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A CLIMATE FOR AMBITION?

GERMANY'S COMMISSION FOR "GROWTH, STRUCTURAL CHANGE, AND EMPLOYMENT"AND ITS MANDATE TO PHASE OUT COAL

ALEXANDER REITZENSTEIN

The German government has set up a Commission for "Growth, Structural Change, and Employment", or "Coal Commission". This brings together key stakeholders from ministries, industry, trade unions, regions, NGOs and research institutes. It is mandated to propose an action plan for an orderly – and therefore just – transition away from coal, including a phase-out date and clear measures to reach the 2030 emissions reduction targets in the energy sector to be in line with domestic, European and international climate commitments. This briefing paper aims at informing international stakeholders about the overall context of the Commission (1), characteristics of the German coal debate (2), the stakeholders involved (3), and key indicators of progress to watch out for until the Coal Commission delivers its result (4).

Our analysis suggests that several members of the Coal Commission are unlikely to agree to or even champion an ambitious action plan, posing the risk of a phase-out date well after 2030 and an unjust transition for lignite mining regions. Strategic advocacy by the climate community from inside and outside Germany as well as strong engagement with the Coal Commission and other policy processes will be key for a Just Transition and successful industrial transformation towards a low-carbon economy in the regions that is in line with the Paris Agreement.

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1. What is the Coal Commission and why was it established?

The concept of a Commission for "Growth, Structural Change, and Regional Development" was first anchored in Germany's 2016 **Climate Action Plan**[1] and transformed into a Commission on "Growth, Structural Change, and Employment" in the **coalition treaty**[2] of the current government. According to the agreement, it aims at developing an action plan with concrete measures by the end of 2018 to a) close the gap to reaching the 2020 emissions reduction goal (-40% compared to 1990) to the extent possible, b) reach the domestic 2030 targets for the energy sector, including a robust impact assessment, c) gradually reduce and end power production from coal, including a phase-out date and accompanying legal, structural, economic, and social measures, and d) ensure financial support for the transition in the affected regions, and make funds available for the necessary structural adaptation[3].

In the coalition treaty, a total of €1.5 billion is earmarked for structural change and transition in coal regions. **The official mandate[4] of the Commission, which was published in June 2018 after being postponed several times, largely confirms these priorities, however it follows a sequenced approach.** Outcomes on transition and structural change policies will be developed and prioritised until October 2018, while first results to close the gap to Germany's domestic 2020 climate target are expected just before COP24 in Katowice. The 28-person strong Commission is led by former high-level politicians of the three regions most affected by a phase-out of coal – Stanislaw Tillich (Saxony), Matthias Platzeck (Brandenburg) and Ronald Pofalla (North Rhine-Westphalia) – as well as the climate economist Barbara Praetorius, and composed of stakeholders from government, industry, trade unions, academia, regions, and civil society. Four ministries form a Steering Group of the Commission (Economy and Energy (hosts the Commission Secretariat), Environment, Labour, Interior Affairs). Representatives of those four ministries, government representatives of affected states ('Länder') and the Chancellery attend meetings of the Commission but do not have voting rights.

A Coal Commission became necessary as **Germany, the largest emitter of coal-related emissions in Europe by far, is set to miss its 2020 and 2030 climate targets** (see graph below) by a significant margin. Coal (lignite and hard-coal) still contributes **37% to German gross power production, with over 240 TWh generated in 2017, and 22% to primary energy consumption,** despite taking some initial steps to close the oldest units[5]. Emissions from energy industries would need to **drop below 170 MtCO2 equivalents by 2030[6]** (currently 319 MtCO2) to achieve the sector emissions target based on the 2050 Climate Action Plan, with Economy Minister Peter Altmaier saying **coal capacity would roughly need to be halved by 2030**[7]. However, the head of the

[1] BMU (2016): **Climate Action Plan 2050 – Germany's long-term emission development strategy**

[2] German government/Bundesregierung (2018): **Koalitionsvertrag 2018** (in German)

