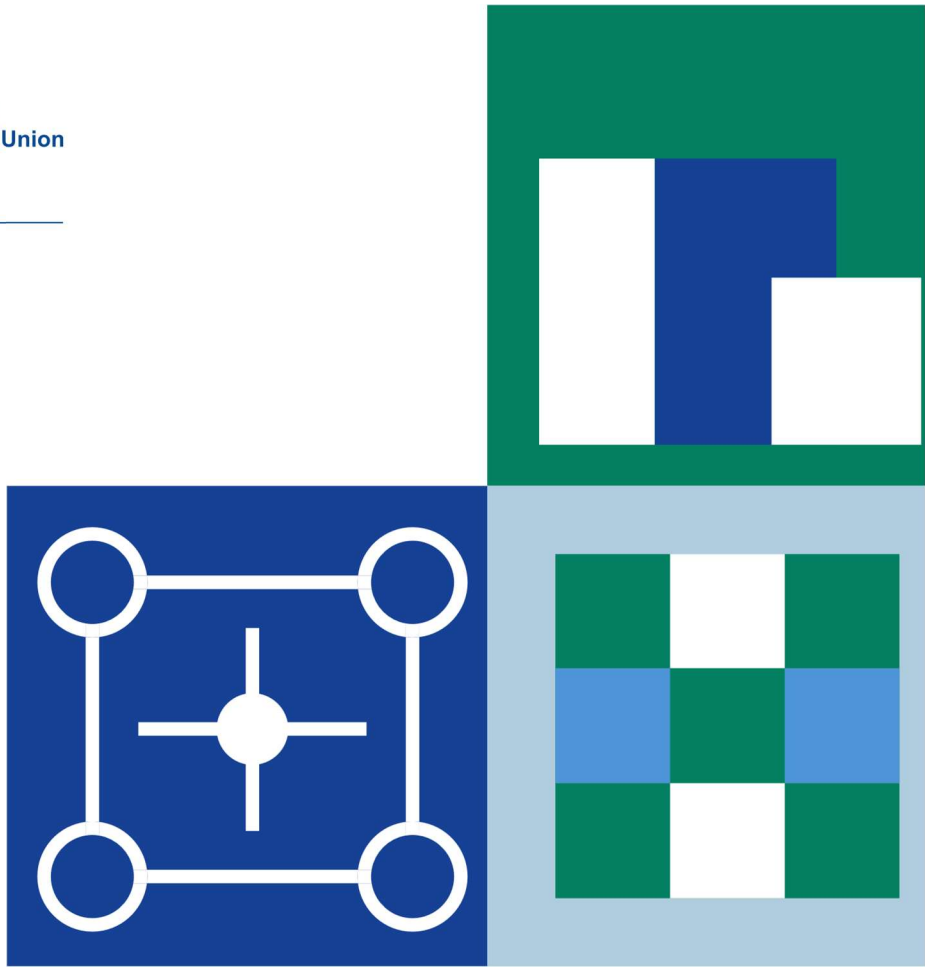
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GETTING STARTED WITH CO_2 PRICING

A practical guide for local authorities in Germany

Action Plan for German local authorities

July 2026

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Introduction

This country-specific action plan supports German local authorities that want to start working with CO_2 pricing. It is intended as a practical roadmap rather than a legal manual. The appropriate route depends on the municipality's procurement rules, federal-state legislation, sector, data availability and organisational readiness.

The German context offers several possible entry points. A municipality does not need to begin by inserting a monetary CO_2 price directly into a tender. It can first use a shadow price in an internal investment appraisal, calculate life-cycle costs including monetised greenhouse-gas externalities, introduce climate-related award criteria, or improve carbon data and life-cycle assessment as a preparatory step. CO_2 pricing can therefore begin before procurement, when investment and design choices are made, and continue through tendering into contract implementation and monitoring.

This Action Plan builds on the DeCarb-Pro evidence chain: WP1 mapped existing carbon-pricing approaches, policy conditions and tools; the project pilots tested and documented practical applications and implementation challenges; this country-specific Action Plan translates those lessons into a practical starting route for German local authorities.

The plan follows the structure agreed by the DeCarb-Pro country teams, while drawing on useful elements from the French, Dutch and Irish action plans: a clear policy overview, a tool-selection guide, practical examples, stakeholder mapping, ambition setting, formal decision-making and an implementation plan. The process should be treated as iterative: municipalities may need to return to earlier steps when data, market readiness, political priorities or legal conditions change.

