



To

President of the European Commission
Mr. José Manuel Barroso

European Commission
1, rue de Geneve
B-1049 Brussels
Belgium

17.Juli 2006

Reaction of German environmental organizations to the German Government's proposal for a second National Allocation Plan

Dear Mr. President,

The German government submitted its National Allocation Plan (NAP) for Phase 2 of the EU Emissions Trading Scheme (EU ETS) in time for the 30th June 2006. We, the German environmental organizations BUND, Forum Umwelt und Entwicklung, Germanwatch, Greenpeace, NABU, ROBIN WOOD, and WWF, who strongly support the EU ETS in principle, call on you to reject the German NAP for the following reasons:

As a result of the low reduction targets for the sectors falling under the ETS and of inexpedient policies and measures for non-trading sectors, Germany will most likely fall short of its Kyoto targets for the period 2008 to 2012.

If one compares the cap (482 million tonnes of CO₂) for installations covered by the scheme in Phase 2 with their real emissions in 2005 (485 million tonnes of CO₂, including installations that will be covered in Phase 2 for the first time), one sees that the overall reduction target for these installations in Phase 2 is only 3 million tonnes of CO₂ equivalent. The base year in this case is 2005, and the planned reduction is equivalent to merely 10% of the remaining Kyoto gap of 30 million tonnes of CO₂ equivalent.

Against this background, required emission reductions in non-trading sectors (households, transport and services) amount – depending on reference year – to 27 to 38 million tonnes of CO₂. On the basis of trends we are currently observing, and with a glance at existing measures as well as those described in the NAP for Phase 2, achieving such extensive emission reductions within a period of, at most, 6 years (till 2012) is hardly conceivable.

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The only way for Germany to fulfil the Kyoto commitment would be purchasing emissions certificates through the flexible mechanisms of the Kyoto Protocol, payable out of the national budget. For this, however, no provision has been made respectively (cf. the enclosed comments with emission values from German inventories). This is in contravention of Annex III paragraphs 1 and 3 of the Directive on Emissions Trading.

In the German NAP, the prohibition of borrowing laid down in the Directive is evaded.

The reserve for new installations has been set at 10 million tonnes of CO₂. During Chancellor Angela Merkel's national energy summit, the major German utilities presented a list of planned capital expenditure with the corresponding power plant projects that ought to be realized in the period 2008 to 2012 (<http://www.wwf.de/imperia/md/content/klima/19.pdf>). This list is of particular interest, since the size of the reserve for new installations can be calculated from the estimated emissions it contains. As matters stand at the moment, the reserve should be not less than 30 to 40 million tonnes of CO₂. With the proposed reserve of only 10 million tonnes, Germany just ignores foreseeable emissions of around 20 to 30 million tonnes of CO₂ and moves the respective reduction obligations into the future. Once the reserve of 10 million tonnes is exhausted, it will be up to a national body, probably the Kreditanstalt für Wiederaufbau, to purchase additional certificates on the open market, in order to be able to allocate free certificates for the remaining new installations. These certificates would then be deducted from the cap for the third phase.

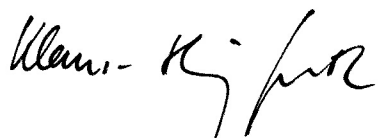
Before one single tonne of CO₂ can be reduced in Phase 3, Germany has to reduce 20 to 30 million tonnes of CO₂ as a mortgage from Phase 2. Such a mortgage (borrowing) on the future would contravene the Directive on Emissions Trading.

It is already clear, however, that such a policy would prove politically untenable. The last resort would then be the bankruptcy of German climate policy: an increase in the cap for Phase 3.

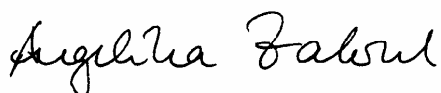
Mr. President, we very much hope that you will reject the submitted German NAP. We shall be pleased to deal with any questions that might arise.

We thank you for your interest and look forward to hearing from you.

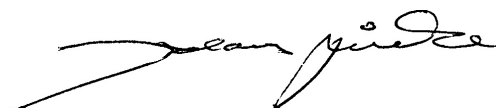
Yours truly



Klaus-Henning Groth, WWF Germany



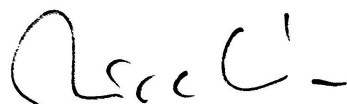
Dr. Angelika Zahrnt, BUND



Klaus Milke, Germanwatch



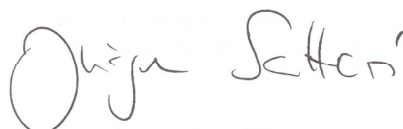
Olaf Tschimpke, NABU



Jürgen Maier, Forum Umwelt und Entwicklung



Brigitte Behrens, Greenpeace Germany



Jürgen Sattari, ROBIN WOOD

An identical letter has been sent to Commissioner Dimas.