[3] For a comprehensive summary of ongoing events around the Coal Commission, follow the reporting by **Clean Energy Wire**

[4] German Environment Ministry (2018) **Launch of Commission on Growth, Structural Change and Employment**

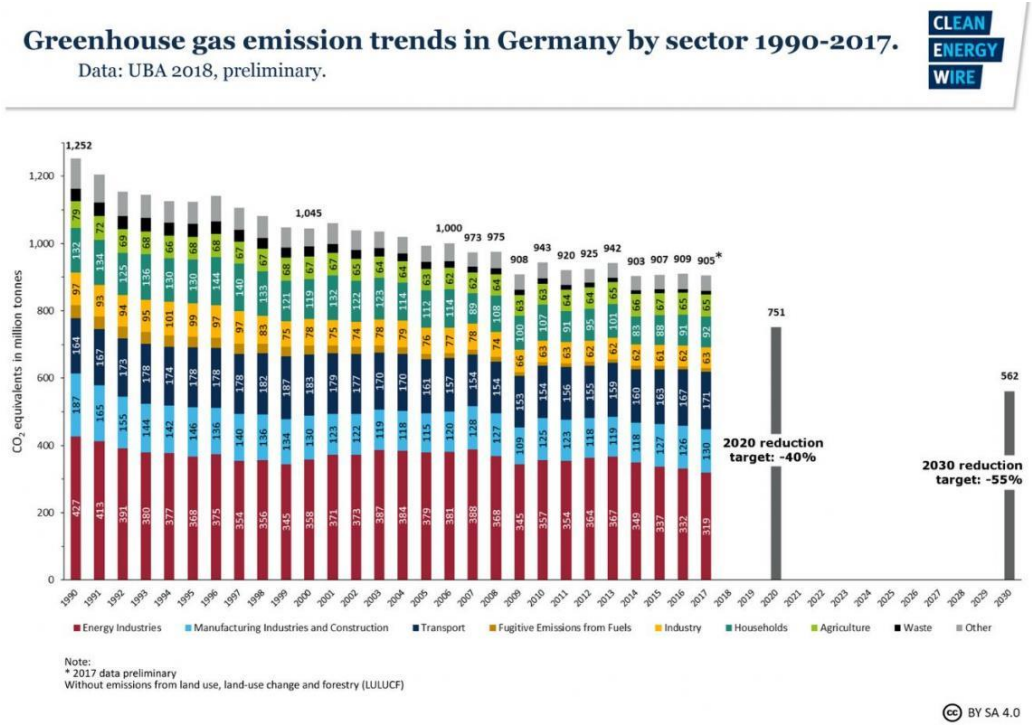
[5] Clean Energy Wire (2018): **Germany's energy consumption and power mix in charts**

[6] S&P Global Platts (2018): **German coal commission details still under intense debate: report**

[7] S&P Global Platts (2018): **Germany confirms target to halve coal-fired power output by 2030: energy minister**

responsible regulatory agency ('Bundesnetzagentur') pointed out recently that **coal capacity could be reduced by 50% by 2030 without any additional effort or risk to supply** security[8].

In addition, the transition away from coal and towards low-carbon economies in affected regions is identified as a major challenge which requires support and buy-in from all key stakeholders. While Germany remains - despite changes in the regulatory framework and a slower deployment of RES - a **champion on renewable energy generation**[9], **the stagnation of overall emissions since 2009 poses a serious risk to the country's and thus the EU's compliance with the Paris Agreement**. It also puts Germany out of step with other countries that have pledged to "**power past coal**"[10].



The phase-out of lignite is perceived as politically, economically and socially difficult, as some areas in Germany rely heavily on its mining and use. Chancellor Merkel had already announced in November 2017 that **lignite would have to make a significant contribution to reaching Germany's climate goals[11].** Drivers such as rising energy prices, impacts of structural change on employment, and social cohesion in the regions are expected to play an important role in the debate. **Seven out of Europe's top 10 most polluting coal plants are German lignite plants**[12], as showcased in the Sandbag analysis below. Many German lignite plants combine the generation of electricity and heat (CHP) and thus play an important role for district heating.