If you would like to learn more about how carbon pricing can be applied in practice, or discuss what it could mean for your organisation, please contact the project team at Decarb-pro@klimaatverbond.nl or the authors of the German action plan:

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Important legal Note

German municipalities operate under a combination of EU/federal procurement law, the law of their Bundesland and their own internal procurement rules. The explicit federal CO_2 shadow-price requirement in §13 KSG[1] applies to procurement and investments at federal level; it is not a general statutory municipal shadow-price mandate. Municipalities should therefore check the applicable state and local rules before selecting a method.

[1] Section 13 of the German Federal Climate Change Act (Bundes-Klimaschutzgesetz – KSG)

Getting started with co_2 pricing

At its core, carbon pricing is a simple concept: it puts a financial value on greenhouse gas emissions. The principle is that emissions are not cost-free: they contribute to climate change and create costs for society. By putting a price on those emissions, these wider costs become visible and can be considered alongside direct financial costs. This creates an incentive to reduce emissions and can make lower-carbon options more attractive.

Steps to start with CO_2 pricing

1. Understand the concept and choose an entry route – Clarify whether you want to use CO_2 pricing for internal planning/investment, procurement evaluation, supplier incentives, or as a learning tool.
2. Check the German legal and policy framework – Identify the federal rules that create room for environmental and life-cycle criteria, then check the relevant Bundesland and municipal rules.
3. Select a suitable tool or method – Choose a method that matches the decision, sector, available data and market maturity.
4. Use networks and learn from existing examples – Avoid starting from scratch: use German support organisations, practical procurement examples and peer municipalities.
5. Map stakeholders and readiness – Identify who owns the decision, who has the data, who runs the procurement and who needs to support implementation.
6. Set an ambition level – Agree whether the first step is learning, a controlled pilot, or institutionalisation.
7. Make a formal decision – Define scope, method, responsibilities, price/reference value, data requirements, legal review and monitoring.
8. Implement, review and scale – Start with one manageable use case, monitor what works, revise the method and expand only when the approach is robust.

1. Getting started: what does CO_2 pricing mean in practice?

For a municipality, "CO_2 pricing" can describe several related approaches. Choosing the right starting point is more important than choosing the most ambitious method immediately.

Start where the municipality already has a decision, a budget process, a procurement category and motivated staff. A smaller well-documented pilot is usually more useful than a broad method that cannot yet be implemented.

Table 1: Possible entry routes for municipal CO_2 pricing

Entry route	What it does	Good starting point when…	Example/resource
Internal shadow pricing	Adds a notional €/tCO_2e value to emissions when comparing investment or planning options.	The municipality controls the decision and has reasonably comparable emissions data.	UBA climate-cost values; Essen municipal real-estate example.
Life-cycle costing incl. CO_2 costs	Adds monetised greenhouse-gas externalities to life-cycle costs.	A procurement has measurable energy/emission differences and a transparent calculation method can be provided.	VgV §59; UBA LCC-CO_2 tool
Carbon-related award criteria	Rewards lower-carbon offers or stronger climate performance without necessarily monetising emissions.	The market can provide comparable evidence and the criterion is linked to the contract.	Dortmund Klimafaktor; CO_2 Performance Ladder
Carbon/LCA data as a preparatory step	Requires or calculates carbon information to understand hotspots and build a baseline.	Comparable monetary pricing is premature, but better carbon information is needed.	ÖKOBAUDAT/ eLCA for buildings; sector-specific LCA tools.

2. Laying the groundwork: German policy and procurement framework

The German framework does not create one single municipal CO_2-pricing method. Instead, it provides legal room and policy references that can be combined with state and municipal rules.

Federal procurement law: room for climate criteria and life-cycle costs

- §97(3) GWB[2] provides for the consideration of environmental aspects in public procurement.
- §59 VgV allows the "cost" award criterion to be calculated on the basis of life-cycle costs. These may include monetised external environmental effects, including greenhouse-gas emissions, when the calculation method is objective, verifiable, accessible and the required bidder information can be provided with reasonable effort.
- §67 VgV contains specific energy-efficiency requirements for energy-related supplies and services and refers to life-cycle-cost analysis where appropriate.

For below-threshold procurement, state implementation of the primary German procedural rules (UVgO[3] / VOB/A[4] and other Länder rules) is important. Municipalities should therefore not assume that a method that is permissible or mandatory for the federal administration automatically applies in the same way locally.

