



Bundesamt
für Wirtschaft und
Ausfuhrkontrolle

Report 2010/2011

Foreign Trade, Economic Development, Energy Economy, Climate Protection



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Introductory Remarks

Rainer Brüderle Federal Minister of Economics and Technology

The dynamic upturn in the German economy is continuing, and all forecasts are predicting that the growth gap caused by the economic crisis may be closed before the end of this year. Meanwhile, the labour market is witnessing new levels of employment. This rise in employment presents a new challenge, as we must now ensure that we can meet our requirements for skilled labour. Working conditions must be optimised to prevent skilled labour shortages. Measures to do so include helping employees more successfully combine their family and working lives. I salute the many efforts made by BAFA, the Federal Office of Economics and Export Control, as a modern public service provider to assist its employees, now numbering more than 730, in this very area.

The upswing in the German economy is firmly based on two key pillars, namely, domestic demand and exports. Our seasonally adjusted export figures are at a historic high. Now, for the first time, they have exceeded the levels experienced before the global financial crisis. Products that are “Made in Germany” are among the most successful exports worldwide. German companies offer the perfect product mix for the emerging economies in Asia, Eastern Europe and South America. We seek to support the success of German export companies by clarifying and streamlining our foreign trade legislation. In reforming our foreign trade laws, we also plan to eliminate any unnecessary elements of the legal foundations on which export control is based. We will do this in a responsible manner and without compromising the current high level of security ensured by the legislation.

Export control must tackle the difficult task of assessing increasingly complex security-related and proliferation-related risks while coping with greater numbers of export licence applications. It is essential to meet this challenge without affecting export dynamics any more than is essential. For example, recent decisions concerning planned exports in relation to North Africa and the Arabian Peninsula had to be mindful of the risk of repressing democratic movements. In recent weeks and months, the Federal Min-



Source: BMWi / Ossenbrink

istry of Economics and Technology (BWi) and BAFA, working together with other key players in foreign trade law, have had to respond quickly to the dramatic political developments in these regions and to the rapid pace of change in other emerging economies. As the central approval agency, BAFA implemented the measures required swiftly and efficiently. BAFA's additional efforts to optimise procedures and make improvements in relation to its use of IT (for example, its fully electronic licence application portal) will ensure that our export industry is well served.

Much has also been achieved in relation to the funding and support of the SME sector and renewable energies. For example, the results of the hugely successful market incentive programme in the area of renewable energies in the heating market have been very impressive: funding in the region of 346 million euros has generated investments in energy-efficient and energy-saving technologies for the future in the order of just under 3 billion euros. Most of these manufacturers are from the SME sector and from skilled crafts and trades. In future, the Federal Government's energy and environmental protection policies are set

to attach even greater importance to the shift towards renewable energies. This is certain to be reflected in the activities of BAFA.

With the management of its very diverse range of tasks in mind, I wish BAFA and its staff continued success.

Yours

A handwritten signature in blue ink, reading "Rainer Brüderle". The signature is written in a cursive, flowing style.

Federal Minister of Economics and Technology

Preface

Dr. Arnold Wallraff President of the Federal Office of Economics and Export Control

The very favourable macroeconomic development witnessed over the past year (2010) and the current year to date (2011) has also been reflected in the activities and tasks of the Federal Office of Economics and Export Control (BAFA). We successfully completed our car scrappage scheme, which began in 2009 and continued into 2010. The success of this scheme led to BAFA taking on other new large-scale projects and expanding and optimising existing tasks. BAFA is happy to take on such challenges. With our applied focus on providing services to businesses and citizens alike, we succeeded in further cementing our position as Germany's central economic management authority.

Examples of new achievements include our new "Model Projects for Broadband Expansion" programme, the "Manufacturer's Discount for Pharmaceutical Companies", the retroactive extension of the diesel particulate filters programme, new tasks relating to climate protection in general, energy efficiency and the area of air conditioning and cooling technologies, as well as additional challenges in connection with export control. BAFA continues to show its ability to adapt quickly to new policy priorities, new programmes or changes to legal frameworks. It is also capable of fully and flexibly applying its existing staffing and organisational structures to meet new requirements, or establishing new structures as necessary.

At BAFA, the issue of renewable energies has not just recently become a topic of interest for the future. It has been part of our "bread and butter" for many years. Indeed, such was the interest in our funding of measures to promote renewable energies in the heating market (market incentive programme) that we were temporarily at risk of running short of funds. Following a temporary stop on funding, measures are now funded using a more strategic approach. The revised guidelines published in March have made this funding even more attractive. Combined heat and power (CHP) technologies offer huge potential for using limited and essential energy resources more effectively and therefore in a more ecologically sound way.



Source: D. Milde Fotografic

Experts estimate that funding of 346 million euros generated investments in energy-saving technologies for the future to the tune of just under 3 billion euros over the period reviewed.

The Federal Agency for Energy Efficiency (BfEE), established within BAFA in 2009, has gained in stature since the German Energy Services Act ("*Energiedienstleistungsgesetz*", EDL-G) came into force in November 2010. This body is now a key player in achieving the ambitious energy-saving goals that have been set for Germany and Europe. One of its main tasks is to monitor, assess and further develop the market for energy service providers. Another core function of the BfEE is the provision of an extensive range of information services to all market players. Now, more than ever, it is essential to unlock the considerable potential already available for saving our energy resources. In this way, we can ensure an ecologically sound, reliable and affordable supply of energy for the future.

Export control has assumed an ever more important role in recent times. This is against the backdrop of German exports' sustained success in

global markets and across all continents, the fast pace of growth in China and emerging economies, as well as the rapid and radical changes occurring in the Arab world, the exact consequences of which cannot be estimated at present.

These changes present the Federal Office of Economics and Export Control with many challenges: we need to maintain our high standards of quality and level of control in the face of constantly changing circumstances affecting foreign and security policies; we must take account of the export industry's information requirements; and, above all, we must reduce bureaucracy and expedite essential procedures.

We are actively tackling these challenges. For example, we host many well-attended information events, such as our Export Control Day, the Information Day on Export Control, and individual events in collaboration with industry associations and Chambers of Industry and Commerce. With our fully electronic ELAN-K2 licence application system, our customers – the export companies – can now directly benefit from the improvements made to our software in 2009/2010 to reduce processing times and simplify communication. This seamless, paperless solution has many advantages. In addition to eliminating media inconsistencies, it allows us to clarify the increasingly complex issues affecting our customers as quickly as possible, avoid unnecessary follow-up queries, and make faster decisions in the interests of the German export industry.

I hope our readers will enjoy reading our report for 2010/2011!

Yours

A handwritten signature in black ink, appearing to read 'A. Wallraf'. The signature is fluid and cursive, with a large initial 'A' and a long, sweeping tail.

President,
Federal Office of Economics and Export Control

Foreign Trade – Export Control

THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION AND MISSILES, AND THE UNCONTROLLED ACCUMULATION OF CONVENTIONAL ARMAMENTS IN TROUBLED REGIONS POSE SERIOUS AND INCREASING THREATS TO SECURITY AND WORLD PEACE. IN ADDITION TO POSSIBLE THREATS FROM CERTAIN HIGH-RISK STATES, THERE IS A RISK THAT NON-STATE ACTORS MAY GAIN ACCESS TO WEAPONS OF MASS DESTRUCTION.

Why export control?

Export control is an indispensable instrument in preventing and responding to these security risks. By monitoring sensitive activities relating to export control policy within international trade, export control helps to secure peace and prevent violence. Furthermore, it helps to safeguard human rights and sustainable world development. This involves task sharing between industry and the authorities, necessitating both efficient administration and effective internal compliance programmes. BAFA, the Federal Office of Economics and Export Control, plays its part here on behalf of the German government. Self-regulation by exporters through mutual agreement with BAFA is also directed at preventing companies from unintentionally supplying WMD programmes.

What is BAFA's role in export control?

A central administrative and licensing authority, BAFA implements the foreign political and security interests of the German Federal Government in accordance with government political objectives in the area of foreign trade legislation.

In addition to its primary task of checking whether the export of goods, services or transit transactions are subject to licensing and whether a licence may be granted, BAFA is involved in drafting European and national laws under the auspices of the Federal Ministry of Economics and Technology (BMW) and the Federal Foreign Office. BAFA takes part in the technical, legal and administrative working groups in Brussels and works within international export control regimes to facilitate the harmonisation of licensing

standards and creation of transparent procedures. Its daily work involves close coordination with customs authorities and all other parties involved in monitoring of foreign trade transactions, as well as lending its technical expertise to the authorities in charge of sanctioning infringements.

However, BAFA's involvement is not restricted to the traditional role of a regulatory authority in this context. It additionally strives to ensure that effective export control serves the best interests of our export industry. Export control also protects companies from becoming unintentionally involved in unauthorised procurement measures by third parties, and focuses attention on these and other problem areas. Export control thus simultaneously allows the export industry to secure access to non-sensitive technologies and growing import and export markets.



Source: iStockphoto.com / Dan Barnes

Key elements of BAFA's core mission are to act on the legitimate interests of the export industry and represent the industry at national and international levels. For this purpose, BAFA frequently consults with companies and industrial associations to establish how their interests can be supported.

To reinforce collaboration in this area, BAFA, together with the Federation of German Industries (BDI) and interested companies, has established working groups on technologies and procedures as open forums in which to discuss current developments in export control.

Since 2005, BAFA has worked as a contract partner of the European Commission, assisting non-EU or third countries in projects focusing on the establishment of effective export control systems.

What are the effects of export control on the export industry?

In 2010, German companies exported industrial goods valued at approximately 952 billion euros. The value of regulated export items was approximately 13.2 billion euros in the same year. In other words, exports subject to export control by BAFA accounted for approximately 1.39% of the total German foreign trade volume for industrial goods.

In accordance with the principle of essentially unrestricted foreign trade, only a relatively low percentage of exports from Germany was subject to export control. Nevertheless, the business transactions of some specialised companies did incur significant restrictions in cases where it was not possible to exclude a possible connection with sensitive uses in advance.

Last year, approximately 6,100 companies, mostly from the SME sector, submitted approximately 44,000 licence applications and queries to BAFA. More than 3,200 companies consulted its technical and administrative experts. In almost 500 cases, comments were sent to supervisory and investigating authorities such as the Customs Criminal Investigation Office and the Prosecutor General.

BAFA is ever conscious of the conflict of interests that exists between exporting companies desiring minimal intervention in economic and trade relations on the one hand, and national and international security needs on the other. Guided by the export control policy objectives of the EC Dual-Use Regulation and national law on foreign trade and payments,

BAFA seeks to make provisions and procedures more transparent, predictable and more amenable to planning, while also tailoring them to companies' business requirements. Ongoing dialogue with industry during the implementation of export controls has proved to be helpful in this regard. It is a measure that will be pursued thoroughly. Industry is called upon to maintain its high degree of responsibility and help develop the export control system as a whole.

Information for industry

The German export control system relies on each company taking direct responsibility for self-regulation. Companies assume responsibility for their own decisions when concluding contracts, exporting goods, software and technology, providing technical services abroad and exchanging expertise.

When making these decisions, companies must take account of the existing restrictions and licensing requirements for foreign trade. A member of the Executive Board takes responsibility for the company's compliance with regulations. Companies are faced with a challenging set of requirements, which have also multiplied in recent times. BAFA once again offered many support instruments in this area in 2010. In accordance with BAFA's strategic focus on supporting the SME sector, these instruments were aimed in particular at small and medium-sized companies, as well as targeting Chambers of Trade and Commerce and industry associations.