[8] Reuters (2018): **Germany could shut down half of its coal capacity: regulator**

[9] For more information on RES share in Germany: Clean Energy Wire (2018): **Germany's energy consumption and power mix in charts**

[10] UNFCCC (2018): **More than 20 countries launch Global Alliance to phase out coal**

[11] The Federal Chancellor (2017): **Climate Change will determine our fate**

[12] Euractiv (2018): **EU carbon market emissions rise for the first time in 7 years in 2017**

Hard coal mining in Germany ends in 2018[13], and its use is already under pressure by moderately increasing prices for emission allowances in the EU ETS. Chancellor Merkel mentioned in a **speech in May 2018**[14] that the way Germany has handled the phase-out of hard coal mining could be a blueprint for the phase-out of lignite mining.

However, the shut-down of the remaining hard coal-fired power plants, which will rely entirely on coal imports from 2019 onwards, will also have to be discussed in the Commission.

TOP 10 EUROPEAN POLLUTERS — Lignite, Hard coal power plants

RANK	PLANT	OWNER	2017 CO_2 EMISSIONS (Mt)	YEAR ON YEAR CHANGE
1 –	Belchatow	PGE	37.6	8%
2 –	Neurath	RWE	29.9	-5%
3 –	Niederaußem	RWE	27.2	9%
4 –	Jänschwalde	LEAG	23.6	-1%
5 –	Weisweiler	RWE	18.9	1%
6 –	Schwarze Pumpe	LEAG	11.4	-7%
7 +2	Lippendorf	EPH	11.4	6%
8 -1	Kozienice	ENEA	11.2	-7%
9 -1	Boxberg	LEAG	10.6	9%
10 +1	Maritsa East 2	TPP	10.5	9%
11 -3	Torrevaldaliga N.	ENEL	9.7	-4%

2. Overview of the German debate on the future of coal

Germany has a lot to gain from an accelerated coal phase-out. Germany's past **frontrunner position on the clean energy transition has created an innovative and decentralised eco-system of SMEs, bottom-up energy cooperatives and small-scale investors with high expertise**, which provides a sound foundation for an energy system based on 100% RES. In addition to other factors, this approach to ***Energy Democracy***[15], spreading the benefits of the transformation across wider parts of the German population, results in continuously **high public support** for the **Energiewende**[16] and a **rapid coal phase out**[17] across all major political parties.

Further, the excellent performance of the German economy, a highly skilled workforce, a strong industrial base including in manufacturing, and the renowned public education system all contribute to a unique opportunity for the country: if there is political will for change, **Germany can be a role model for how a well-planned, industrial transformation from high- to low-carbon industries can be managed by a large OECD nation around an existing industrial core**. A proactive and

[13] As subsidies for hard coal end in 2018 in line with EU regulation; for background on the role of hard coal in Germany, see: Deutsche Welle (2018): **The end of an era: hard coal in Germany**; on coal overall: Clean Energy Wire (2018): **Coal in Germany**

[14] The Federal Chancellor (2018): **Wir wollen keine digitalen Tagelöhner (in German)**

[15] Morris & Jungjohann (2016): **Energy Democracy – Germany's Energiewende to Renewables**

[16] Clean Energy Wire (2017): **Polls reveal citizens' support for Energiewende**

[17] Greenpeace Germany (2018): **Soziale Akzeptanz eines Kohleausstiegs in Deutschland und in den Kohlerevieren** (German)

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deep decarbonisation, for example by investing in systemic solutions for smart grids, digitalisation in the energy sector, and storage technology, could be a key element for the success of the German economy in the coming decades, as the government and businesses must ask to what extent "Made in Germany" can reap the benefits of a global low-carbon transition in the future.