[2] Section 97(3) of the German Act against Restraints of Competition (Gesetz gegen Wettbewerbsbeschränkungen – GWB).
[3] UVgO (Unterschwellenvergabeordnung): Regulates public procurement for supplies and services below EU thresholds.
[4] VOB/A (Vergabe- und Vertragsordnung für Bauleistungen – Teil A): Regulates the procedure for awarding construction contracts below EU thresholds.

Federal Climate Change Act (KSG) and AVV Klima: useful reference, but distinguish the addressee

§13 KSG contains a general climate-consideration requirement for public-task holders. However, the explicit requirement to apply a CO_2 price when planning, selecting and implementing investments and procurement is formulated for the federal level. The AVV Klima operationalises climate-friendly procurement for offices of the federal administration and is not directly binding on municipalities. It can nevertheless serve as a practical reference for structuring needs assessment, life-cycle analysis, CO_2-cost calculations and documentation.

Which CO_2 value?

Germany currently offers several different price references. They should not be treated as interchangeable:

Table 2: CO_2 price and cost references relevant in Germany

Reference	2026 position	What it represents	How to use it
BEHG national fuel-emissions price	2026 auction corridor: €55–65/tCO_2	A regulatory market price for covered fuels, not an estimate of total climate damage.	Useful as a statutory reference and minimum/fixed-price benchmark in federal rules; not automatically the right municipal shadow price.
UBA Methodenkonvention 4.0 – climate damage costs	For emissions in 2026: €350/tCO_2e (1% pure time preference) and €1,000/tCO_2e (0%); UBA recommends sensitivity analysis using the alternative value.	Estimated societal climate damage (Social Cost of Carbon approach).	Useful for internal appraisal or sensitivity analysis when a municipality wants to reflect societal climate costs. Clearly document the chosen value and year.
Municipal/local value	Set by a municipality through policy or methodology, where legally permissible.	A governance choice that can reflect local ambition or a selected reference methodology.	Use only after legal/ methodological review and with clear documentation, consistent application and periodic review.

Do not confuse market price and shadow price. The 2026 BEHG corridor (€55–65/tCO_2) reflects the national fuel-emissions trading mechanism. The UBA climate-cost values are much higher because they estimate societal damage. A municipality should state explicitly which concept it is using and why.

State and municipal rules

Because Länder procurement rules differ, the legal check should include the relevant state procurement act, administrative rules, budget law and municipal procurement instructions. The "Kommunaler Kompass"[5] provides state-specific orientation and municipal practice examples. UBA also published an updated 2025 overview of Länder rules on environmentally friendly procurement[6]; some Länder have more specific climate requirements than others.

[5] The "Kommunaler Kompass" (Municipality Compass) is a specialized online service and database module embedded within Germany's larger Sustainability Compass platform. It is specifically designed to support local procurement officers in integrating social and environmental sustainability criteria into public tenders.
[6] Available here: https://www.umweltbundesamt.de/publikationen/regelungen-der-bundeslaender-auf-dem-gebiet-der-1

3. Exploring the options: tools and methods available in Germany

Before applying carbon pricing in procurement, it is useful to understand the tools and methods already available and how they can support different types of decisions. Examples from across North-West Europe have been compiled in the CO_2 Pricing Inventory[7], providing an overview of existing approaches and practical applications. This chapter builds on that overview by taking a closer look at tools and methods that are particularly relevant in the German context, helping organisations identify approaches that could work in practice.

Choose the tool after defining the decision you want to improve. Do not start with a tool and then search for a problem.

Table 3: Selected tools and methods available in Germany

Need	Tool / method	Best use	Strength	Watch out for
Compare whole-life costs and CO_2 in procurement	UBA LCC-CO_2 Tool	Products/services with quantifiable life-cycle emissions and costs	Free German public-sector tool; directly combines LCC and CO_2 costs.	Define assumptions and bidder data transparently; check suitability for the category.
Set a carbon-cost reference	UBA Handbuch Umweltkosten – Methoden konvention 4.0	Internal appraisal, sensitivity analysis, monetising climate damage	Current German climate-cost values and methodology.	These are societal damage costs, not a market price or automatically binding municipal rate.
Assess building life-cycle impacts	ÖKOBAUDAT + elca	Building design and renovation alternatives	Free standardised German building-LCA database; official federal building resource.	Use comparable datasets/method boundaries; not a stand-alone procurement award method.
Reward supplier/project climate performance	CO_2 Performance Ladder 4.0 – Germany Procurement Guide	Tenders where supplier/project CO_2 management is relevant and market readiness exists	Ready-made German procurement guide, award-criterion wording and third-party verification.	Competition and market readiness; use legal/procurement review. When used as an award criterion, the committed implementation level (CO2 ambition level) should become part of the contract and be achieved during implementation.
Find criteria, labels and examples	Kompass Nachhaltigkeit / KNB / UBA procurement guidance	Preparing sustainable specifications, award criteria and procurement procedures	German guidance, practice examples and training.	Not every sustainability criterion is a CO_2-pricing method; select only criteria relevant to the contract.