By holding information events, taking part in working groups, and producing many useful publications, BAFA helps companies get to grips with the relevant provisions and gives newcomers a clear insight into this complex policy area. In this way, BAFA has more than lived up to its claim of providing a "single window" for all players in the export economy over the last year.

Information events

In 2010, BAFA held its fourth “Export Control Day” in cooperation with the Foreign Trade Law Centre at the Institute of Public Economic Law at the Westphalian Wilhelms University in Münster, with “Security and its Cost” as the theme of the event. Participants discussed in particular the issues of which responsibilities must, can, and should be handed over to commercial exporters in the highly sensitive area of proliferation control; which restrictions must apply in an essentially unrestricted foreign trade regime; and the price at which these restrictions must be accepted. This established policy forum, which included the President of the Federal Criminal Police Office and of the Federal Office for the Protection of the Constitution, provided an ideal opportunity to discuss the foreign and security policies relating to current export control. The expert panel discussion on the second day was dedicated to issues both topical and practical. These included the subject of the Financial Action Task Force (FATF), which is assigned tasks that reflect the increasing importance of financial transactions for sensitive exports or trans-shipments, as well as the need for Internal Compliance Programs (ICP) in companies.



Export Control Day 2011

Source: Zentrum für Außenwirtschaftsrecht e. V.

The “Export Control Day” will be held again in 2011, this time dedicated to the topic of “International Networking”. This year’s event will reflect the growing importance of global cooperation to meet international challenges, as well as the increased significance of economic models based on a division of labour. The spotlight will be on global leaders China and the US, and both countries will have high-level diplomatic representation at the event.

BAFA’s second Information Day on Export Control, held again in Frankfurt last December, proved to be a popular event, attended by around 500 participants. In addition to providing information on current developments, the Information Day focused in particular on the new ELAN-K2 licence application and communication platform, as well as on the latest tightening of the embargo on Iran.



Second Export Control Information Day

Source: BAFA

By implementing the ELAN-K2 system, the Federal Office of Economics and Export Control has taken a major step forward in meeting the needs of export companies. The system offers many benefits to the export industry, such as faster, simpler and more targeted communication with BAFA, the avoidance of media inconsistencies, elimination of the need to use standard post (and the associated move times and wait times), and greater transparency in relation to the status of all current licence applications by companies, to name just a few.

In 2010, BAFA also continued to collaborate with various Chambers of Industry and Commerce (including Dresden, Siegen, Hanau) and took part in information events relating to export control for decision-makers in companies. The information BAFA provides on Internal Compliance Programs (ICP) has proven to be extremely useful to these decision-makers. Internal compliance systems are mandatory in certain cases.

BAFA also hosted an information stand at the Berlin-Brandenburg Foreign Trade Conference again last year, with the SME sector as our main target group.

In addition, BAFA took part in two working groups organised by the Federation of German Industry (BDI) and attended information sessions hosted by various trade associations (including SPECTARIS and VDMA), which provide a platform for the exchange of ideas and aim to ensure that all participants are equally well informed about the relevant issues. We also presented our new licence application portal, ELAN-K2, to the BDI working groups in 2010.



HADDEX

The Handbook of German Export Control (HADDEX), published by BAFA, was again adapted in 2010 to reflect changes to the legislation. Changes were required in particular in the sections of the handbook dealing with embargo provisions, while the publication as a whole had to be updated in line with the new simplified procedures for licence application and processing (ATLAS). These modifications ensure that HADDEX will continue to be a useful, up-to-date tool for companies.

Our handbook provides companies with comprehensive information about export control. Volume 1 explains the existing restrictions and licensing requirements, the licensing process, and the simplified procedures. Volume 2 Parts I and II and Volumes 3 and 4 contain key legislative material and official announcements.

Export control in practice

BAFA has revised and updated its guide to export control ("Praxis der Exportkontrolle"), which describes export control in practice and explores the topics of identifying risks, solving problems and exporting responsibly.



Source: Bundesanzeiger Verlagsgesellschaft mbH

Export control newsletter

In 2010, BAFA continued to publish a short monthly newsletter ("Exportkontrolle Aktuell") providing information on legal and procedural amendments, such as details of new embargoes or modifications to the control lists, as well as current developments in the field of export control and news from inside BAFA.

The newsletter is aimed in particular at helping SMEs keep pace with the latest developments and adapt their internal organisation to changes. The automatic newsletter is made available to approximately 5,500 readers via the ausfuhrkontrolle.info page.

Information leaflets

In 2010, BAFA updated its information leaflet on foreign trade with Iran in accordance with Council Regulation (EU) No. 961/2010. This leaflet provides information that is particularly sought after by our export companies.

In 2010 and 2011, we updated or published the following information leaflets for the first time:

- An information leaflet on foreign trade with Iran in accordance with the latest Iran embargo based on EU Council Regulation No. 961/2010
- The overview of country-specific embargoes
- Guides to and documentation on the ELAN-K2 system
- An information leaflet on technology transfer and non-proliferation



Source: BAFA

Homepage

BAFA provides detailed information about export control for companies involved in foreign trade and all other interested parties from trade, administration and science on our www.ausfuhrkontrolle.info website. We update and add to this information on an ongoing basis.

In 2010, the homepage once again registered over 200,000 unique visitors and a click count of more than 17.5 million.

“Export Manager” and “ELAN-K2” – Efficient process integration between industry and BAFA

“Export Manager” is the brand new BAFA-internal application developed to process export transactions. The application was developed over a period of 15 months, and went live in June 2010. Export Manager, which replaces our obsolete legacy application, was developed jointly by BAFA and an external IT service provider on a modern Java-based architecture.



Source: BAFA

A notable feature of the new application is that it offers access to all electronic records in their entirety. In the new system, all documents that are relevant to a transaction are available from the outset in the integrated document management system (DMS) and can be accessed by the person processing the transaction at any time. The result is a modern and efficient application processing system.

BAFA took a flexible and iterative approach to managing the implementation of Export Manager.

This ensured that the application developed would meet the real requirements of application processing. We managed to reach the go-live date for the Export Manager application a month ahead of schedule with all of the required functions and at no additional cost. Special mention must also be made of the excellent IT features of the application: it offers impressive performance and very few functional additions or modifications have had to be specified.

A new licence application and communication platform called “ELAN-K2”, which is closely integrated with Export Manager, was developed to ensure smooth collaboration between BAFA and export licence applicants from the export industry. ELAN-K2 provides an innovative interface between BAFA and the export industry, while offering excellent added value in terms of a faster, more efficient application process. The new portal allows companies to submit paperless applications to BAFA (together with all of the documentation required) for the export licences required to deliver goods outside of Germany. Applicants can do this from their own company-internal systems directly. Once an application is submitted, all subsequent communication up to the point of notification is fully automated with ELAN-K2.

In concrete terms, ELAN-K2 offers the export industry the following benefits:

- Avoidance of media inconsistencies and elimination of the need to use standard post (and the associated move times and wait times)
- Faster, simpler and more targeted communication with BAFA
- A central view of all company-specific applications and the associated documents
- Greater transparency on the status of all current company applications
- Secure communication and delivery
- Option to connect ELAN-K2 to company-internal ERP systems
- Autonomous management of company-specific access permissions by the companies themselves

Online registration to use the portal has been open to interested companies as of November 24, 2010. Following an initial pilot phase, the system went live on April 4, 2011.

Both Export Manager and ELAN-K2 are proving to be service-based, industry-oriented software solutions that help reduce red tape in the export control procedure and improve links between industry and administration.

International contacts in 2010/2011

Export control cannot achieve optimal efficiency unless the maximum number of countries implements comparable regulations and procedures. This is also an important factor for industry in terms of establishing a level playing field for competition.

In 2010 BAFA attended numerous international meetings and engaged in talks with foreign delegations on practical aspects of export control. These discussions focused on legal and technical matters, in addition to administrative and procedural questions.

As a contract partner of the European Commission and as part of the effort to find a lasting solution to halting the proliferation of weapons of mass destruction, BAFA helps third countries establish effective export control systems.

Export control regimes

Various international export control regimes have been in existence for more than 20 years. These are non-binding export control agreements under international law, which seek to prevent the “destabilising accumulation” of conventional weapons and the proliferation of weapons of mass destruction and their delivery systems. The participating states coordinate their export policies within these regimes, with decisions implemented at national level or in accordance with the EC Dual-Use Regulation 428/2009.

There are four international control regimes, namely the “Australia Group”, the “Nuclear Suppliers Group”, the “Missile Technology Control Regime”

and the “Wassenaar Arrangement”. In addition to pursuing the regime aims outlined above, the states collaborating within these regimes seek to harmonise the international level of export control in line with the EU and thus level the playing field in terms of market and competitive opportunities, while simultaneously protecting security interests.

European Union

As in previous years, BAFA participated in meetings of various EU committees in Brussels and took part in the drafting of legal provisions. Technical expertise is an increasingly valuable component in EU consultations on export control issues.



Source: European Union

EU Outreach projects

BAFA implements EU Outreach activities with third countries on behalf of the European Commission. These activities aim to strengthen and harmonise export control systems, while cementing cooperative relationships with partner countries. EU-Outreach projects are based on the European Security Strategy Against the Proliferation of Weapons of Mass Destruction and on UN Security Council Resolution 1540.

As part of the EU Stability Instrument introduced in 2007, the “Long Term Programme” (LTP) project was launched in March 2008, building on the successes of previous projects.

In 2010, BAFA implemented many activities geared towards the needs of the partner countries in the five areas of cooperation under the LTP project (Le-

gal, Licensing, Customs, Awareness (awareness-raising within industry), and Sanctions). These activities took the form of regional working groups, train-the-trainer seminars and study tours for customs officials in various EU Member States.



China-EU Export Control Seminar – December 2010

Source: Mr. Si Jingsheng

At the end of 2010, which marked the end of the LTP project, the EU Commission tasked BAFA with continuing and expanding other technical assistance programmes in third countries. Officially started in January 2011, the new project is scheduled to run for 30 months. The number of countries involved has also increased as part of this follow-on project. Countries supported in the original project (Egypt, Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, China, the Former Yugoslav Republic of Macedonia, Georgia, Croatia, Malaysia, Morocco, Moldova, Montenegro, Pakistan, Serbia, Thailand, Tunisia, Ukraine, Uzbekistan and the United Arab Emirates) are now joined by an additional ten states (Afghanistan, Algeria, India, Indonesia, Iraq, Jordan, Kazakhstan, the Philippines, Singapore and Vietnam). Expanding the geographical scope is another key aspect of this project, coupled with the aim of reinforcing regional cooperation.

During 2010, BAFA also used large international events as an opportunity to raise the profile of the LTP and the level of public awareness of the project. The world’s largest export control conference was held in Kiev, Ukraine in June 2010 with 300 participants from 70 countries. For the first time ever, BAFA organised this event together with the US Department of State (Export Control and Related Border Security Assistance – EXBS).

In 2011, BAFA, EXBS, and the government of Singapore will jointly host the Twelfth International Export Control Conference.

To demonstrate how the close collaboration between customs and licensing authorities works in practice, BAFA worked with the German Customs Investigation Bureau (ZKA) and the Hamburg Customs Office to organise an export control event in June 2010 in Hamburg. The event was attended by approximately 150 participants from 26 countries.

