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Argus White Paper: Power sector struggles to cash in on German GHG tickets



Electricity suppliers see potential in participating in the German greenhouse gas (GHG) quota ticket market, but are yet to use their right to generate and trade these certificates.

This segment of the GHG certificates market is growing but still relatively small. Lack of knowledge about the administrative procedures caused by complex supply chains and the nascency of the market are the main reasons why many power sector saleable credits are left on the table. The power sector's current market potential is around 15,000t of CO₂ equivalent (CO₂e) savings or certificates, *Argus* estimates, worth €3.1mn/yr at today's certificate prices. This will grow as more electric vehicles (EVs) enter the German fleet.

Power providers in Germany can generate tradeable greenhouse gas (GHG) reduction certificates, known in the market as GHG tickets, which can be counted towards Germany's 4pc GHG reduction target for transport fuel providers this year. Tickets can be generated in a variety of ways — including blending biofuels into road fuels or selling alternative fuels, as well as by selling power to EV drivers — and can be sold to any company that distributes taxable gasoline or diesel fuels and so needs to meet the GHG saving targets under German law.

“Only a few” 2018 tickets have been generated by power providers, according to the customs office in Cottbus, eastern Germany, which is responsible for overseeing compliance of obligated companies. The final amount of savings for 2018 — the first year in which electricity could be used to generate tickets in order to comply with the reduction targets — will be published later this year. A first official estimate of how much CO₂e could be generated by the power sector does not yet exist because tracking public and especially private-sector charging procedures is difficult, the customs office tells *Argus*.

“The ticket market holds a lot of potential for German energy companies, but at the moment nobody can give an overview

of this business segment in the German electricity sector,” German green power provider LichtBlick chief executive Gero Lücking says. “Several parties are particularly involved in public charging points — the charge point operators who offer the infrastructure, local electricity providers such as public utility companies who usually supply the electricity, and service providers who ensure access to the charging infrastructure and the billing of the charging processes.” Collaboration between service providers and utilities is necessary to market the tickets, Lücking says.

Electricity provider Naturstrom tells *Argus* that part of the reason it does not sell its tickets is that it does not separate household and charging point sales, making it difficult to determine how much power was actually sold to EV drivers. Utility Vattenfall is not active in the market, it says.

What are German GHG certificates?

Greenhouse gas certificates are generated by oil companies through blending biofuels such as biodiesel and ethanol into the transport fuels pool. German oil suppliers are required to reduce their emissions by 4pc in 2019, and the target will rise to 6pc in 2020. Overcompliant firms can sell surplus certificates, trading in €/t CO₂ equivalent. Sellers of electricity, biogas, LPG and CNG used in the transport sector have since 2018 been able to generate and sell certificates as the fuels can displace more CO₂-intensive alternatives. The regulations are laid down in the 38th Bundesimmissionsschutzverordnung.

Power
illuminating the markets

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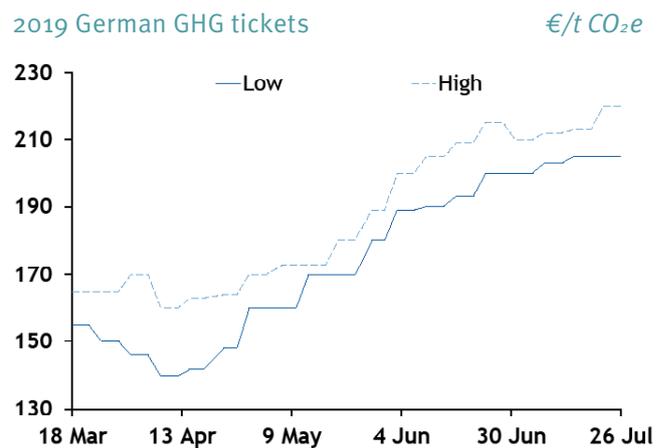
Another reason for the inactivity of power providers in the GHG ticket market is the relatively small amount of energy, measured in MWh, that is needed to charge EVs in Germany, Lücking says.

For 10MWh of power used to charge EVs, 0.93t CO₂e of GHG savings are generated, the Cottbus customs office says. As of January 2019 there were around 83,000 EVs registered in Germany and one EV uses 1,943 kWh/yr under official estimates by the German environment ministry. So the power sector could create roughly 15,000t of CO₂e of GHG savings in 2019, Argus calculates. At today's average GHG ticket price of €212.50/t CO₂e, power providers would have a margin of around €19.80/MWh sold for EV charging. In comparison, the price for power in Germany in 2020 is €51.55/MWh.

Electricity plays a smaller role in the GHG ticket market than other fuels able to generate tickets. Through the sale of liquefied petroleum gas (LPG) and compressed natural gas (CNG), around 282,000t of CO₂e and 154,000t of CO₂e of GHG savings, respectively, are generated each year. A total of 7.7mn t of CO₂e were avoided in 2017 by complying with the mandate, mostly through blending biofuels.

Even for companies already active in the GHG ticket market through the sale of biogas and CNG the step to marketing power sold to EV users seems challenging. Utility EWE tells

2019 German GHG tickets



Argus that it sold 6,000t of CO₂e from its CNG and biogas business in the ticket market last year. The company operates charging stations for electric vehicles. "I do not know why we do not market this quota," an EWE spokesman tells Argus.

Electric mobility is a growing market, and has the [support of German policy makers](#). This makes the sale of GHG tickets in the German market increasingly attractive. As a result, power supply companies including EnBW and Innogy confirm that they have started gathering data on the matter in preparation for a potential entrance into the ticket market.

Argus Biofuels

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Argus publishes German GHG ticket prices every Friday in **Argus Biofuels** and **Argus Handel**.

Argus Biofuels

Argus Biofuels provides benchmark prices and market analysis to the growing European biodiesel and ethanol markets. Argus Biofuels is the source of the Argus RME, SME, FAME o biodiesel assessments and now German GHG ticket prices.

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