[7] DeCarbPro-Experiences-and-opportunities-of-CO2-pricing-in-local-procurement.pdf

4. Building on existing networks and practical examples

Introducing CO_2 pricing is easier and more effective when Local Authorities build on the knowledge and experience of others. Cooperation provides access to expertise and existing approaches, reduces duplication, and creates opportunities to test CO_2 pricing collaboratively.

Where to get support

- Kompetenzstelle für nachhaltige Beschaffung (KNB) – Federal competence centre offering guidance, events and training for sustainable public procurement, including municipalities.
- Kompass Nachhaltigkeit – Kommunaler Kompass – State-specific legal orientation, municipal procurement examples and support for sustainable procurement.
- Umweltbundesamt – Umweltfreundliche Beschaffung – Legal guidance, LCC-CO_2 tool, climate-cost methodology, criteria and good-practice cases.
- Fortbildungsinitiative nachhaltige Beschaffung (FoBi) – Bund-Länder training initiative with practical training formats for public procurement staff.
- Climate Alliance / regional municipal climate networks – Peer exchange on municipal climate policy and implementation; useful for finding partners and sharing methods.
- CO_2 Performance Ladder Germany – German-language procurement guide and implementation support for using the Ladder in tenders.

Practical examples from Germany

Federal Environment Agency (UBA): courier services – explicit CO_2 shadow price in life-cycle costing

In a 2025 courier-services procurement, UBA used a life-cycle-cost comparison that included external environmental costs, including a CO_2 shadow price. The calculation method and forms were made available to bidders. This is a strong German example of monetising carbon within procurement, although it is a federal rather than municipal case

City of Dortmund: Klimafaktor in municipal construction procurement

Dortmund independently developed and implemented the Klimafaktor as a climate-related award criterion, using a.o. the CO2 performance ladder. DeCarb-Pro documented the implementation experience. The case shows how climate measures and recognised evidence can be integrated into tender evaluation without applying a direct €/tCO_2 price.

Wiesbaden: organisational guidance and discretion

Wiesbaden's investigation found that the legal framework was not viewed as the main obstacle to more CO_2-optimised procurement. The pilot instead highlighted internal guidance, individual discretion, awareness, planning certainty and the need for an evaluation method as practical implementation issues.

City of Bochum: sector fit and market engagement

Bochum independently developed an internal sustainability assessment tool and explored the CO_2 Performance Ladder in sewer-infrastructure procurement. The experience documented in DeCarb-Pro indicates that tools can perform differently depending on the procurement context and that contractor engagement and sector fit matter.

City of Essen – municipal real-estate management: internal CO_2 cost assessment

The municipal real-estate management department independently developed and applied an internal assessment tool using projected emissions, shadow carbon prices and CO_2-tax assumptions to compare renovation/heating options. The DeCarb-Pro pilot examined this experience. The case is relevant for municipalities that want to begin in internal planning rather than procurement.

5. Mapping the landscape: identify stakeholders and readiness

A CO_2-pricing method can fail even when the calculation is technically sound if the people who own the budget, procurement, data or decision are not involved. Start with a small stakeholder map and identify both influence and readiness.

Minimum internal team

- Procurement/central purchasing – procurement design, award criteria, documentation and market communication.
- Technical/needs department – technical alternatives, quantities, specifications and sector knowledge.
- Climate/sustainability team – emissions methodology, climate objectives and monitoring.
- Finance/controlling – economic appraisal, budget implications and life-cycle-cost logic.
- Legal/procurement-law expertise – proportionality, contract linkage, equal treatment and evidence requirements.
- Management/political sponsor – formal mandate, ambition level and resources.