In October 2010, BAFA took part in an export control seminar organised by the EU Commission at its Joint Research Centre in Ispra, Italy.

In addition to developing and supporting strict export control systems for dual-use goods in third countries, BAFA was also active in the armaments area.



Export Control Conference – July 2010
Source: European Union

With Council Decision 2009/1012/CFSP, BAFA was charged with implementing outreach activities in third countries to promote the control of arms exports and assist with the application of the principles and criteria of the Common Position 2008/944/CFSP (formerly the EU code of practice for arms exports). In 2010, BAFA organised three regional seminars on the control of arms exports.

During the Spanish EU Council Presidency in the first half of the year, regional seminars were held in Algiers in Algeria for North-African countries (Algeria, Egypt, Libya, Morocco and Tunisia) and in Sarajevo in Bosnia and Herzegovina for the Western Balkan States (Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia) within the framework of the European Neighbourhood Policy.

In the second half of 2010, during Belgium's presidency of the EU Council, a regional seminar was organised in Kiev, Ukraine for the partner states from the Eastern Europe and Caucasus area (Armenia, Azerbaijan, Belarus, Moldova and Ukraine). Again,

this took place within the framework of the European Neighbourhood Policy.

The Council Decision mentioned above envisages two further regional seminars on the control of arms exports to be held in 2011, as well as up to four study tours of EU Member States.



COARM –
Regional Workshop on Arms Export Controls – June 2010
Source: BAFA/ Ruxandra Nastase

Also in 2010, BAFA won the tender launched by the European Commission in February 2010 for a study to be conducted on developing a training programme relating to export control of dual-use goods. The purpose of the study is to develop a training concept for the areas of “customs” and “licensing”, which will serve as a basis for a training programme at European level. As part of this study, BAFA analysed documents from the Peer Reviews (2004) and Peer Visits (2010), sent surveys to the relevant customs and licensing authorities in the Member States and to experts from the LTP, and evaluated the results of these. Study tours were simultaneously conducted in three Member States (Cyprus, the Netherlands and the United Kingdom). A pilot session was held in Brussels as part of the study in February 2011.

The final report on this study will assist the European Commission in deciding whether to offer such a training programme to EU Member States and, if so, what the training should cover.

Other contacts

Over the past year, as in previous years, BAFA worked to maintain many bilateral ties with foreign states. In 2011, BAFA held talks with China, France, Japan, Russia, Singapore and the US. In December, BAFA was also actively involved in the trilateral export control policy consultations held between Germany, Austria and Switzerland in Bern.

In addition to maintaining its existing bilateral ties, BAFA actively participated in many national and international initiatives.

BAFA took part in UN workshops in Vietnam and Croatia on implementing UN Security Council Resolution 1540/2004, and attended the G8 summit in Canada on developing a G8 strategy to support the 1540 Outreach programmes. BAFA also took part in a US export control seminar in Croatia and Bulgaria, informal COARM meetings and formal COARM sessions of the rotating Council presidency, and, in October, supported a study tour of the Portuguese customs and licensing authority held on-site in BAFA. As part of the effort to establish regional CBRN centres of excellence, BAFA actively participated in the EU conference in Jordan, the EU meetings on the North-African region held in Brussels and Italy, and the first round-table session for the South East Asian region held in the Philippines.

BAFA also participated in PSI Exercise “Leading Edge” in Abu Dhabi in January.

Developments in “Law and Procedures” 2010

BAFA collaborates on behalf of the government departments at national, EU and international levels to harmonise and further develop legislative issues relating to export control. In its efforts, BAFA has striven in particular to further align regulations with the needs of economic progress, while maintaining its focus on export control policy aims.

United Nations/International Law

In 2010, BAFA assisted the government departments with negotiations on the contents of the Arms Trade Treaty (ATT) and with the conclusion of the treaty.

Wassenaar Arrangement (WA)

In 2010, expert group discussions once again resulted in a large number of amendments to the control lists of the Wassenaar Arrangement. Changes to the munitions list were of a largely editorial nature. However, the participating countries agreed to extend the control of components providing ballistic protection for vehicles. In the dual-use list, there will be some relaxation of control in a number of areas as a result of changes made and updates implemented to reflect the latest developments in technology. For example, the control of structures made from composite materials and of ball bearings has been relaxed. Similarly, the increase in technical parameters for individual electronic components and electronic measuring devices restricts the scope of control, as do the clarifications made in relation to technology for aircraft engines. In relation to navigation sensors, an agreement was reached that enables improved classification of sensitive components.

Substantive discussions, which are to continue into 2011, were held in relation to the newly proposed control of special amphibious vehicles, which are capable of operating autonomously outside of pre-defined routes. As in the case of the renewed debate on the control of “disruptors”, i.e. equipment used to prevent the detonation of improvised incendiary and explosive devices, the discussions will be influenced both by conventional military situations and the threat of terrorist use.

An audit on the operational success of the Wassenaar Arrangement is scheduled to take place in 2011. This will also examine the activities of the expert groups. Although a dedicated working programme has not yet been established, various attempts at improving the transparency of the Wassenaar Arrangement and its control lists are already on the horizon. For example, there are plans to provide users with certain tools to help them implement the lists.

A discussion of how the lists can be revised in a more systematic manner is also planned.

During the session attended by customs and licensing experts, experienced officials from the participating states exchanged information about their national regulations and procedures based on case studies. Within this forum, BAFA made a joint presentation with the Ministry of Economics and Technology (BMWi) on the aspects to be assessed when making decisions on granting export licences. The presentation also focused on the goal of harmonising these assessments at an international level.

Australia Group (AG)

The “New and Evolving Technologies Experts Group” successfully continued its work within the Australia Group in 2010. This technical expert group continues to focus on the core subject areas of synthetic biology, micro reaction technology, nanotechnology and the automation of production lines.

The progress made in the area of synthetic biology deserves a special mention here. This was based on the ongoing exchange of experience to raise awareness about attempts to procure synthetic nucleic acid sequences.

The Australia Group revised the list of human pathogenic viruses as part of its list revision process. It clarified the precise scope of control that applies to the listed virus types within the genus hantavirus and the genus arenavirus.

A new alphabetical listing of the viruses was also created. In addition, technical discussions were held in relation to filters, non-corrosive materials such as fluoropolymers and certain types of steel, as well as chemical production equipment constructed with these materials.

In the area of procedures, Germany made a major contribution to the planned information brochure dealing with Intangible Technology Transfer (ITT), for example, preparing the chapter on legal responsibility for export by electronic means and creating a Best Practice Guide. This guide provides companies

with helpful advice on company-internal control of such exports. Germany was also given a mandate to draft proposals on introducing brokerage controls and a corresponding amendment to the Guidelines of the Australia Group. The purpose of this initiative is to harmonise the controls of trading transactions and brokerage at international level, in line with the provisions of the EC Dual-Use Regulation.

Nuclear Suppliers Group (NSG)

In 2010, the NSG made the decision to update its control lists. The Group’s intention is to further develop its controls based on an agreed catalogue of criteria, including, for example, the necessity of control, controllability and the latest technological developments in relation to the listed items. As part of this endeavour, Germany continues to be actively involved in discussions with countries in possession of the controlled technologies.

Germany gave a presentation detailing the EU regulations on the control of trading and brokerage transactions and on the movement of goods in transit. Following its presentation, Germany was asked to develop concrete proposals for amending the NSG guidelines and to propose Best Practice guidelines. To this end, Germany must first determine the controls that are used in practice by the other states. As for the Australia Group, the purpose of this initiative is to harmonise the controls of trading transactions and brokerage at international level, in line with the provisions of the EC Dual-Use Regulation.

Missile Technology Control Regime (MTCR)

For organisational reasons, the MTCR plenary session scheduled for the autumn of 2010 had to be postponed by the host country until the spring of 2011.

During the spring session of the TEM (Technical Expert Meeting) in London, expert working groups formulated more precise control guidelines on high-strength steels (maraging steels), the latest supersonic wind tunnels, software for the development of propellants, and hybrid rocket motors. Some of these newly formulated guidelines were also adopted.

In the area of procedures, Germany gave a presentation on the aspects and the risks to be assessed when making decisions on the granting of export licences. The presentation also focused on the goal of harmonising these assessments at international level.

European Union

Besides the central EU outreach projects, activities at a European level last year largely focused on amended sanctions against Iran and on furthering two reform plans: first, continuing the progress made on export authorisations in the area of exporting listed dual-use goods; second, implementing the guideline on simplifying intra-Community transfer of armaments (Intra-EU Armaments Directive). BAFA was intensively involved in all of these topics.

With the Council's decision on 26 July 2010 and Regulation (EU) No. 961/2010 based on this decision, additional restrictive measures on foreign trade were confirmed against Iran, following intensive discussions. During these discussions, BAFA worked closely with government departments, and applied its technical and administrative expertise to the issues with rigour. BAFA is also supporting the economic operators involved by providing a wide range of communications, opinion papers, presentations and other publications on the new legal position.

In addition, BAFA is assisting the German Central Bank with its task of monitoring the transfer of funds, in accordance with Article 21 of the Regulation on restrictive measures.

Consultations relating to the Commission's proposal for creating new Community Export Authorisations (Council Document 854/08, final), which was published in December 2008, focused on four draft Community export authorisations. The four drafts concerned referred to export after repair or replacement, temporary export for exhibitions or fairs, plus the export of items under the headings of telecommunications and chemicals. At present, there are national general export authorisations in place apart from Community Export Authorisation No. EU 001. These can be adapted once common European simplified procedures come into effect, while essentially

supplementing the EU authorisations. The consultations have been concluded at working level.

To harmonise licensing policies, the Commission, with the assistance of BAFA and others, continued to work on an EU database containing all decisions by all Member States to refuse licences.

Directive 2009/43/EC of the European Parliament and the Council of 6 May 2009, simplifying the terms and conditions of transfers of defence-related products within the Community (Intra-EU Armaments Directive), entered into force on 30 June 2009 after several years of negotiations actively involving BAFA. This directive seeks to simplify the licensing process for armaments listed in Part I Section A of the Export List within the EU. It envisages, in particular, the establishment of new general transfer licences, which will simplify and accelerate the process whereby certified consignees receive defence-related products from other EU Member States. In addition, it is planned to create a general export authorisation for supplying to EU Member State armed forces.

In the wake of this Directive, intensive consultations have commenced at European level on formulating general export authorisations and a certification system, with a view to maximising harmonisation within the EU.

BAFA has been an active participant in the EU Commission's working group, which has met regularly with EU Member States since December 2009. In addition to its active role in this EU body, BAFA is providing comprehensive, legal comments and proposals to expedite the implementation of the Directive by 30 June 2011.

In the area of arms control at European level, BAFA participates in the meetings of the COARM working group set up to promote the harmonisation of authorisation processes in member states.

BAFA was also involved in implementing UN Security Council Resolutions and autonomous EU sanctions in European and national law in 2010. Over the past year, attention has been particularly focused on the tightening of the embargoes on Iran, the updating of existing embargo measures in line with

UN current policy position and the implementation of the new embargo against Eritrea. BAFA assisted the Federal Government with these developments by providing a range of technical and legal advice to ensure the sanctions were effectively implemented.