However, several challenges need to be addressed and help to explain why the German government hesitates to phase out coal and other fossil fuels at a Paris-compatible pace:

> There is far-reaching agreement that the transition away from coal towards a low-carbon economy needs to be **fair and orderly to ensure political, economic, financial, social, and cultural stability** in the coal mining regions of Lusatia, Central Germany and North Rhine-Westphalia. **Historically, economic and social transitions in Germany** for example after reunification **were not easy**, and clear roadmaps are expected by affected communities to create **realistic perspectives for securing well-paying jobs and good living standards**.

> About **31,000 highly organised coal workers**[18] care about their well-paid jobs which tend to be above the regional average salaries, clustered in regions which are often below the average of salaries in Germany. While jobs in the wind power sector alone add up to more than 160,000, workers in coal regions expect clear commitments and plans for training, infrastructure and alternative local employment. While jobs in wind and solar outnumber jobs in coal, the lower level of unionisation and varying quality in terms of salary levels and job security weaken the positioning of the renewables industry in the debate around structural change.

> **Germany will phase out nuclear energy** by 2022 and a parallel transition away from coal is perceived as a double burden by some stakeholders, particularly if the fuel switch is towards renewables rather than natural gas. While many studies show feasible pathways for a coal phase-out between **2030**[19] and **2035**[20], concerns about grid stability, supply security, storage capacity and the potential of blackouts persist in the public debate, although average **power outage time is constantly decreasing and Germany's power system is among the most stable in the world**[21].

> The federal government and *Länder* (state) governments are concerned about the **rise of the far-right Alternative for Germany (AfD) party**, translating into a growing perception among the coalition parties that rapid change in several policy fields is to be avoided. **Looming elections** in the coal mining states of Brandenburg (autumn 2019) and Saxony (summer 2019) put pressure on regional governments as **polls suggest landslide gains for the AfD in those**

[18] DLR, DIW, GWS in Clean Energy Wire (2018): **Jobs in Germany's wind power sector 2000-2016 & jobs in hard coal and lignite industry**

[19] BUND (2018): **BUND-Abschaltplan für AKW und Kohlekraftwerke** (in German)

[20] WWF (2018): **Zukunft Stromsystem** – Coal Phase-Out in 2035

[21] Clean Energy Wire (2018): **Renewables could supply emergency power during blackouts in Germany** (BNetzA data)

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regions[22], which could potentially lower the ambition within the Coal Commission.

> **Germany has a strongly consensus-oriented, federal political system** which does not favour radical change. For major decisions, all key actors and social partners, particularly trade unions and industry, sit around the negotiation table to find common ground. In addition, traditional industries and their workers are well organised and follow effective lobbying strategies. As showcased in the stakeholder analysis below, many of the involved actors from coal businesses, unions and regional politics have strong economic and political motivations for slowing down the coal phase-out as much as possible.

> While the 2030 CO2 emissions reduction targets in the energy sector are not in line with the Paris Agreement yet, **industry representatives**[23] argue that they are not willing to over-compensate for the **stagnation or even increase of emissions in other sectors, such as transport, industry, and buildings**. As the Paris Agreement lays out a clear roadmap for the decarbonisation of all parts of the economy, these sectors will likely have to go through similar transition processes (for example the transition towards emissions-free mobility for German car manufacturers).

> The **domestic 2030 sector targets** for emissions reductions, as outlined in the **German Climate Action Plan 2050**[24], serves as an anchor **for the debate on climate ambition**. A phase-out which is aligned with the Climate Action Plan, however, **would not be in line with the Paris Agreement and would contradict international expectations**.

3. Who is on the Commission and what do they want?

In the runup to the announcement of the guidelines and mandate for the Coal Commission, many stakeholders sent letters to the German government asking to be included in the Commission. The Commission is now composed of 28 members with voting right, including from the large stakeholder groups and various regional organizations. When plotting the members in a schematic, two-dimensional graph covering attitudes towards climate ambition and influencing power in the process, it becomes clear that civil society groups and climate scientists will face harsh opposition when advocating for a Paris-compatible coal phase-out plan. **In the given set-up, many of the well-organised members of the Commission are unlikely to agree to or even champion an ambitious coal phase-out which would be in line with the Paris Agreement or even the 2030 sector targets.**

