



Bundesministerium
für Wirtschaft
und Klimaschutz

The German Carbon Contracts for Difference (CCfD) scheme

June 6, 2023

The rationale behind the German CCfD scheme



Carbon neutrality by 2045 is only achievable with significant contributions by the industrial sector

- Industry is responsible for **more than 20%** of **CO₂-emissions** in Germany



Carbon-neutral technologies are not competitive

- Switching to climate-friendly production technology is associated with **higher costs** and **increased price risk**
- Many current subsidy programs either have highly complex approval procedures or **only support investments into smaller plants**

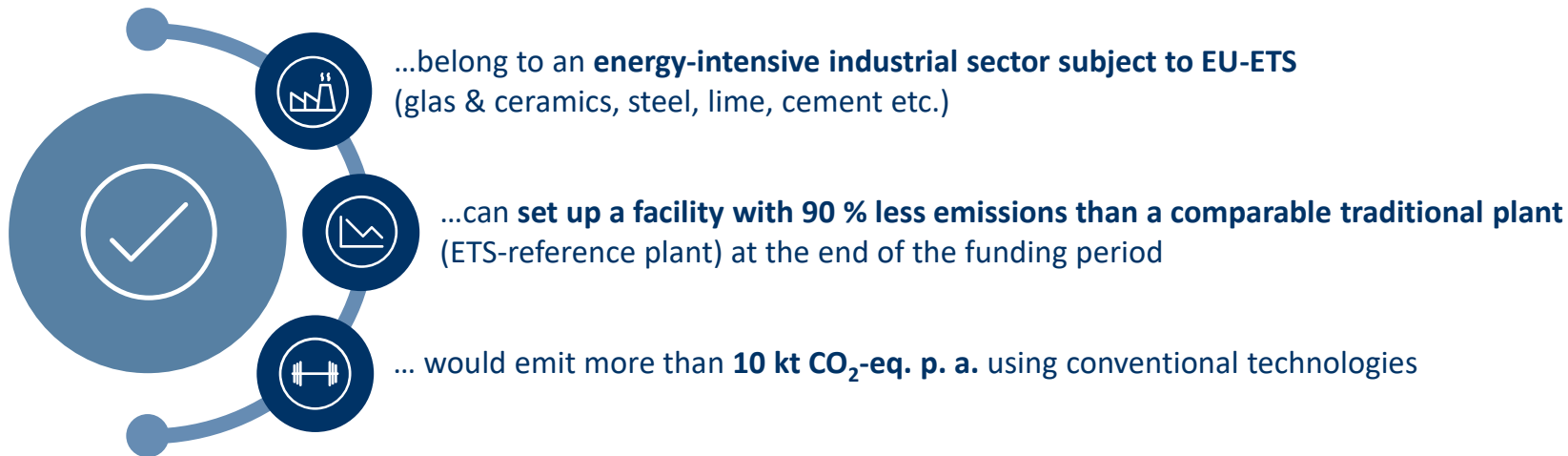


CCfDs bridge current funding gap and create favorable conditions for investment

- CCfDs compensate **15 years of additional CAPEX & OPEX costs**, hedging companies against price risks
- Funding is provided **via auction procedures** – as a result, there will be no need for costly monitoring
- Construction and operation of the first plants create **positive learning-by-doing externalities, new infrastructure and markets for climate-friendly technologies**