Germany

Last year, BAFA continued to support the ministries with its technical expertise in relation to legal amendments, especially amendments of the Foreign Trade and Payments Regulation (AWV). Support was provided, in particular, for the 90th regulation amending the AWV. This regulation was designed to adapt national law to the sanctions in place, in particular the introduction of the arms embargo against Eritrea.

Over the past year, BAFA continued to simplify procedures by implementing general licences. These licences make it easier for companies to export items without delay in cases where export control is not necessary. The licences include General Licence no. 24, which simplifies the temporary transfer of armaments.

BAFA has also developed a new type of collective export licence. This makes it easier to transfer or export technology to service colleagues (working within the same company) for maintenance or repair of goods intended for customers in EU or third countries.

BAFA set up an interface with ATLAS, the IT system used by customs administration. Since December 2010, the data for all export licences are transferred to customs for online value and quantity depreciation. This is a very positive development for the export industry, which will no longer be required to submit paper copies of BAFA export licences for customs declarations.

Outlook for 2011

The following issues will be given priority in 2011:

- Assistance to the Federal Ministry of Economics and Technology (BMWi) with the final consultations on the Commission's proposal to publish new export authorisations at EU level. Details of the planned exchange of experiences on the standards for implementing legal regulations relating to export control within the EU are also to be published, with a view to preparing relevant guidelines.
- Assistance to BMWi with implementing the intra-EU armaments directive in national provisions and creating simplified procedures
- Certification of armaments manufacturers
- Continuation of support at the interface between customs procedures and export control
- Continuation of efforts towards establishing an EU database for denial notifications (denial database) to improve the exchange of information between EU Member States
- Continuation of the initiative to expedite licensing procedures of dual-use items, depending on the risk and security situation in each case
- Continued measures to reduce red tape and, in particular, to extend simplified procedures already introduced
- Revision of goods control lists
- Provision of a wider range of information for industry through the publication of additional leaflets, particularly in the area of technology exports and existing simplified procedures
- Introduction of an electronic communication system with companies (ELAN-K2)
- Maintenance of efforts within international export control regimes to achieve international uniformity across existing export control standards, particularly in the area of trading transactions and brokerage.

CWC

The CWC is a multilateral disarmament and arms control treaty. Its main objective is the worldwide prohibition of chemical weapons and the complete destruction of all existing stockpiles of chemical weapons.

In addition to heightened trade restrictions and prohibitions, the CWC also seeks to control certain industry sectors that handle CWC-controlled chemicals to enhance transparency and build confidence. The Federal Foreign Office is the national authority and relevant ministry in Germany, while BAFA is responsible for implementing the CWC in industry, under the technical supervision of the Federal Ministry of Economics and Technology (BMWt).

Declarations

Twice a year, approximately 200 companies submit declarations to BAFA regarding their handling of the chemicals listed in schedules 1, 2, or 3 and of handling discrete organic chemicals (DOC). BAFA checks the accuracy of these declarations and sends the data to the Organisation for the Prohibition of Chemical Weapons (OPCW). Declarations from other countries are evaluated and discrepancies in import and export declarations are clarified with other countries.

Routine inspections by the OPCW

In addition to processing declarations, the OPCW also has its inspectors conduct regular on-site inspections in the companies that submit declarations. During routine inspections, the OPCW inspection teams check for the accuracy of declarations, the non-diversion of declared chemicals and the absence of chemicals that could be misused as warfare agents. BAFA escorts the OPCW inspectors during their on-site verification in Germany. The main objectives of BAFA's activities in this regard are: first, to fulfil the inspection mandate resulting from the CWC; second, to protect the company's confidential internal knowledge.

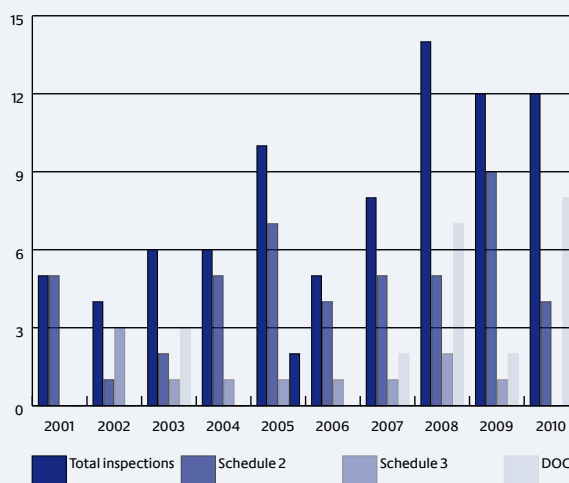
Due to the growing number of industry inspec-

tions in Germany, BAFA continued in 2010 to help prepare companies that could potentially be subject to such inspections. More companies were visited and informed about the requirements of an OPCW inspection.

In 2010, 12 industry inspections were carried out in Germany, bringing to 109 the total number of industry inspections performed in the country since 1998. All of the requirements were satisfied again during the inspections in 2010, the current year under review.

A mobile analysis device (GC-MS) was used, for the third time ever in Germany, as part of the routine procedure for a Schedule 2 inspection.

Inspections in Germany



In April 2010, the one hundredth industry inspection was performed in Germany. At the launch event held to mark the occasion, representatives from the Federal Ministry of Economics and Technology and the Federal Foreign Office highlighted the excellent relations between the OPCW inspection and BAFA escort teams. They also praised the open and cooperative attitude of the German chemical industry, which supported the agreement from the outset, despite additional associated costs. The representative for the German Chemical Industry (VCI) indicated that her organisation's members remained supportive of the CWC in general, and towards the industry inspections in particular. She also drew attention to the fact that the results of all inspections held to date had been

successful, thus confirming the sector's responsible approach to the topic and the reliability in general of the Germany chemical industry.

Challenge inspections

Each state party to the convention can request the OPCW to conduct an on-site challenge inspection, if it has legitimate doubts about another state party's compliance (e.g. unauthorised production of Schedule 1 chemicals). Challenge inspections may be held at any time and at any location. They also differ from standard industry inspections in that they have very short notice periods, a larger team of inspectors and a more extensive inspection scope.

In preparation for such an inspection (an unlikely event as things stand), BAFA has drafted a comprehensive inspection manual and also intensified cooperation with the authorities who would be called upon in a challenge inspection.

OPCW activities

In the period under review, 2010, there was a change of management at the OPCW Technical Secretariat. The previous Argentinian Director-General, Rogelio Pfirter, was replaced by Ahmet Üzümcü from Turkey, who was elected on a rotational basis.

The Hague negotiations regarding a selection procedure for DOC inspections (mandatory inspections for discrete organic chemicals), which were suspended in 2007, were resumed in 2010.

Discussions on introducing new DOC declaration data proceeded in 2010, but ceased when parties failed to reach agreement. The proposed declaration data are intended to provide a more detailed description of the fields of activity and product ranges of companies that are subject to declaration. These data should also apply to the selection procedure for DOC inspections, once this has been determined.

The additional data are declared to the OPCW by some state parties voluntarily, but not used by the organisation for the DOC selection procedure. BAFA is

therefore not involved in collecting this information or forwarding it to the OPCW.

Another item discussed was the task of revising the list of industry topics to be tackled.

Discussions in The Hague in 2010 were increasingly coloured by the impending deadlines for CW destruction in a few years' time. Since the OPCW's considerable staffing and financial resources are expected to be freed up, talks are underway about reorganising and reassigning OPCW activities toward industry verification and international cooperation.

Convention on the Prohibition of Anti-Personnel Mines

BAFA is involved in implementing another international verification agreement besides the CWC: it takes part in monitoring and reporting procedures under the Convention on the Prohibition of Anti-Personnel Mines.

War weapons control

The prohibition of wars of aggression and the full control of weapons intended for warfare are enshrined in the German Basic Law. The War Weapons Control Act, based on these principles, regulates the handling of these weapons, from production to possession and, ultimately, destruction. Various Federal Ministries act as the licensing authorities in charge of these tasks, in particular the Federal Ministry of Economics and Technology.

BAFA is responsible for monitoring companies and facilities involved in the legal handling of war weapons. Manufacturing, maintenance and recycling companies, as well as research institutes, museums and film production firms based in Germany are all subject to scrutiny.

In addition to audits of the extensive reports in accordance with the legal requirements, BAFA also conducts intensive on-site checks of materials and documents. In 2010, about 240 companies and facili-

ties were monitored by BAFA. Approximately 120 external audits were subsequently conducted.

As part of its surveillance mandate, BAFA visits amnestied owners of war weapons with arms possession registration cards and checks whether their firearms are stored appropriately.

Furthermore, BAFA is involved in reporting to the UN Arms Register on behalf of Germany and to the relevant bodies in accordance with the Treaty on Conventional Armed Forces in Europe (CSE - Treaty).

as part of the International Atomic Energy Agency (IAEA), for example.

Cross-border transfer of radioactive substances

In accordance with the Atomic Energy Act, BAFA is responsible for licensing and reporting procedures for the cross-border transfer of nuclear fuel and other radioactive substances, as well as consumer goods containing radioactive substances (e.g. precious stones irradiated for certain colour effects).

Control of the end-use of nuclear material and the preparation of statistics are other major tasks.

BAFA also monitors the cross-border traffic of radioactive waste and spent fuel elements.

BAFA advises the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), the relevant Federal Government-Länder Committees, as well as the EU and the industries active in the areas specified above.

Although the above procedures are implemented independently of the export controls conducted under the supervision of the Federal Ministry of Economics and Technology (BMWi), the procedures and controls do share some common ground. Both procedures entail registering various goods in the goods lists of the export control regimes.

All of these specialised tasks are administered on behalf of the BMU. In this case too, BAFA is thus represented on international committees, and collaborates with international partners both at an EU level and

Foreign Trade - Other Tasks

Import

UNDER THE EU COMMON COMMERCIAL POLICY, IMPORT RESTRICTIONS WERE ALSO IMPOSED IN 2010 ON THE BASIS OF BILATERAL AGREEMENTS BETWEEN THE EU AND VARIOUS SUPPLIER COUNTRIES, AND ON THE BASIS OF AUTONOMOUS EU MEASURES.

These trade restrictions and measures are intended to protect specific sectors of the European economy from excessive imports from third countries and to implement legally binding international treaties by means of a double checking system, with and without quantitative restrictions. The checks comply with the quotas and control measures applicable in the areas of textiles and steel. Steel imports are also subject to prior surveillance with regard to quantity and value. In this context, BAFA issues import licences and surveillance documents for certain goods in the commercial sector.

Textiles

In 2010, the third countries Belarus, North Korea and Uzbekistan were subject to import restrictions. The existing double checking system for importing textiles and clothing from Uzbekistan ceased on 05 May 2010. Since the termination of this bilateral agreement, the textile and clothing sector will in future be included under the terms of the partnership and cooperation agreement between the EU and Uzbekistan.

BAFA granted 237 import licences in 2010.

Another option for specialised manufacturers of certain clothing products is outward processing: goods are exported to a third country for processing and then subsequently re-imported into the EU. In 2010, 34 such prior approvals were granted.

Steel

In 2010, quantitative restrictions in this sector applied to the Russian Federation and Kazakhstan, with BAFA issuing a total of 718 import licences. BAFA issued a total of 23,021 surveillance documents in 2010, in connection with Community prior surveillance of imports of certain steel products from third countries.

Outlook

In the textile sector, quantitative restrictions will continue to be imposed in 2011 on the import of certain goods from third countries Belarus and North Korea, due to autonomous EU measures.

