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## Decarbonisation is no mean feat

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# The Current Column

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## Decarbonisation is no mean feat

Bonn, 29 June 2015. Less than three weeks have passed since the G7 leaders explicitly committed to the decarbonisation of the global economy at Schloss Elmau. Once again, Angela Merkel was lauded as the Climate Chancellor.

Yet the word from Germany's Economics Ministry is that the envisaged climate levy for coal-fired power plants has been scrapped. If this is true, it would only underscore the fact that decarbonisation is no mean feat. Indeed, it would acknowledge considerable resistance from a pro-fossil-fuel alliance of power plant operators, labour unions and a few concerned federal states (*Länder*) with vested interests. It's politics, stupid!

Of course, Germany can probably achieve its own target of a 40% reduction in emissions by 2020 relative to 1990 without the power plant levy. This was the reasoning behind Federal Minister Gabriel's swiftly issued denial regarding the scrapping of the levy, whereby "a number of proposals are still on the table as to how we may reduce carbon emissions". Nevertheless, there are at least three compelling reasons for not bowing to the coal lobby, which an abandonment of the levy would invariably come to symbolise both domestically and outside of Germany.

First, without a climate levy for coal-fired power plants, considerable additional efforts would be required in other sectors to achieve the emissions reduction target. At the same time it would forfeit the desired steering of decarbonisation in the power plant sector.

Second, it would be highly desirable to achieve the 40% reduction target at an early stage and even to overshoot it. However, this will be virtually impossible without binding policy regulations for power plant operators.

Third, and most importantly, it would send out the wrong signal, especially in the crucial final months of negotiating a new global climate treaty, which is set to be adopted in Paris in December and the binding nature of which is currently the subject of heated debate. After all, this is why the G7 declaration was so significant to climate policy in the first place.

If the German government scraps the levy for coal-fired power plants at this critical juncture, then it will quickly take any tailwind generated by the Elmau summit out of the sails of German and even European negotiators. How are they supposed to credibly negotiate with the major coal-producing nations of the South, especially China, Indonesia, South Africa and Colombia, and indeed Europe (particularly Poland), on the urgent need for decarbonising their

economies if the very country that is proudly showcasing its *Energiewende* (energy transition) is inclined to give in to the veto players of the fossil economy? This question is all the more relevant as the main debate in Germany surrounds combustion of lignite, the most climate-unfriendly fossil fuel of all.

There is cause for optimism, however: with or without the German climate levy, the signs of the times point clearly to the end of the fossil-fuel era, at least in industrialised countries. A growing number of major private companies are announcing ambitious emissions reduction initiatives. In a process known as "divestment", institutional investors have begun to withdraw investment from fossil-fuel companies, redirecting it into climate-friendly ventures. The IMF recently highlighted the massive indirect cost of providing billions of dollars in fossil-fuel subsidies, a practice already criticised heavily, while the World Bank and the OECD are pushing to operationalise zero-carbon-economy concepts. And now Pope Francis, a global figure with significant moral authority, has called unequivocally for the abandonment of the fossil-fuel-based economic model. Even in the United States, climate sceptics and their supporting lobby groups have long been on the defensive.

Against this backdrop, it would be all the more questionable for the German government to give in to the nation's coal lobby. Those who use social justice as a pro-coal argument are not only ignoring the profound injustice of man-made climate change, but also lending short-sighted support to vested interests in the fossil-fuel sector. This would come at a high price: it costs a great deal of time, already in extremely short supply when it comes to climate policy, and credibility, which is essential to the conclusion and, ultimately, the implementation of the Paris climate agreement. Additionally, while the alternatives to the climate change levy currently being discussed – such as using lignite power plants for extra capacity – would spare power plant operators, their additional costs would have to be borne either by the national budget or by consumers.

Former German Environment Minister Klaus Töpfer, who for many years headed the UN Environment Programme, foresaw this opposition. He thus explicitly encouraged his ministerial colleague Gabriel in April 2015 to stand firm on the proposed climate levy, something he sees as making "economic and environmental sense". Yet it would seem that such appeals are currently proving insufficient. When it comes to the crunch in Wednesday's cabinet meeting, hopes will rest on a strong "spirit of Elmau" to prevail.