External stakeholders to consider

- Potential bidders and sector associations – especially before introducing new data requirements or high-weight criteria.
- Municipal companies/utilities – where procurement or investment decisions are delegated.
- Consultants/LCA specialists – only where specialist methodology is genuinely needed.
- Peer municipalities and networks – to reuse tested approaches and avoid duplicating work.
- Certification or tool providers – when a third-party method such as the CO_2 Performance Ladder is considered.

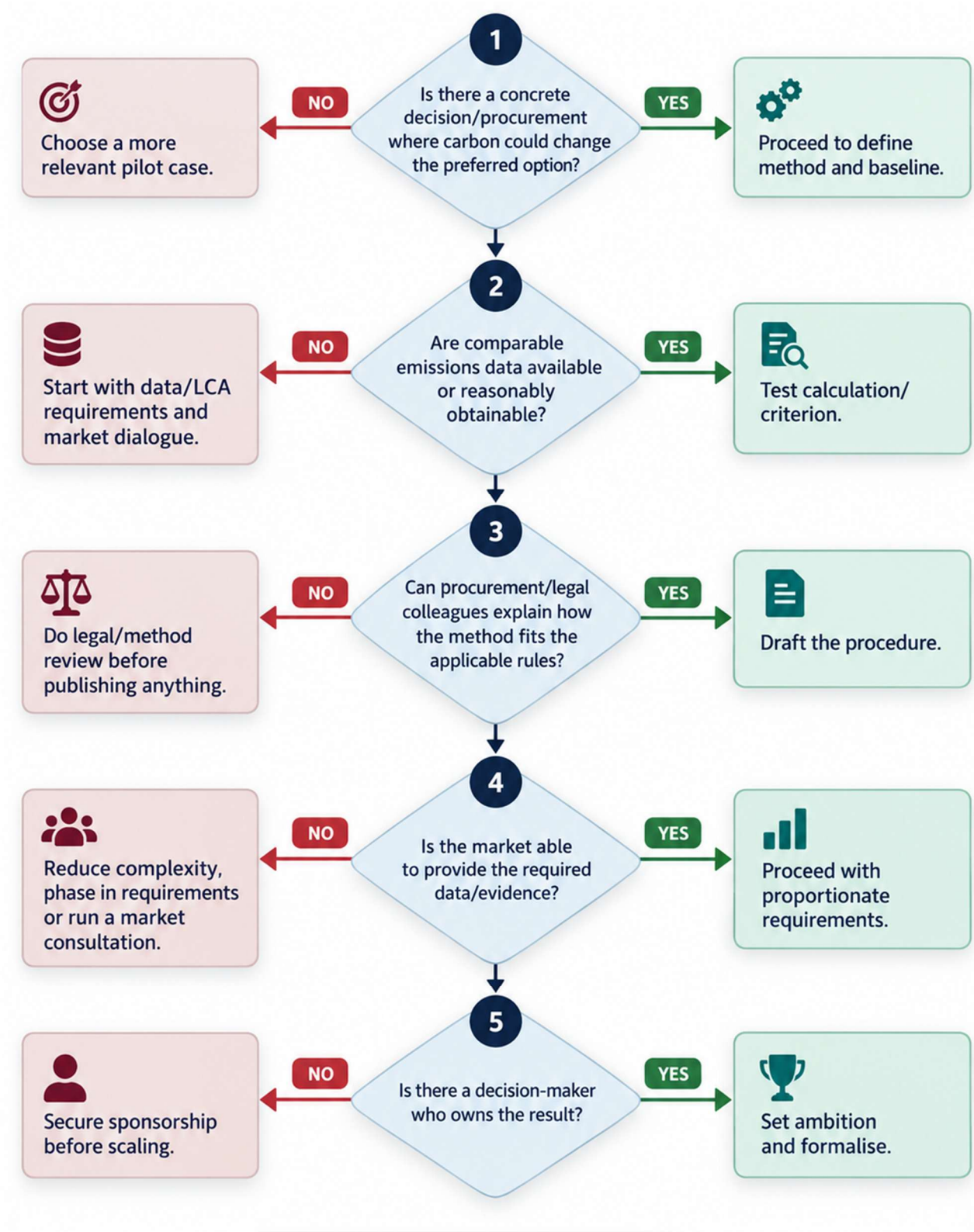
Practical Tips

Want to learn more about engaging with stakeholders through assessing their awareness, willingness, knowledge and readiness? Get in touch with the DeCarb-Pro team via decarb-pro@klimaatverbond.nl.