In the steel sector, quantitative restrictions established autonomously by the EU will also continue to apply to Kazakhstan. Furthermore, a bilateral agreement between the EU and the Russian Federation specifies additional quantity restrictions for 2011. However, the relevant regulation will expire upon the third country's accession to the WTO.

The prior Community surveillance of imports of certain steel products from third countries was extended to include additional product groups and will be valid until 31 December 2012.

Imports of potassium chloride originating in Belarus are subject to licensing procedures under existing anti-dumping measures. In 2011, BAFA will continue to grant licences without anti-dumping duty for imports that fall below the quantitative ceiling established by the EU.

Federal Government's participation in trade fairs and exhibitions abroad

The Federal Ministry of Economics and Technology (BMWi) works closely with the Association of the German Trade Fair Industry (AUMA) and BAFA to improve market and export opportunities for German companies. The organisations arrange for the Federal Government to participate in trade fairs and exhibitions abroad at trade stands, usually shared by several small and medium-sized companies. BAFA assists BMWi mainly in terms of order placement, project monitoring, management of budgetary funds and bookkeeping records.

In 2010, the Federal Government was represented at 216 trade fairs in 38 countries, with organisation and implementation costs covered by a budget of 38.6 million euros. In total, 6,235 German companies were supported in their economic activities in new growth markets.

Expo 2010 in Shanghai/China

BAFA supported BMWi in tendering procedures, project planning and setup of the German pavilion at the Shanghai World Exhibition 2010. The budget for the German representation at EXPO 2010 amounted to 27.5 million euros. The German pavilion received the Exhibition organisers' Golden Award for best representing the EXPO's theme of "Better City, Better Life".



balancity 和谐都市

German Pavilion Expo 2010 Shanghai
2010年上海世博会德国馆

Source: German Pavilion

Marketing assistance programme

Small and medium-sized companies from the new Länder are eligible for marketing assistance projects. In addition to country-specific foreign trade consultations, this support measure focuses in particular on systematically acquiring and brokering foreign business partners.

In 2010, BAFA allocated funds of 1.5 million euros to 53 projects with 404 participating companies.

"Renewable Energy" and "Energy Efficiency" export initiatives

BMWi works in conjunction with BAFA to support German companies' export activities in the fields of renewable energy and energy efficiency by arranging the Federal Government's participation in trade fairs and exhibitions at home and abroad. In 2010, BAFA provided funds of 4.1 million euros for participation at 20 trade fairs.

As part of the business travel programme of the Chambers of Industry and Commerce Abroad (AHK), these bodies organised projects all over the world for the "Renewable Energy" and "Energy Efficiency" export initiatives. The aim was to offer German companies an opportunity to establish individual contacts with potential business partners. BAFA granted 6.7 million euros for 40 projects within the "Renewable Energy" export initiative, 25 projects within the "Energy Efficiency" initiative and also for some special projects, such as a roadshow in South America.

Economic Development

BAFA'S MAIN TASK IN THIS AREA IS TO SUPPORT SMALL AND MEDIUM-SIZED COMPANIES. THE OBJECTIVE IS TO STRENGTHEN THEIR EFFICIENCY AND COMPETITIVENESS AND TO FACILITATE THEIR ADJUSTMENT TO STRUCTURAL CHANGES. AT THE SAME TIME, THE FOCUS IS ON STRENGTHENING THE SKILLS BASE AND FOSTERING ENTREPRENEURIAL SPIRIT. THE FOLLOWING SUPPORT PROGRAMMES AND INDIVIDUAL MEASURES SERVE THIS PURPOSE.

Funding retrofitting of compression-ignition engines in cars and light commercial vehicles with compression-ignition engines

Funding retrofitting of particulate reduction systems in cars and light commercial vehicles with compression-ignition engines

This programme is designed to increase the retrofitting of diesel vehicles with particulate filters, with the aim of helping to reduce air pollution and boost demand for these filters. On receipt of applications, BAFA pays a fixed grant of 330 euros for diesel vehicles that have been retrofitted with the filters.

In 2010, the Federal Government continued its 2009 programme for retrofitting of particulate reduction systems in diesel vehicles. The deadline for applications from the first programme was 15 February 2010. In 2010, an additional 48,008 applications were approved and 15,842,640 euros disbursed under the programme.

The Federal Government extended and expanded the programme by publishing the new directive in the Federal Gazette on 12 May 2010. Under the new directive, subsidies will be provided for the installation of particulate filters in diesel passenger cars and certain special vehicles, from the period 1 January 2010 to 31 December 2010. In addition, funds are now also available for retrofitting the filters in light commercial vehicles with a maximum permissible weight of 3.5 tonnes, if the filters were installed between 13 May 2010 and 31 December 2010. In 2010, 95,565 applications were approved and 31,866,450 euros disbursed under the new directive.

Funding of business consultancy, information seminars and training courses

Measures in this area are used to fund business start-up and management in the SME sector. Both support programmes are co-financed by the European Social Fund (ESF). With a big jump in funding activity already recorded for 2009, the number of applications submitted in 2010 increased by a further 8.5%. This amounts to a total increase of 38.4% in applications over the last two years. The two support programmes have evidently been well received and adopted by SMEs.



EUROPÄISCHE UNION

The advisory support scheme focuses on SMEs in industry and the liberal professions that have been active on the market for at least one year. These businesses may apply to BAFA for a grant towards their consultancy fees. In addition, funding may also be granted to companies that have been in existence for many years or decades.

In addition to advisory services dealing with the broad range of issues relating to running a business, subsidies are also granted for specific consultancy services in the field of technology/innovation, foreign trade, cooperation or employee shareholding schemes. Funding is targeted in particular at women in business and at companies managed by individuals with a migration background, while environmental

protection is another key focus. Advisory services on improving work/life balance and work safety are also eligible for funding. Companies are allowed consult different advisory services if advice is required on different matters. The business consultants must be qualified. When looking for a suitable consultant, companies may use the new Consultation and Training Portal, which offers a search function based on specific selection criteria at www.beratungsfoerderung.info.

By funding information meetings and training courses, BMWi and the European Union promote business start-ups in seminars fostering entrepreneurial spirit. Entrepreneurship seminars inform new business owners, skilled employees and management about successful company management. The objective of the seminars is to improve the efficiency and competitiveness of SMEs and the liberal professions. A wide range of events on setting up in business and management is eligible for funding. In addition, workshops help both new entrepreneurs and experienced business owners draft and update their business plans.

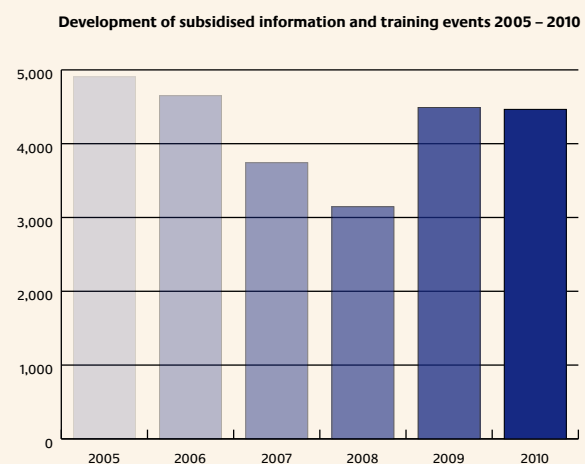
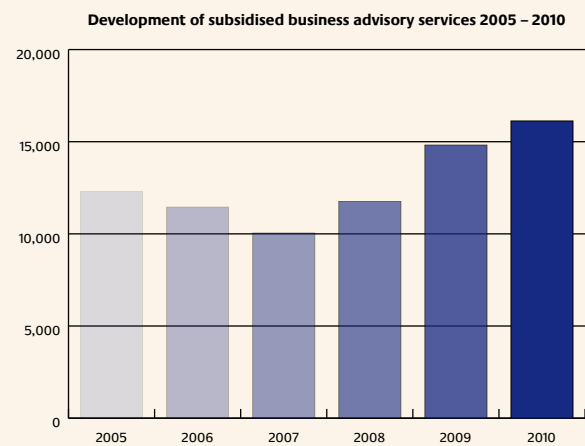
In 2010, the sum of approximately 25.1 million euros was disbursed for the two support programmes. Approximately 21 million euros of this amount covered subsidies for advisory services, while about 4.1 million euros were granted for information meetings and training courses. The two programmes were co-financed with 13.9 million euros from the European Social Fund (ESF).

Overall, about 16,100 advisory sessions were supported, while approximately 43,350 people attended information and training seminars.

The consultations and training focused in particular on the craft sector, the liberal professions, the retail trade and other services. An overview of all seminars dealing with the topics of business start-up, company management and environmental protection is published by the government and available at <https://www.beratungsfoerderung.net/portal/seminarsuche/>.

As the granting authority, BAFA decides on the applications for funding once they have been

reviewed and rated by the coordinating offices of industry umbrella organisations. Local checks on beneficiaries are also performed to verify that funds are used appropriately.



Through its presence at trade fairs and events for entrepreneurs, BAFA has managed to maintain contacts with entrepreneurs and companies while greatly helping to raise awareness of the support programmes.

BAFA is represented on the Federal Ministry of Economics and Technology's (BWi) portal for business start-ups and SMEs and is connected to users via this interface (www.beratungsfoerderung.info).

Supporting tailored placement of trainees in companies

This programme helps SMEs recruit skilled personnel for the future. It is also co-financed by the European Social Fund (ESF).

Advisory and placement services provided by qualified consultants from the Chambers of Commerce qualify for funding. The consultants work to ensure that trainee positions are filled by candidates with the ideal profile.

In 2010, a total of 3.26 million euros were spent on advisory and placement services for SMEs, of which the sum of 2.05 million euros was co-financed by the European Social Fund (ESF).

Consultants visited 8,566 companies, provided 48,965 consultations, held 14,982 interviews, and filled 9,544 apprenticeship training positions.

Trade fair programme for “Young Innovative Companies”

Since June 2007, assistance has been granted to help represent young innovative companies at leading international trade fairs in Germany at shared trade stands organised by the trade fair organisers. The programme aims to support the export of new products and processes. Major German export-oriented trade fairs offer an excellent platform for international market penetration and thus for the growth of young, innovative companies.

In 2010, BAFA provided 3 million euros of funding to help 649 young innovative companies participate in 49 trade fairs.

Funding of inter-company vocational training centres

With the joint directive of the Federal Ministry of Education and Research and the Federal Ministry

of Economics and Technology of 24 June 2009, the Federal Government has taken concrete steps to fund the modernisation and restructuring of existing inter-company vocational training centres (ÜBS). These centres provide training and further training programmes, and are primed to become technology-oriented centres of excellence.



Source: HWK Bildungszentrum, Münster

The directive is intended to increase the efficiency and innovative capability of SMEs so they can better access all markets. ÜBS centres are in existence throughout Germany and thus play an important role in meeting the demand for skilled personnel in Germany.

Assistance is available for investments in the fields of construction, equipment, supplementary procurement and technical fittings.

By developing the ÜBS into centres of excellence, it is hoped to establish a sufficiently extensive network of modern, demand-driven educational service centres enabling the transfer of new technologies and findings from research and development. The centres cater largely to the vocational qualification requirements of SMEs.

As part of the strategy to further develop ÜBS into centres of excellence, personnel expenses and material costs relating to the transfer of management and administration expertise are also eligible for funding.