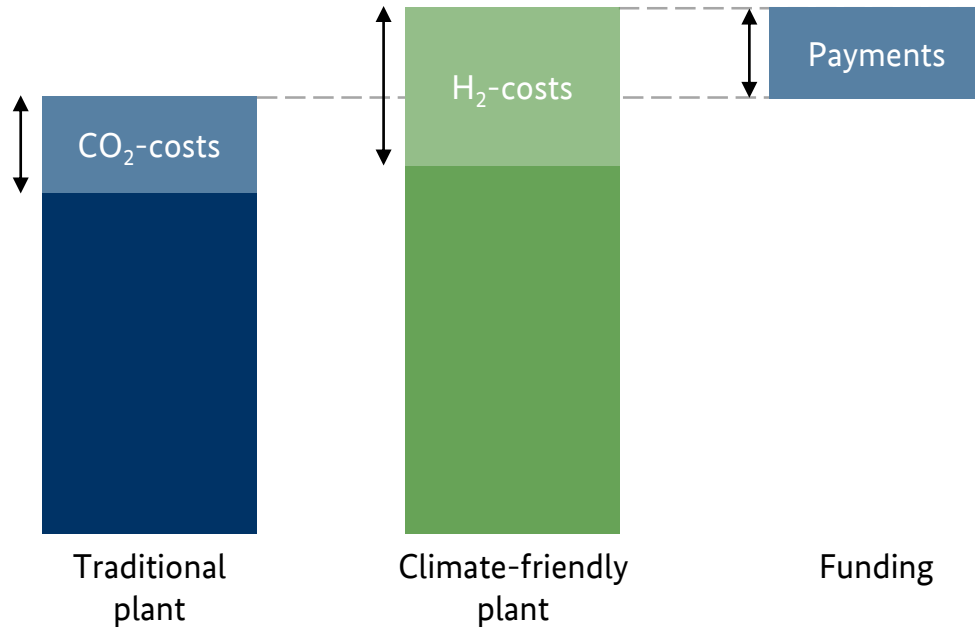
Who is eligible for the scheme

Companies who aim to set up a climate friendly industrial plant and...



How to determine the funding amount

Example:

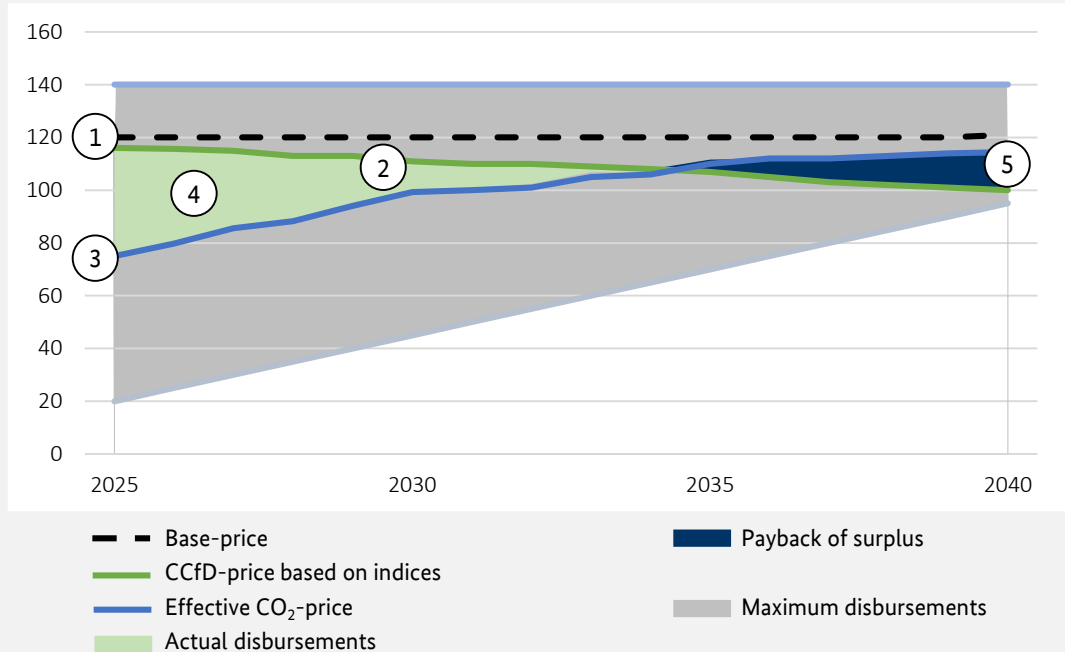


- **Bidders assess their funding gap** by comparing a traditional plant with the climate friendly project
- **They submit a bid** within the given parameters (e.g. EU-ETS, energy prices, maximum possible bid)
- Annual **payments for the cost of operation are linked to energy and CO₂ prices**. Price risks are hedged and public funding is only paid out if needed
- **Funding is paid back** in years during which costs for the traditional plant would exceed those of a climate friendly facility (e.g., due to high CO₂-prices)

Functioning of CCfD over time

- ① Companies calculate their „**base price**“ for the bidding procedure (CO₂-price per tonne that would allow them switching to a climate-friendly plant)
- ② This base price is **annually adjusted based on market prices** of energy sources
- ③ The **effective CO₂-price** is subtracted
- ④ This leads to **disbursements** or (over time)
- ⑤ **payback of surplus**

Funding per unit over time, in EUR



Our Timeline



1

Preparation
phase



2

Preparatory
procedures



3

First
auction



4

Award of
contracts



...

Future
auctions

Starting June 6, 2023

Q4 2023

End of 2023

2024 onwards