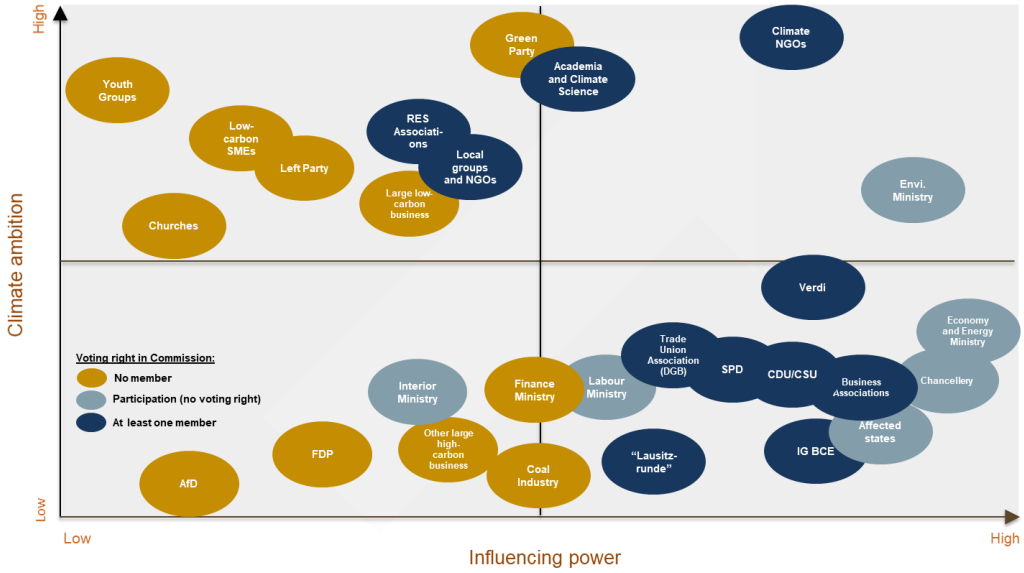
The public debate and election campaigns are currently dominated by migration and security policy, at the expense of key policy areas such as education, economy, social justice, and healthcare. A majority of Germans recognise climate change as a serious

[22] For an overview of polls in the states: Wahlrecht.de (2018): **Landtagswahlumfragen** (in German)

[23] For BDEW position, see: Clean Energy Wire (2018): **Renewable power hits record high in Germany in 2017**

[24] For an analysis of the Climate Action Plan 2050, see: WWF (2017): **Assessment of Germany's Climate Action Plan 2050**

problem and are in favour of ambitious climate action. However, **climate change barely impacts voting decisions[25].**



While the federal government has traditionally been a strong advocate of the low-carbon transition, the current government coalition, *Länder*, business associations (BDA, BDI, VKU, BDEW, DIHK) and trade unions (Verdi, IG BCE) are divided on the topic due to competing interests of actors in high- and low-carbon industries.

The strongest opposition against a rapid coal phase out comes from the coal industry, the Union for workers in Mining, the Chemical Industry, and Energy (IG BCE), the States of Brandenburg, North Rhine-Westphalia, and Saxony, some local mayors and politicians (including from the Lausitzrunde), and parts of the ruling coalition parties, SPD and CDU/CSU. The economically liberal FDP calls for a more market-based, slower transition. The far-right AfD denies the existence of human-induced climate change.

Under its new leadership, the Federal Economics and Energy Ministry seems to take a less progressive stance on climate policy. According to Energy Minister Peter Altmaier, the coal exit **"won't be sudden and abrupt" and will take "several decades"**[26], thereby implicitly ruling out ambitious phase-out trajectories.