Quick readiness check

The flowchart on the next page provides a rough, quick check of readiness for testing carbon considerations in a procurement or decision-making process. It is intended as a practical starting point—not a complete assessment, or a substitute for detailed methodological, procurement or legal review.

Image 1: Quick readiness check



6. Set the ambition: choose a realistic starting level

The ambition level should be explicit. This prevents a "pilot" from silently becoming a permanent rule before the method has been evaluated, and it prevents a useful pilot from disappearing without a decision on next steps.

Table 5: Suggested ambition levels

Level	Aim	Typical action	Decision needed
A – Learn	Build knowledge and establish a baseline.	Apply a shadow price in one internal comparison; calculate LCC + CO_2 for a sample case; conduct supplier dialogue.	Management approval for a limited learning exercise.
B – Pilot	Use the method in a real decision or procurement.	One category/project with defined method, documentation, legal review and monitoring.	Formal pilot mandate, responsible owner, resources and review date.
C – Institutionalise	Make the approach repeatable across relevant decisions.	Internal guideline, standard price/method, templates, training, monitoring and defined exceptions.	Formal policy/administrative decision and governance structure.

Practical tip from the German pilots
Do not assume that a formally available legal option will automatically be used. Wiesbaden's experience points to the importance of internal instructions and awareness; Bochum's experience points to sector fit and stakeholder engagement. Formal ambition should therefore be paired with clear operational ownership.

7. Make a formal decision

Once the approach and ambition is clear, it is time to make a formal decision on CO_2 pricing. This turns the chosen approach into a clear and workable mandate, setting the key parameters for implementation while leaving detailed procedures to the relevant teams.

A formal decision should be short enough to use, but specific enough that staff know what to do. At minimum, document:

- Purpose: what decision should CO_2 pricing improve?
- Scope: which departments, procurement categories, investments or projects are covered?
- Method: shadow price, LCC + CO_2, award criterion, LCA/data requirement, or combination?
- Reference value and update rule: e.g. UBA climate-cost value, another justified value, or a sector method; state the year and source.
- Legal/procurement basis: which rules and internal instructions apply?
- Data and evidence: what must the municipality and bidders provide, and with what level of effort?
- Roles: who calculates, verifies, procures, approves and monitors?
- Exceptions: when can the method be waived, and who documents the reason?
- Review date: when will the pilot/method be evaluated and either adjusted, scaled or stopped?

Example decision wording for a pilot

"The municipality will test the consideration of greenhouse-gas costs in [named procurement/investment category] for a defined pilot period. The responsible technical, procurement, climate and finance units will use [named method/reference] and document assumptions, data quality, workload, market response and decision effects. The pilot will be reviewed after [period/number of cases] before any wider application is decided."

NB: Illustrative example – adapt after legal review

8. Make an implementation plan: a 90-day starter route

For a municipality new to the topic, the first implementation plan can be deliberately small. The following route is intended as a practical starting point, not a mandatory timetable.

Table 6: Illustrative 90-day starter route

Period	Action	Output
Weeks 1–2	Choose one use case; identify decision owner; map applicable legal/state/local rules; form core team.	One-page pilot mandate and stakeholder map.
Weeks 3–4	Collect baseline data; select method/reference value; check whether market data are available; decide what will be measured.	Calculation concept + data/evidence list.
Weeks 5–6	Run an internal test calculation or draft tender criterion; compare results with the conventional decision method.	Test result and documented assumptions.
Weeks 7–8	Discuss with procurement/legal/finance; if procurement is involved, conduct proportionate market dialogue where useful.	Validated pilot design / revised tender wording.
Weeks 9–12	Apply the method in the selected decision or procurement; document workload, data quality, supplier response and whether the carbon information affected the result.	Pilot record and lessons learned.
After pilot	Review against pre-defined criteria; decide: stop, adapt, repeat, or institutionalise.	Formal review decision and next-step plan.