Applications for funding may be submitted by legal persons under public law or legal persons recognised under private law as non-profit bodies

(largely comprising Chambers of Crafts and Trades, Chambers of Industry and Commerce, non-profit limited liability companies) that support the ÜBS or by regional guild associations or trade associations undertaking vocational training for their organisation members. The federal state in which each ÜBS is situated must approve the measure and make an appropriate contribution towards the overall project expenses. The applicant is also required to make a financial contribution.

Overall, approximately 1,000 vocational training centres are funded in Germany.

BAFA supports ÜBS centres that offer advanced vocational training programmes and qualification courses aimed at improving technology, research and innovation management for SMEs in trade and industry. Its tasks include co-ordination with the sponsors, experts and industry organisations involved. BAFA grants subsidies in accordance with the project support programme and is responsible for approvals, project monitoring and expenditure reports on use of funds.

By the end of 2010, BAFA had received 101 project proposals and applications for funding of 89 ÜBS and 12 centres of excellence with an investment volume of more than 217 million euros.

In 2010, a total of approximately 24 million euros was disbursed to 61 facilities. The sum of 22.2 million euros was spent on 48 inter-company vocational training centres, while 13 centres of excellence received 1.8 million euros in funding.

Institutional assistance

BAFA provides assistance to selected institutions tasked with analysing the interests of SMEs or acting as transformers and multiplier agents, facilitating the exchange of information between science and industry about the latest political and economic developments.

These institutions include the following:

- the German National Tourist Board (DZT) in Frankfurt/Main, which promotes Germany as a holiday destination at home and abroad on behalf of the Federal Government
- the German Centre for Productivity and Innovation (RKW) in Eschborn, which promotes productivity, innovation and competition among SMEs through practical preparation and the transfer of relevant scientific findings in the fields of rationalisation and innovation management
- the Working Group for Economic Administration (AWV) in Eschborn, for German companies, which is dedicated to the economic structuring of administrative processes.
- the Institute for SME Research (IfM) in Bonn, which analyses the situation, development and problems experienced by SMEs
- the German Trade and Crafts Institute (DHI) in Berlin, an umbrella organisation comprising six research institutes that deal with application-oriented craft research and trade promotion.

A total of approximately 36 million euros in funding was allocated to these institutions in 2010.

Individual assistance measures

In addition to the priority areas mentioned above, BAFA also implements various individual measures to bolster the efficiency and competitiveness of SMEs in the craft industries, liberal professionals and the service sector, including tourism.

For the craft sector, projects funded included two special exhibitions at the 62nd *“Internationale Handwerksmesse”* (IHM) craft trade fair in Munich and the holding of a federal competition for German crafts in Bayreuth. Funding for these measures amounted to 590,000 euros.

Another 3.6 million euros were provided for projects in the service sector (including tourism) and

the liberal professions.

Additional funding will be available for tourism: A directive aimed directly at this sector will enable funding of training events for skilled employees and management from all areas of tourism, as of 2011.

With respect to these funding measures, BAFA checks whether the eligibility conditions for grants are fulfilled, issues approvals, monitors budget management and checks that funds are used according to the intended purpose of the allocation and budgetary legislation.

In addition, funding recipients can avail of BAFA's expertise on matters of budgetary legislation related to project implementation.

“Innovative shipbuilding guarantees competitive jobs” support programme

This support programme is an important element in improving the competitiveness of the German maritime industry. German shipyards can apply to BAFA for grants covering up to 20% of their investment, design, engineering and testing costs. This expenditure must result directly from the industrial application of innovative products and processes in shipbuilding that are newer than or clearly superior to the best available products and process. The products and processes for consideration must be vulnerable to technical or industrial failure.

The new directive introduced on 17 May 2010 simplified key elements of the application process. Removing the repayment obligation has helped, in particular, to make the programme more business-friendly. The number of applications for funding has thus risen: since the programme was launched in 2005, BAFA has received 142 funding applications. Of that total, 45 were received in 2010 alone. Compared to the previous year, when only 11 projects were recorded, the number of applications more than quadrupled.

In 2010, BAFA provided a total of 8.5 million euros

of funding to German shipyards.

Film funding

Under the Federal Film Funding Act (FFG), BAFA issues certificates stating that a film is defined as a German film under the terms of the FFG. In the case of international film productions with German participation, BAFA reaches agreement with the relevant national authorities on the basis of multilateral or bilateral agreements.

The German Federal Film Board (FFA) grants subsidies based on the certificates issued by BAFA. BAFA also issues certificates of origin for the distribution of German films abroad.

In 2010, 540 applications for certificates, preliminary project certificates and certificates of origin were filed. Of these, 283 were for German films, 251 for international co-productions with German involvement, and six for other productions (e.g. commissioned productions).

German Industrial Film Award

BAFA is the agency responsible for the German Industrial Film Award, which is annually sponsored by the Federal Ministry of Economics and Technology (BMWi).



Source: Federal Ministry of Economics and Technology

The prize is awarded to short films dealing with contemporary issues relating to our industrial and service-based society in Germany.

The German Industrial Film Award was awarded for the 43rd time in 2010. Winners in three categories were chosen from 205 submissions. A cash prize of 5,000 euros was offered for the young filmmakers' category. In addition, a special prize of 5,000 euros was awarded to the best film of the competition.

Car scrappage scheme

An interim report from Autumn 2009 commented on the positive macroeconomic, sector-related and ecological effects of the car scrappage scheme. The benefits were again confirmed by a concluding study completed in November 2010.

In 2010, the automotive sector witnessed both favourable conditions and some far-reaching decisions in Germany. These factors had a dramatic impact on many areas, including the jobs market. According to the experts, the car scrappage scheme also played a role in this regard, and was a major factor in controlling the crisis at the time.

This analysis is supported by an impressive database of almost two million vehicles. BAFA has outlined details of the effects in a closing report.

The following tables provides an overview of the top 10 new/nearly new cars and top 10 scrapped cars:

Car scrappage scheme – New and nearly new cars – Top 10

Ranking	Model	% share
1	VW GOLF, JETTA	13.26
2	SKODA FABIA	4.61
3	VW POLO	4.49
4	OPEL CORSA	4.17
5	OPEL ASTRA	3.62
6	FORD FIESTA	3.37
7	FIAT PANDA	2.93
8	DACIA SANDERO	2.52
9	FIAT PUNTO	2.42
10	PEUGEOT 207	1.89

Based on approximately 2 million applications

Car scrappage scheme – Scrapped cars – Top 10

Ranking	Model	% share
1	VW GOLF, JETTA	14.04
2	OPEL CORSA	7.71
3	OPEL ASTRA	6.90
4	VW POLO	6.35
5	FORD FIESTA	5.12
6	VW PASSAT	3.12
7	FORD ESCORT	3.00
8	OPEL VECTRA	2.91
9	RENAULT TWINGO	2.33
10	FIAT PUNTO	2.09

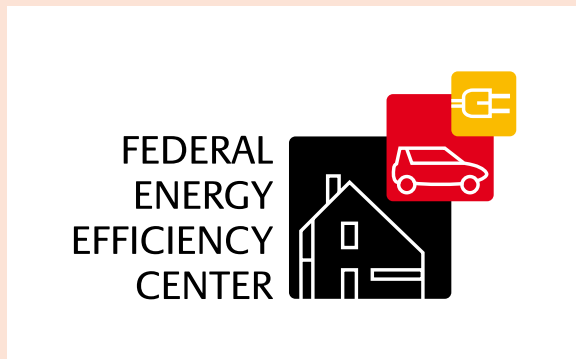
Based on approximately 2 million applications

Energy Economy/Energy Efficiency

BAFA CARRIES OUT NUMEROUS TASKS IN THE FIELDS OF ENERGY EFFICIENCY AND THE ENERGY ECONOMY ON BEHALF OF THE FEDERAL MINISTRY OF ECONOMICS AND TECHNOLOGY (BMWi).

Federal Agency for Energy Efficiency

In 2009 the Federal Agency for Energy Efficiency (BfEE) was established within BAFA as a central national body to implement Directive 2006/32/EC of the European Union on energy end-use efficiency and energy services. This energy services directive aims to increase energy end-use efficiency and thus reduce consumption of primary energy, improve the secure energy supply and mitigate CO₂ emissions.



Energy efficiency is vital for climate protection: over 50 per cent of the reduction in CO₂ emissions required for climate stabilisation must be achieved through these energy efficiency measures alone. The directive focuses on a cost-effective increase in the energy end-use efficiency by end-users through energy services and other energy efficiency measures, as well as the development and expansion of relevant markets.

The Federal Agency ensures that the objectives set forth in the EU directive are achieved, while helping BMWi to implement the directive at national and European levels. BfEE was assigned central tasks in this regard, such as establishing whether Germany reaches the target of a 9% saving in end-user energy consumption by 2017, a requirement for all EU Member States. Other major tasks are to observe and evaluate the market for energy services and take measures to develop and support this market, prepare national action plans for energy efficiency (EEAP) for the

government, educate the public about best-practice energy efficiency measures implemented by public authorities and finally, to inform market participants about energy efficiency mechanisms and the relevant conditions.

Once national implementation of the European energy services directive was completed via the German Energy Services Act (EDL-G), which came into effect in November 2010 after an extended preparatory phase, other tasks were assigned to BfEE. These include, for example, the official maintenance of a list comprising energy service providers, energy audits and other energy efficiency measures for the public. The list of providers is primarily intended to inform end users about the range of services available to them in the area of energy efficiency.

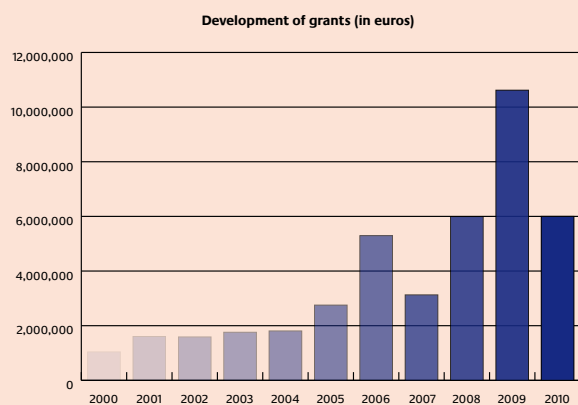
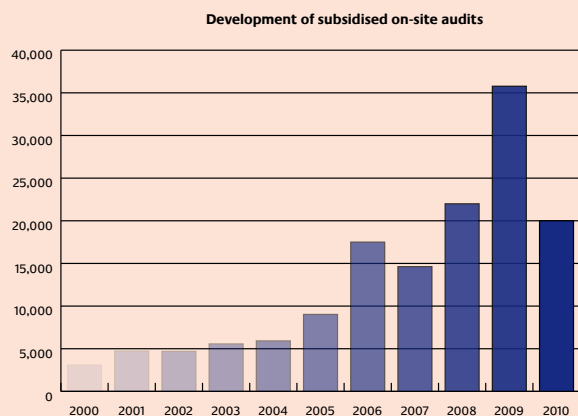
A further essential part of day-to-day operations is the BfEE's role in providing scientific support to the Federal Ministry of Economics and Technology (BMWi) in matters concerning energy efficiency and energy savings.

