publication of the definitive text, and it must be applied 12 months later.

BY ARTHUR ROGERS

The legislationon fluorinated gases is available at http://www.europarl.eu.int/activities/expert/jointText.do?language=EN

Climate Change

Germany's Draft Trading Plan for 2008-2012 Sets Stiff Requirements for Energy Sector

BERLIN—Germany April 12 released "framework principles" for the 2008-2012 period of the European Union's carbon dioxide emissions trading scheme that would require electricity producers to reduce emissions by 15 percent while only requiring other industries to reduce emissions by 1.25 percent.

The preliminary "national allocation plan," which was agreed to by Federal Environment Minister Sigmar Gabriel and Federal Economy Minister Michael Glos, would also exempt plants emitting fewer than 25,000 metric tons of carbon dioxide annually.

This "de minimis rule" would remove obligations on more than half of the 1,849 power plants now covered, which are only responsible for 2 percent of Germany's emissions, according to the German Chambers of Industry and Commerce.

A draft law incorporating the framework principles was issued April 14.

The framework plan would reduce Germany's emissions allowances from 503 million metric tons of carbon dioxide per year over the 2005-2007 period to 495 million metric tons over the 2008-2012 period.

EU rules require all member states to submit their national allocation plans for the 2008-2012 period to the European Commission by June 30. The United Kingdom issued its draft plan for public comment March 28 (29 INER 223, 4/5/06).

Rule Targets 'Windfall Profits.' The ministers said the power industry was being saddled with the heavier reduction burden because electricity providers had raised prices beyond what was needed to cover costs in the first phase of the EU emissions trading scheme, and had thereby achieved "windfall profits" ranging from €5 billion to €6 billion ($6 billion to $7.3 billion) annually, according to a spokesman for the Social Democratic parliamentary bloc.

The government argues that the unequal treatment is warranted because other industries are not in a position to pass along price increases to customers.

Analysts said the 15 percent rule would primarily affect coal- and gas-powered plants, in particular the "big four" electric companies E.ON AG, RWE AG, Vattenfall Europe AG, and EnBW AG.

The Association of Electric Companies (VDEW) protested the "unequal" proposal and said that such a cut was not feasible on such short notice. VDEW warned that the plan would lead to more price hikes.

Economy Minister Glos said April 13 that higher electricity prices "could not be predicted with any seriousness" on the basis of the draft plan, and he urged the companies to exercise "pricing discipline."

Skeptics See Limited Impact. Ulrich Ellinghaus, an emissions trading expert in the Frankfurt office of international law firm Baker & McKenzie, questioned the terms of the draft plan. A 15 percent reduction seems "unrealistic" and would probably "lead to a new debate over whether further electricity price increases are justified," he told BNA.

Ellinghaus was also skeptical as to whether the draft plan would provide sufficient incentives to raise efficiency in power plants.

Environmental advocates also criticized the plan.

Juergen Hacker, chairman of BVEK, an emissions trading advocacy group, said April 13 that the fact the allocations were based on previous emissions levels, rather than output, weakened incentives for further reductions.

Hacker added that the plan only includes reserve allowances of 10 million metric tons for newly constructed facilities, "even though estimates indicate three times that amount will be needed." This will mean that the German state-owned bank KfW would have to step in and buy allowances from elsewhere, he said.

BY DAVID GRABER

Climate Change

Electric Company Plans Coal-Fired Plant With Carbon Sequestration in Germany

BERLIN—German electricity producer RWE AG March 30 announced plans to build a coal-fired power plant with integrated coal gasification and downstream carbon dioxide separation and storage.

The "zero-emissions" 450-megawatt plant with onshore carbon dioxide depository will require an estimated €1 billion ($1.2 billion) in investment. Operation could begin by 2014, the company said.

Initial testing will examine hard coal and lignite to determine which would make the better primary energy source. The results will drive decisions on where to locate the plant.

RWE said it is able to keep the project largely inhouse because it has subsidiaries specializing in power plants, coal gasification, and storage. The company also said it is developing downstream carbon dioxide scrubbing technology to retrofit existing power plants.

In March, a consortium of companies and research institutes initiated a joint program at the Elsam coal-burning power station at Esbjerg, Denmark, to explore new methods of capturing and storing carbon dioxide (29 INER 187, 03/22/06).

The same month oil firms Shell and Statoil revealed plans to build a gas-fired plant in Norway with a system to capture and pipe carbon dioxide emissions into oil deposits to improve extraction (29 INER 187, 03/22/06).

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