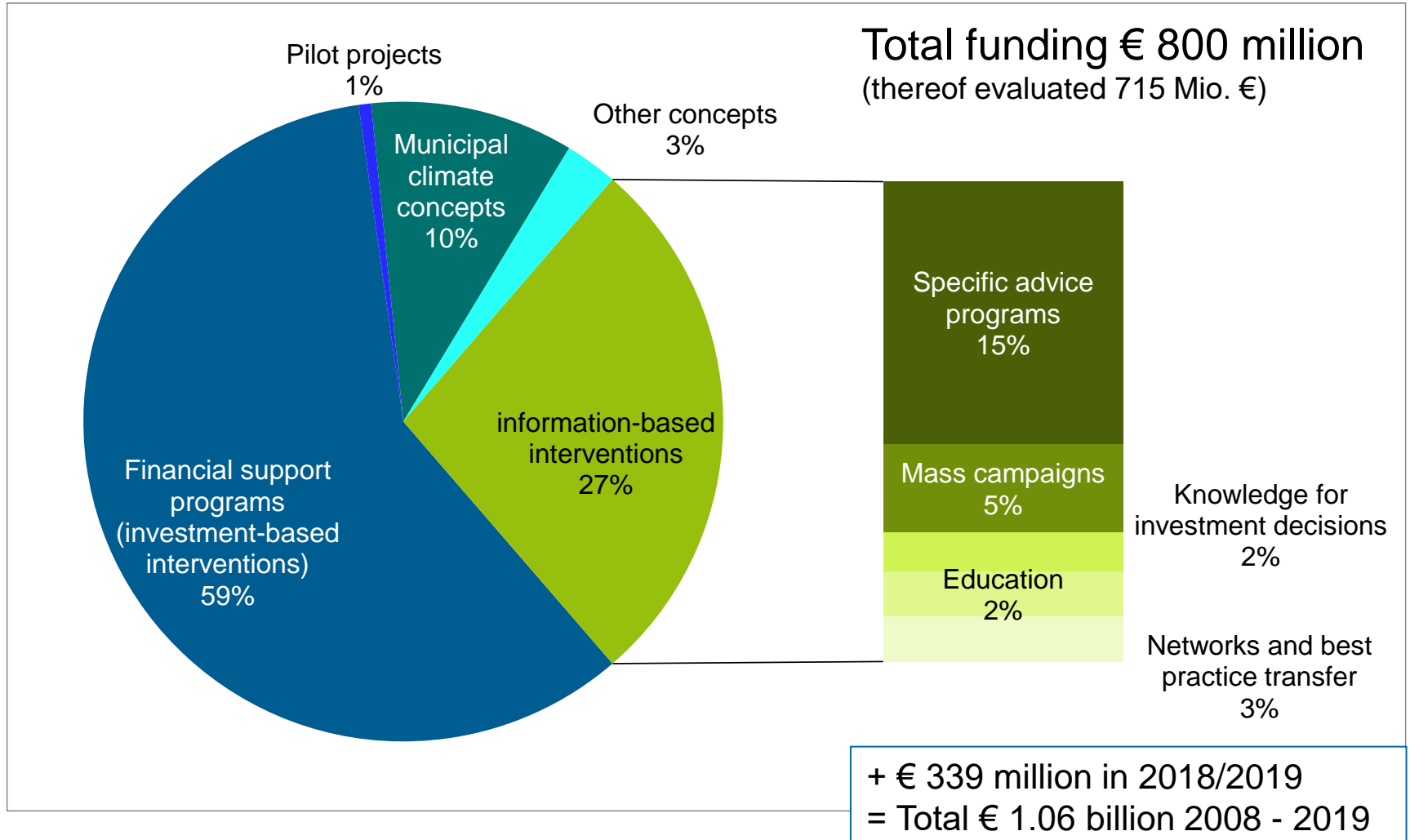
- ...includes
 - energy and climate concepts and implementation
 - individual information and advise projects
 - networks/best practice exchange
 - investment subsidy programmes (micro-CHP, cooling, air-conditioning, hybrid busses, street and indoor lighting, bicycle infrastructure)