Funding programme for on-site energy audits

By providing grants for on-site energy audits to boost the economical and rational use of energy in residential buildings, BAFA makes an important contribution to energy-saving investments in this field. The objectives of the funding programme are: reduce energy consumption to conserve natural resources; reduce environmental pollution (particularly CO₂ emissions); support a secure energy supply. The assistance provided reduces the costs of an audit for those receiving the service. Applications may only be filed by energy consultants who can give qualified and independent advice based on the appropriate education and further training. Due to the strict requirements that must be met by the audit reports based on on-site surveys and data acquisition, which also include detailed proposals for improvement and profitability calculations, the results of energy audits go far beyond the issuing of an energy performance certificate for buildings. They are also accepted, for example, for loan applications from the KfW Development Bank as part of the

CO₂ building renovation programme.

A large number of subsidised audits was performed again in 2010 (approximately 20,000 in total) and over 6 million euros disbursed in subsidies. The total value of follow-up investments triggered as a result of these subsidies in the area of energy-efficient building renovation is expected to be several times this amount.



Procedures at BAFA are continuously being optimised so that the programme can be implemented as efficiently as possible, while conserving resources. Internet-based registration of consultants, application filing and reports on expenditure of funds are supported by an internal document management system. BAFA has provided an online search facility based on postcodes to facilitate selection of eligible energy consultants.

As a result of the last amendment to the directive on 1 October 2009, the funding programme was extended to 31 December 2014. For the first time, its validity was extended over a longer period,

confirming the central role played by this funding programme within the Federal Government's energy policy objectives.

Support of projects promoting the rational and economical use of energy via the German Energy Agency (dena) and energy-saving consultations for private consumers

BAFA supports the projects and campaigns of the Germany Energy Agency at national and international levels to boost energy efficiency and foster the economical and rational use of energy.

In 2010, funds of 6.1 million euros were granted to 18 projects focusing on energy efficiency and renewable energies. BAFA is responsible for approval, project monitoring and expenditure reports on the use of funds.



Source: German Energy Agency

BAFA also supports consultations for private consumers on ways to save energy and use renewable energy. These consultations are organised by the Federation of German Consumer Organisations (vzbv) in 18 consumer organisations.

Since 1978, consumers have been able to avail of these independent consultations and access information from qualified architects and engineers via more than 6,000 support centres and information points nationwide.



Source: The Federation of German Consumer Organisations

In 2010, BAFA assisted the vzbz's project with 4.1 million euros for approximately 72,000 consultations.

Subsidies for German hard coal mining

To finance the sale of German hard coal for use in power stations and steel plants and cover the expenses incurred by mining companies due to closures, BAFA allocates funding to coal mines from the federal budget and the budget of North Rhine Westphalia.

The subsidies help mining companies to compensate for the difference between their production costs and the price of imported coal from non-EU countries, enabling the sale of German coal at competitive prices. In addition, the subsidies may be used to cover expenses incurred due to permanent closure.

The volume of annual funding required is calculated on the basis of the difference between the individual mining company's manufacturing costs and the price of coal imported from third countries, or the difference between ex-mine revenues and the total verified expenses on closure as appropriate.

BAFA checks and determines the amount of closure expenses and bad debts, and also verifies funding parameters, such as production costs, sales volume and ex-mine revenues. In addition, BAFA collects data on third-country (free at German border) prices for

steam coal and coking coal. For this purpose, the operators of power stations and steel works report their purchased quantities of imported coal and German coal, including the respective prices.

The subsidised extraction of hard coal in Germany will be phased out by the end of 2018.

Adjustment benefit

Since 1972, older coal miners who lose their jobs as a result of closures or rationalisation measures approved by BMWi can receive adjustment benefit for up to five years, provided they are entitled to receive one of the pension types listed in the adjustment benefit guidelines. This aid is to alleviate social hardship resulting from closures or rationalisation measures.



Hard coal mining

Source: German Federal Government

The adjustment benefit is laid down in the German Hard Coal Financing Act on state aid to the coal industry (*Steinkohlefinanzierungsgesetz*) of 20 December 2007, which permits payments from the federal budget under certain conditions up to the year 2027.

Supporting combined heat and power generation (CHP)

The CHP Act aims to contribute to attaining the climate protection targets of the Federal Government, and achieve a considerable reduction of CO₂ emissions

in particular. Since CHP plants generate both electricity and usable heat simultaneously, the energy can be used far more efficiently in combined plants than in separate plants using conventional generation. This technology requires less primary energy and therefore emits less CO₂.

Support provided to electricity generated in CHP plants works as follows: the CHP plant operators receive bonuses from the grid operators for the CHP electricity fed into public grids; the cost of the bonuses is then ultimately shared by all electricity consumers.

According to the German CHP Act (KWK-Gesetz), the amount and applicable duration of bonuses paid for CHP electricity depend on the category and size of the plant.

The purpose of the Act is to encourage the following:

- Modernisation of older CHP plants
- Construction of new smaller CHP plants with a power output of up to 2 MW
- Construction of CHP plants with a power output of over 2 MW from 2009

It also aims to support the introduction of fuel cell technology on the market.

Payment of the CHP bonus by the grid operators is subject to approval of the CHP plant by BAFA. This is BAFA's main task under the CHP Act.

Since the entry into force of the CHP Act on 01 April 2002, BAFA has approved approximately 27,500 CHP plants, of which almost 4,100 were approved in 2010. About 90% of these are micro plants with a power output less than 50 KW. The bonuses paid for electricity generated in these plants and fed into the public grids are higher than average. However, the major share of CHP electricity is generated in plants with a power output of over 2 MW. Their share amounted to almost 87% with 48.9 million MWh in 2009 (the figures for 2010 are not yet available). A total of 56.4 million MWh of CHP electricity were produced

in 2009. The operators of these plants received CHP bonuses amounting to approximately 550 million euros.

Since the beginning of 2009, the expansion and construction of heat supply systems have been eligible for funding if they are mainly used for conveying heat (hot water and steam) from CHP plants. The bonus amounts to 1 euro per millimetre internal diameter and per metre of pipeline length, but no more than 20% of the investment costs eligible for inclusion in the accounts. This aid helps increase the proportion of CHP electricity and heat compared to conventional production in separate plants. By the end of 2010, BAFA had received 683 applications, including several collective applications by municipal energy suppliers extending their heat supply networks. To date, 460 authorisations have been granted, with funding to the value of 21.2 million euros. The sum has been used to fund approximately 300km of new pipelines in heat supply networks.

Petroleum

In response to the worldwide oil crisis in 1973/74, the Western industrialised nations established the International Energy Programme (IEP) as a means of efficiently tackling any potential disruption in petroleum supply. The International Energy Agency (IEA) was founded in Paris to coordinate the international emergency mechanism. The member states reached agreements on, for example, stock keeping, coordinated consumption restrictions and oil redistribution in times of crisis.

Within this system of crisis prevention, BAFA works together with the petroleum industry, BMWi and the German National Petroleum Stockpiling Agency (EBV) to implement the international energy programme and the Energy (Security of Supply) Act within the National Emergency Sharing Organisation (NESO). BAFA is responsible for enacting a range of measures to cope with the consequences of a possible disruption to supply in Germany, in particular for establishing a data system and administrative process to balance supplies. The crisis management system and operation of the data system are regularly subjected to national and international tests.

BAFA regularly informs the IEA and the European Commission of the current supply situation and the latest trends in the German petroleum market. Once a month and in accordance with the Petroleum Data Act (MinÖIDatG), BAFA collects data from the German oil companies, such as crude oil purchases, refinery production, stocks, foreign trade and sales of petroleum products based on selected groups of customers. The results are published in the “Official Mineral Oil Datasheet” and BAFA’s Information Service (“Energie Info”). These results also include information on the biofuel market and are used as the basis for monitoring and analysing petroleum market developments and making decisions on energy and environmental policies. Furthermore, the results are included in the world oil statistics of the Joint Oil Data Initiative (JODI). This initiative collates all international data, with a view to increasing transparency on the world petroleum market.

Natural gas

With regard to natural gas imports, BAFA grants licences for the agreement or use of delivery periods in excess of 24 months.

In addition, BAFA collects data on a monthly basis regarding natural gas imports into Germany. The cross-border prices for natural gas are published following evaluation of these reports.

International Oil Pollution Compensation Funds (IOPC Funds)

BAFA collects data from the German petroleum industry on an annual basis for the International Oil Pollution Compensation Funds; this data refers to oil transported by sea and subject to levies. Based on this data, the German contribution to the funds is then determined. The IOPC grants compensation up to a certain maximum amount for damage caused by oil tanker accidents.

Climate protection

BAFA MANAGES VARIOUS PROGRAMMES ON CLIMATE PROTECTION ON BEHALF OF THE FEDERAL MINISTRY OF THE ENVIRONMENT

Funding of renewable energies (Market Incentive Programme)

The Federal Office of Economics and Export Control promotes measures for using renewable energies as part of the market incentive programme run by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. This programme aims to boost sales of renewable energy technologies through investment incentives and enhance the profitability of these technologies.

The market incentive programme has also had considerable impact on the climate protection objectives defined by the Federal Government. A reduction in CO₂ emissions of over 930,000 tonnes annually is being achieved by the plants constructed and funded by BAFA in 2009 as part of the support programme to supply regenerative heat. The programme is an efficient, low-cost means of reducing CO₂, with costs amounting to 21.1 euros per tonne of CO₂.

In 2010, BAFA subsidised the following plants and equipment:

- solar thermal systems with a gross collector area of up to 40 m²
- solar thermal systems with a gross collector area of over 40 m² on detached and semi-detached houses with a higher buffer tank capacity
- automatically fed systems burning solid biomass for thermal use with a nominal thermal capacity of up to 100kW
- manually fed systems burning solid biomass for thermal use with a nominal thermal capacity of 15 to 50 kW (split log carburettor boiler)
- efficient heat pumps
- high-efficiency circulation pumps or solar collector pumps and replacement of old boilers with condensing boilers
- highly innovative technologies for heat and cold generation from renewable energies, such as: large solar thermal systems with a gross collector area of 20 to 40 m²; secondary measures for reducing emissions and improving the efficiency of systems by burning solid biomass with a nominal thermal capacity of 100 kW; high-efficiency heat pumps.



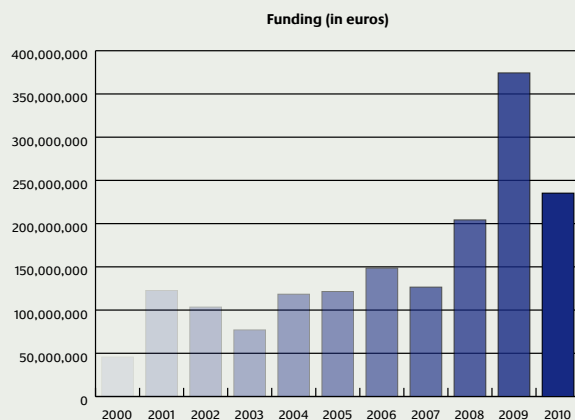
Thermal solar collection system on the roof of the Federal Government's Press and Information Centre
Source: BSW-Solar/Langrock

The defining feature of this funding is a bonus system that can provide higher amounts of aid. Additional bonuses may be granted if various measures are combined or if particularly energy-efficient technologies applied.