The Federal Environment Ministry is a key supporter of ambitious climate action within the government, but current leadership will have to scale up efforts to co-develop effective measures with other ministries for reaching the 2020 and 2030 targets. Other ministries which will be part of the Coal Commission, including 'Labour and Social Affairs' as well as 'Interior, Building, and Community', lack a strong position on coal phase-out. It is unlikely that the latter two will act as champions of climate

[25] Stiftung Energie & Klimaschutz (2017): **Umfrageergebnis: Energie- und Klimapolitik und Wahlentscheidung (in German)**

[26] S&P Global Platts (2018): **German coal phase-out commission to be led by economy ministry**

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action in the Commission, however the Labour Ministry could play a key role on Just Transition and the Interior Ministry could shape the debate on strengthening infrastructure and accompanying measures in rural areas and communities. The Finance Ministry oversees the budget and is thus key for public investments in affected communities.

Support for an ambitious coal phase out comes from environmental and climate NGOs, the trade union Verdi, the Green party as well as the progressive wings of SPD and Left party, villages threatened by expanding coal mines, renewable energy associations, various local initiatives in coal mining regions, academia and climate scientists, low-carbon SMEs and some large businesses (for example Adidas, SAP, Siemens and Allianz). Key progressive stakeholders such as the opposition parties in the German Parliament (Greens and Left Party), the federal renewable energy association (BEE)[27], churches or youth organisations will not be represented in the Commission. Interestingly, with representatives from Telekom (smart grid technology) and Fraunhofer Institute (PV technology and materials science) two stakeholders are involved which could be part of regional solution packages.

Finding common ground between trade unions and civil society will be key for an ambitious phase-out plan and a Just Transition. **German trade unions are organised along the value chain[28].** Verdi largely represents highly-skilled workers in small, local utilities and large power plants who are likely to find new, decent jobs in the renewables or other sectors in the region relatively easily. IG BCE is responsible for workers in coal mines and the chemical industry. While a Just Transition for workers in the mines is perceived as the main challenge in the domestic political debate, the energy-intensive chemical industry, already benefiting from far-reaching exemptions and subsidies, has a strong interest in keeping electricity prices low to remain competitive. The widespread perception is that only lignite can ensure cheap electricity supplies for energy intensive industries.

The stakeholder analysis combined with the mandate suggests **a serious risk of a low-ambition Commission which agrees on a phase out date well after 2030.** The climate community, as part of a coalition for ambition, must strongly engage with potential champions from within or outside the Commission and allow for constructive dialogue with critics, to **lay the ground for a Just Transition which is in line with the Paris Agreement**.

[27] Various senior politicians from CDU/CSU and SPD (federal level) are involved, including three of the heads of the Commission. In addition, three representatives of the governing parties in Parliament have the right to speak in the Commission. No major politicians from Greens, Left, FDP or AfD on the federal level are part of the Commission.

[28] For more information on the positioning of the trade unions, see: Clean Energy Wire (2018) **German unions call for „just Energiewende", fear carmaker job losses**

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4. How to know if the Commission is making progress

The coming months will be crucial to prevent a breakdown of German climate policy. The Coal Commission is a key component for increasing German climate ambition, but in its current form and mandate it is unlikely to deliver on Paris-compatible climate outcomes. This will require a strong push from inside and outside Germany. This could come in the form of public and targeted outreach, strategic advocacy in all relevant policy processes in Germany and the EU, diplomatic efforts, the dissemination of research, the enforcement of air quality legislation and industrial standards as well as knowledge sharing. In addition to those types of engagement, the following aspects will be key for an ambitious coal phase-out and the re-emergence of Germany as a global climate leader.

a) **Be strategic and outcome-oriented.** The German government has positive experiences with multi-stakeholder fora to reach decisions of societal importance. A broad consensus is inevitable to reach an agreement which is good for the climate and for jobs. The Commission provides an opportunity for stakeholders to join a constructive dialogue about a common outcome[29]. This will require the integration of social and environmental factors in all parts of the process and focus on the joint mandate, to deliver a fair transition out of coal in line with Germany's domestic, European and international climate commitments as well as climate science.