What to monitor

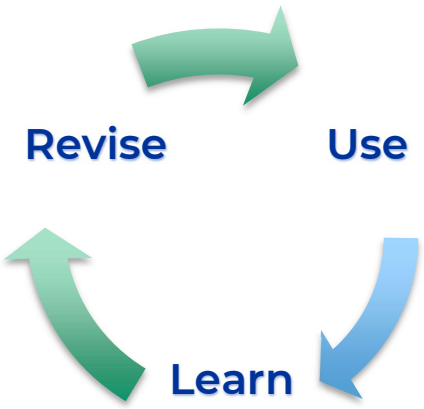
- Was the method understandable to staff and bidders?
- How much staff time and external support were required?
- Were emissions data comparable and verifiable?
- Did the CO_2 information change the preferred option, ranking or internal discussion?
- Did the method restrict competition or create disproportionate bidder effort?
- Which assumptions had the greatest influence on the result?
- Can the method be repeated with less effort next time?

The process is not linear

Use → learn → revise → use again

A municipality may discover during market dialogue that the requested carbon data are not yet available, or during evaluation that the chosen price value dominates the result. Returning to the tool-selection, stakeholder or ambition step is not failure; it is part of developing a method that is legally robust, proportionate and usable.

Apply the approach, learn from experience, refine it based on the findings, and apply it again.



One-page quick-start checklist

- ☐ We selected one concrete decision/procurement where carbon information could matter.
- ☐ We checked the applicable Bundesland and municipal procurement rules.
- ☐ We agreed what "CO_2 pricing" means in this case (shadow price, LCC + CO_2, award criterion, or preparatory carbon data).
- ☐ We selected and documented the price/reference/method and its source.
- ☐ Procurement, technical, climate, finance and legal roles are clear.
- ☐ We checked market/data readiness and kept bidder requirements proportionate.
- ☐ The pilot has a formal owner, scope and review date.
- ☐ We know what evidence we will collect to decide whether to scale, adapt or stop.

References and useful links

The legal and policy information below was checked against current official or specialist sources in August 2026. Municipalities should verify the latest federal, Länder and local rules before implementation.

Gesetz gegen Wettbewerbsbeschränkungen (GWB), §97: https://www.gesetze-im-internet.de/gwb/__97.html

Vergabeverordnung (VgV), §59 – Life-cycle costs: https://www.gesetze-im-internet.de/vgv_2016/__59.html

Vergabeverordnung (VgV), §67 – Energy-related supplies/services: https://www.gesetze-im-internet.de/vgv_2016/__67.html

Bundes-Klimaschutzgesetz (KSG), §13: https://www.gesetze-im-internet.de/ksg/__13.html

Brennstoffemissionshandelsgesetz (BEHG), §10: https://www.gesetze-im-internet.de/behg/__10.html

AVV Klima – scope and requirements for federal administration: https://www.verwaltungsvorschriften-im-internet.de/bsvwvbund_19102021_IB3.htm

UBA: Handbuch Umweltkosten – Methodenkonvention 4.0: https://www.umweltbundesamt.de/publikationen/handbuch-umweltkosten

UBA: LCC-CO_2 tool and training script: https://www.umweltbundesamt.de/publikationen/umweltfreundliche-beschaffung-schulungsskript-2-0

UBA: Climate and circular-economy guidance for public procurement: https://www.umweltbundesamt.de/publikationen/klimaschutz-kreislaufwirtschaft-in-der

Kompass Nachhaltigkeit – Kommunaler Kompass: https://www.kompass-nachhaltigkeit.de/kommunaler-kompass/

Kompetenzstelle für nachhaltige Beschaffung (KNB): https://www.nachhaltige-beschaffung.info/

ÖKOBAUDAT – German building LCA database: https://www.oekobaudat.de/

CO_2 Performance Ladder – Procurement Guide 4.0 Germany: https://www.co2performanceladder.com/de/dokumente/beschaffungsleitfaden-4-0-deutsland/

UBA good-practice example: courier services using LCC and a CO_2 shadow price: https://www.umweltbundesamt.de/themen/wirtschaft-konsum/umweltfreundliche-beschaffung/gute-praxisbeispiele/kurierdienstleistungen/umweltbundesamt-kurierdienstleistungen

DeCarb-Pro material used for the German examples

The Dortmund, Bochum, Essen municipal real-estate and Wiesbaden examples are based on the pilot descriptions/evaluations prepared within DeCarb-Pro. The underlying municipal approaches were developed and implemented by the respective municipal actors; DeCarb-Pro documented and evaluated the experiences for project learning.

The conceptual framing and tool descriptions also draw on DeCarb-Pro Deliverable "Targeted inventory of experiences and opportunities of CO_2 pricing in local procurement in PP regions" (June 2024), including its distinction between different carbon-pricing approaches and its description of the CO_2 Performance Ladder, as well as the project's strategic framework.