- Measures can be broadly split into
 - Information-based measures
 - Investment incentives

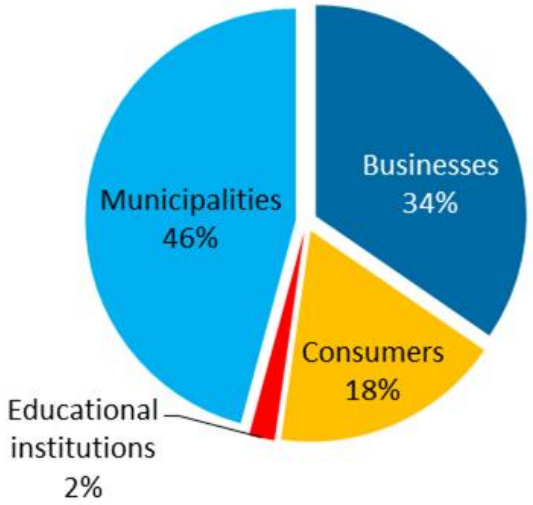


NCI Funding – 2008-2017



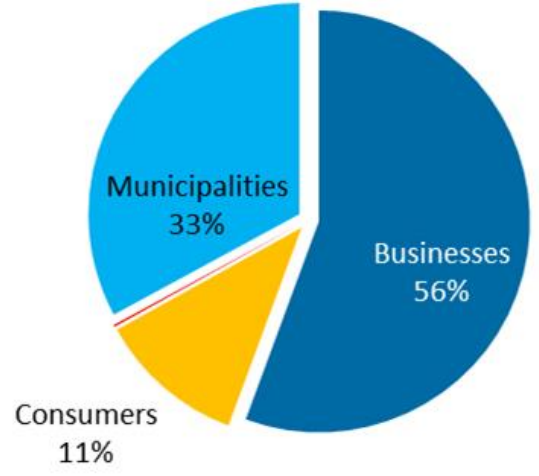
Effects by target group (2008-2017)

Funding



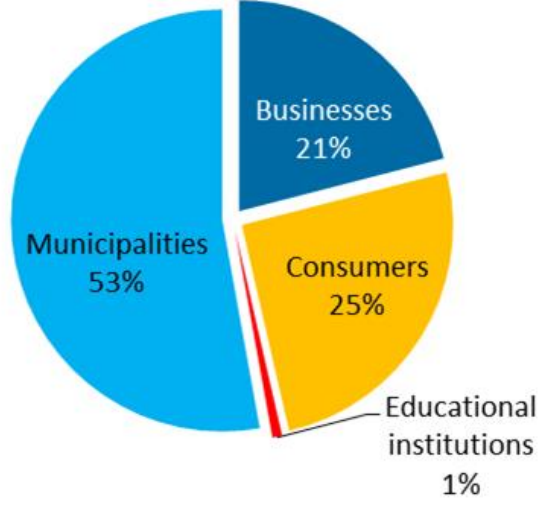
Total € 800 milion

Investments



Total € 1754 milion

GHG reduction over lifetime



Invest. based: 9.0 Mt CO₂
Inform. based: 7.7 Mt CO₂

2008 to 2019: Funding € 1.05 billion, 32 450 projects, induced investment € 3.5 bill., CO₂-reduction: 28 Mio. t net over lifetime

Lessons learned from the NCI

- Peer-to-peer approaches work well (B2B, C2C, S2S, M2M)
 - Communication and exchange are key for mutual learning
 - Using existing communication/network channels is most efficient
 - Municipalities have high potential and set examples
 - Different target groups are receptive to different interventions
 - Information and motivation in one-off behavior can deliver more climate benefits than measures in changing daily-routines
 - Quantitative indicators insufficiently reflect success of projects
- => NCI is a quick-learning, flexible, innovative and effective instrument for climate action in Germany.

Conclusions

- Use of revenues differs by Member States
- Earmarking approach helps transparency
- Energy and climate funds ensure use for energy and climate purposes
- Unclear whether national legislation in MS allows use through funds or earmarking

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Thank you for your attention!

Do you have any questions?