b) **Be honest and create solutions.** This process is about taking the concerns of all sides seriously, including the impacts on workers, regions, communities and local natural habitats as well as the devastating impacts of climate change without a rapid coal phase-out. It will be a key task for the Commission to work with the affected people and regions to come up with solutions which suit local needs and make use of existing strengths. Previous experiences with transition processes show that bottom-up approaches can result in productive outcomes, particularly if local innovation initiatives or civil society groups in Germany's coal regions have room to share their knowledge. This will be a more effective strategy to weaken far-right parties and other climate sceptics compared to co-opting their regional politics, thereby strengthening their ability to set the political agenda.

c) **Ensure effective local use of funding, including for land reclamation.** Available funds for structural change and transition, through the €1.5 billion set aside in the coalition treaty, EU funds, and other public investment in the regions, should be spent in line with local needs and strengths as well as with domestic and international climate goals. For a Just Transition, regions such as Lusatia will require additional infrastructure investments, programmes for the training and reskilling of workers, and incentives for private investors to channel funding to low-carbon projects such as renewable energy, battery and storage technologies. In addition, the Coal Commission must consider the

[29] For a good example of a constructive dialogue, see the **outcomes of a German-Czech multi-stakeholder expert group** on transitions in lignite mining regions (authored by E3G's Sabrina Schulz and Julian Schwartzkopff)

costs and impacts of land reclamation, recultivation and environmentally harmful consequences of mining, for example regarding drinking water. Based on the Action Plan by the Coal Commission, the coal industry must be required to set aside sufficient funds to take care of long-term liabilities. Only such protected funds - not accessible for other purposes - will ensure that tax payers won't pay the bill if coal businesses go bankrupt.

d) **Align policy processes at the domestic and international levels and consider all measures for coal phase-out.** While the Commission's mandate is to come up with measures which ensure that the 2030 target in Germany's Climate Action Plan 2050 is met (reduction of emissions by 61-62% compared to 1990) this target will be too low to meet the international expectation of increasing climate ambition set by the Paris Agreement. While target-setting at the domestic (Climate Action Plan, Climate Act) and European[30] (National Energy and Climate Plans/NECPs, **Clean Energy Package**, **EU budget/MFF**) levels must be developed to align with the Paris Agreement, the German Coal Commission should avoid creating lock-in effects through a phase-out plan which is too slow to ensure that the country meets its global commitment. In addition, other potentially effective measures to phase out coal such as **carbon pricing**[31], the mainstreaming of **sustainable finance**[32], or the timely implementation of the **EU's new emission standards**[33] for large combustion plants should be considered as elements of a phase-out package.

e) Learn from previous experiences and reclaim the position as climate champion around an existing industrial core. Throughout the history of the Federal Republic of Germany, transitions have impacted the economic, social and environmental settings. The phase-out of hard coal mining, the transition away from nuclear power and the structural change processes after German reunification provide important lessons for a fast and just coal phase-out which meets the needs of workers, local communities and the climate. Given its outlined strengths, Germany could ensure the future competitiveness of its economy, be a European and global role model for **Just Transition**[34], and lead the way for an industrial transformation towards a renewables-based economy. Creating low-carbon opportunities around an existing industrial core would set a powerful signal for transitions in other OECD and emerging economies, and allow for Germany to be a strong voice in the international debate, perhaps even as a member of the **Powering Past Coal Alliance**[35].

[30] For further reading, see E3G's publications on the **EU Budget** and **Clean Energy Package**

[31] Clean Energy Wire (2018): **German environment minister open to national carbon price**

[32] The EU Commission has recently published an **Action Plan** to foster sustainable finance; legislative proposals will follow over the next months. Also see E3G's work on the **Capital Market Union**

[33] Climate Analytics (2018): **About 80% of EU and German, virtually all Polish coal plants non-compliant with new EU 2021 air pollution regulations**

[34] For E3G's work on Just Transition, see **here**

[35] UNFCCC (2018): **More than 20 countries launch Global Alliance to phase out coal**

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About E3G

E3G is an independent, non-profit European organisation operating in the public interest to accelerate the global transition to sustainable development. E3G builds cross-sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change. E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere.

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