As a result of the high demand for funding, the support programme had to be suspended temporarily in 2010 from May to the start of July, since the funds allowed by budget legislature were insufficient. When the programme resumed on 12 July 2010, after additional finance was made available by the German Bundestag's Budget Committee, several eligibility criteria for support were removed. Installations that were no longer eligible for funding included, for example, air-regulated pellet heating systems, solar

collections systems used solely for heating hot water and systems installed in new buildings.

Nevertheless, BAFA provided funding for a total of 146,000 of the above systems to the value of 235.2 million euros in 2010. Specifically, the funding was allocated to approximately 87,000 solar thermal plants, 34,000 solid biomass plants (pellets, wood chips or split logs), 23,000 heat pumps and 1,400 technologies of particular innovative merit in the areas of solar and biomass technology. Furthermore, there were approximately 73,000 other technical solutions that merited funding and were implemented, alongside the above-mentioned solar, biomass and heat pump systems. Additional funding of 45 million euros was approved for these solutions. These technical solutions included, for example, highly economical heating circulation pumps, solar collector pumps or combined systems with condensing boiler heating.



The market incentive programme has proven to be highly successful overall, with over 1.7 million grant applications submitted to BAFA since the programme was launched at the end of 1999.

Special compensation rule according to sect. 40 ff. EEG (Renewable Energies Act)

In Germany, the public utility companies (EVU) are subject to priority purchase of electricity generated by means of renewable energy sources. This is sold by the transmission system operators on the Leipzig

European Energy Exchange. Since the revenues thus generated are still lower than the feed-in tariffs payable under the EEG, a revenue shortfall remains. This shortfall, combined with other costs for feeding in and transferring the electricity, represents the 'EEG surcharge' (EEG-Umlage) passed on by the EVU to all German consumers.

BAFA may limit, upon request by electricity-intensive manufacturing enterprises and rail operators, this surcharge to 0.05 cent/kWh to maintain the international competitiveness of manufacturing enterprises and intermodality of rail operators. Electricity-intensive manufacturing enterprises are defined as companies whose electricity consumption amounted to more than 10 GWh and whose electricity costs constitutes more than 15% of the gross value added in the last business year before submitting their request. These companies are mainly in the paper industry, non-ferrous metals, iron/steel and chemistry sectors. The rail operators are also required to consume more than 10 GWh per year to be eligible for the limit. These companies share the cost of 10% of the electricity consumption. Companies with over 100 GWh electricity consumption and whose electricity costs represent 20% of gross value added are exempt from cost sharing.

In 2010, BAFA received 650 requests for 890 delivery points. The scope of relief to be decided upon for 2011 is considerably in excess of 2 billion euros.

Section 66 Paragraph 5 of the EEG makes provision for a retrospective special application process for manufacturing enterprises that procure their electricity without the use of a public grid and are subsequently subject to EEG electricity costs. This process is based on a judgement of the German Federal Court from December 2009 and could be applied for on a one-time basis up to 30 September 2010.

Climate protection incentive programme

Funding for industrial refrigeration plants

In Germany, refrigeration plants consume about 15% of total electricity consumed. The incentive programme for refrigeration plants aims to encourage the use of advisory services and of better technologies for climate protection in refrigeration technology by granting bonuses for advice and investments.

Since 2009, BAFA has deployed this programme in two areas: first, the refurbishment of existing refrigeration plants that have an annual energy consumption of at least 150,000 kWh and potential savings of at least 35% to be gained through using more efficient components and systems; second, the construction of new units with an annual energy consumption of at least 100,000 kWh based on exclusive use of natural freezing agents, such as ammonia (NH₃), carbon dioxide (CO₂) or propane.

In 2010, BAFA granted authorisation for 204 plants, disbursed grants for net investment costs to the value of 10,177 million euros and approved funding for an additional 7.893 million euros. Average energy savings of 45% were achieved as a result by the subsidised plants.

Other Tasks

Satellite data security

Under the Satellite Data Security Act (SATDSiG), BAFA is assigned important tasks related to national data security policy. The Act aims to safeguard the foreign policy and security interests of Germany with regard to the international distribution of earth remote sensing data for commercial and scientific purposes. It only applies to highly efficient remote sensing systems capable of collecting geo data with particularly high-grade information content. The data is disseminated in a two-stage process, as described below.

First, the data provider must check if the information requested by a customer is sensitive. If so, the customer request may only be handled when BAFA grants permission. Permission is also required if the data provider intends to disseminate data without a specific customer request. If, in any individual case, the data transfer would constitute a threat to Germany's essential security interests, to the peaceful co-existence of nations or to Germany's foreign relations, permission will be refused.

In 2010, BAFA granted 611 authorisations for the dissemination of data from highly efficient remote sensing systems on the basis of sensitive requests. A total of 1,533 authorisations were issued for data dissemination without a customer request.

The operators of high-grade remote sensing systems require a licence, while data providers who intend to disseminate or make available to the public the data collected by such systems require a permit. In both cases, BAFA demands proof of reliability and compliance with defined security standards. BAFA has rights of supervision for this purpose, which it mainly exercises through government audits.



German radar satellite TerraSAR-X
Source: German Aerospace Centre (DLR)

INSIDE BAFA

Number of employees

The total number of employees in 2010 was 749. Of these, 213 were permanent civil servants, while 536 were salaried employees (including 37 trainees).

GTAI (Germany Trade and Invest)

In its capacity as employer of the 209 staff assigned to GTAI, BAFA supervised the GTAI office relocation from Cologne to the offices of the Federal Ministry of Economics and Technology (BMWi) in Bonn.

HR management

A BAFA's human resource development strategy continued to be an important contributory factor to the successful performance, high quality customer service and efficiency of the office in 2010. In addition to the ongoing activities in various areas of HR development, a comprehensive system of management performance feedback was introduced for the first time in 2010. Used in conjunction with coaching sessions, this tool proved useful in improving the management culture and overall cooperation in the office.

One of the HR development challenges faced during the year was to provide training to all staff in the area of export control. This was necessary to enable staff to work with an entirely new processing software system ("Export Manager").

A group of speakers was formed again in 2010 with the aim of helping to promote and develop young leaders within the team. The speakers arranged a number of activities. For example, they undertook an official trip to maintain existing relations and develop new contacts with the EU Commission, European Parliament and with various associations.

Career and family

DBAFA actively participates in the "Career and Family" programme, audited by the non-profit Hertie foundation. In 2010, the focus was on flexible, family-friendly working hours, with existing mandatory core hours replaced by flexible office operation hours. Following the success of a pilot project, flexible working hours have been introduced across the board at BAFA. In addition, it is now possible to reserve floating days to attend to family obligations. A re-audit of BAFA by the Hertie Foundation is scheduled for 2011.

The crèche set up at the BAFA offices by the incorporated non-profit association Zwergenburger e. V., which looks after 24 children on a daily basis, now has 10 places filled by children of BAFA employees.

Holiday activities for school children were again organised by BAFA with other employers and the Eschborn Multigenerational Home, as part of the office's core "Career and Family" programme.

Training

Vocational training is highly valued at BAFA: in 2010, 14 new trainees were hired, while 21 trainees successfully passed their exams in the same year. Currently, a total of 37 young people are being trained as office communication experts and IT specialists. BAFA hopes to continue to increase the number of trainees in 2011.

IT modernisation

In 2010, once BAFA had completed its introduction of paperless application procedures in the subdivisions of economic development and energy, it also fully revamped the IT infrastructure in the division of export control. The new "Export Manager" software program went live in 2010. Its introduction required significant organisational changes. Another new development was the "ELAN-K2" online portal: since February 2011, this portal has enabled rapid, seamless exchange of data and documents between the export industry and BAFA, without media inconsistencies. Ef-

efficiency and service at BAFA have improved as a result of the Export Manager and ELAN-K2 IT solutions.

Risk management

In 2010, a standardised risk management system was introduced at BAFA. This system will be used to log and monitor risks systematically in accordance with relevant guidelines. It should help counter-measures to be implemented immediately during a particular initiative to avoid or minimise foreseeable risks.

Ideas management

There was an increase in the number of profitable ideas submitted in 2010 and a commensurate rise in the number of bonuses paid.

International cooperation

As part of the EU twinning/BMWi project “Strengthening the Capacity of Serbian Government Institutions”, the head of the IT/organisation division of the Serbian Economics Ministry and the deputy head of the Serbian Administrative Office visited BAFA to gather information relating to the areas of IT and organisation. In addition, BAFA assigned two short-term experts to the twinning project. These experts organised a number of workshops on organisational and IT topics with colleagues in Serbia and other experts.

In November 2010, BAFA welcomed a delegation from Turkey. Together with representatives from GIZ (German enterprise for international cooperation, formerly known as GTZ), the Vice-President of KOSGEB was advised on human resource development and quality management at BAFA. KOSGEB is a development organisation responsible for supporting small and medium-sized businesses in Anatolia.

BAFA at a Glance

Modern service provider offering a broad range of tasks under the supervision of the Federal Ministry of Economics and Technology (BMWi).

Key areas of expertise:

- Foreign trade
- Economic development
- Energy economy
- Climate protection

President:	Dr. Arnold Wallraff
Staff:	749 employees, of which 49.13% are women. The percentage of trainees in 2010 was 5.12%.
Locations:	Eschborn and Bochum
Budget:	34.1 million euros basic funds; more than 2.6 billion euros to fulfil our tasks

Guiding Principles

Our mission

BAFA is a Higher Federal Authority subordinated to the Federal Ministry of Economics and Technology (BMWi). We are also commissioned with specific technical tasks for other federal ministries. Our responsibilities focus on energy, foreign trade, promotion of trade and industry.

As one element of a complex export control system, we make an important contribution to Germany's foreign and security policy. In addition, we monitor existing EU import restrictions for the purpose of protecting individual economic sectors.

Using support programmes, our job is to translate economic policy targets into concrete administrative action. Providing an impetus to small and medium companies is a particular priority.

We provide financial aid to the German hard coal mining industry, thus helping to secure our energy supply. By subsidising renewable energies and power and heat cogeneration, we support environmental and climate protection.

Challenges faced

We play an active role in shaping structural change within public administration. Sustainable structures are created through optimisation of administrative processes. Our experience and technical expertise enable us to assume new tasks, while our performance more than bears comparison with other authorities and private service providers.

How we see ourselves

We realise that our work has an impact on economic events. As a result, we bear a special responsibility for companies and citizens. It is our aim to improve the effectiveness and acceptance of legal regulations underpinning our actions.

Our added value

Our added value is summarised by our skills and commitment to our goals, while cooperation between interdisciplinary teams is our strength.

Our relationship with citizens, companies, associations and authorities

We work together in a fair and responsible manner to advise and support citizens, companies, associations and authorities at home and abroad. Our decision-making and organisational authority is applied appropriately and correctly. We focus on providing an efficient service in all areas – this is the yardstick by which we want to be judged.

Cooperation

Our work is a cooperative venture.

This is why it is important to agree on objectives, assume and delegate responsibilities and tasks, treat each other fairly, inform each other thoroughly, make decisions transparent, be open to dialogue, be willing to accept and exercise criticism, and eliminate rigid hierarchical ways of thinking.

We share our commitment and all colleagues, managers and staff are prepared to give the same dedication to tasks that they expect of others.

Staff training and development

Staff training and development enhance our motivation and job efficiency.

Voluntary commitment

We are committed to acting by these guiding principles. Each individual is responsible for implementing these principles in practice and taking an active role in shaping our daily work. We continuously monitor the implementation of these guiding principles and further develop them as the need arises.

