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Germany's *Energiewende*: No Abandonment, Just Revision

Aleksandra Gawlikowska-Fyk

The coalition talks between CDU/CSU and SPD on the creation of a new government confirmed that Germany has a problem with implementation of its energy transformation policy. However, this fact neither means a departure from Energiewende, nor a change in its assumptions. The new government will revise the strategy and focus on the objectives of reducing greenhouse gas emissions by 2030. In the European Union, Germany will remain the promoter of ambitious climate and energy policy.

The preliminary agreement between CDU/CSU and SPD on the establishment of a “Grand Coalition” has revealed that Germany will not reach the target of a 40% reduction in greenhouse gas emissions by 2020 (compared to 1990). Although the would-be coalition partners ultimately decided not to formally resign from this goal, it is already clear that emissions will fall by just over 30% in that time. Limiting emissions produced by the German economy is the main task of the energy transformation policy implemented in the country. The success of *Energiewende* is tied to the switch to green technologies without affecting its economic competitiveness. It is also intended as an example for other countries to follow. The target problem confirms this is a difficult task, but one should not expect Germany to give up on *Energiewende*, rather to correct its course.

A Distant Goal. The German government presented its assumptions of the energy transformation in 2010, but the 40% reduction target had been formulated three years earlier by the coalition at the time of CDU/CSU and SPD. It was in line with the trend of declining emissions in the German economy and seemed achievable. Later, the government set reduction targets for 2030 of 55% and for 2050 of 80%.

In subsequent years, however, Germany's emissions did not fall at the assumed pace and, moreover, since 2010 they had begun to grow, stabilising only in 2014. In 2016, a 28% reduction was achieved, but the linear trend assumed 35%. It is therefore clear Germany will not reach its target by 2020, regardless of what wording—continuation or abandonment of the goal—will be inserted into the coalition agreement. Theoretically, it would be possible to implement radical measures, such as abandoning coal or de-carbonising transport, but they are politically unrealistic, for example, closing coal power plants by 2020 would require significant compensation to owners. The lower-than-assumed emissions reductions in the energy sector can be attributed to several factors, including the downscaling of nuclear power after the accident at the Fukushima-Daiichi power plant in Japan (to date, Germany has shut down 10 out of the 17 reactors operating in 2011) and an increase in consumption of cheap coal (and imported from the U.S.), which has reduced the use of the relatively cleaner gas. The higher emissions are also associated with an increase in energy consumption because of higher population and faster economic growth.

Emissions in the energy sector (construction and even agriculture) are falling, although slower than expected, but no progress has been achieved in transport, mainly because of the key economic importance of the automotive industry (5% of GDP) and the protection of jobs (14% of total employment).¹

¹ A. Gawlikowska-Fyk, “Electric Cars in Germany—Drive against the Current,” *PISM Bulletin*, no. 105 (1045), 6 November 2017.

Confirmation of the Strategy. On no account do the problems with the implementation of this ambitious policy mean a departure from *Energiewende*. There are many reasons for the continuation of the transformation. First, there is no doubt in Germany about the desire for the strategy—it is supported by the German public and all political parties, and the future coalition partners formally announced, for the first time, their intention to abandon coal-fired power plants. In addition, the Germans have been successful in some areas, and the renewable energy sector (RES) is an example of that. Germany will achieve the EU 2020 target for its RES share of final energy consumption (already almost 15% of the 18% goal) and the national target for RES in electricity production (30% of the 35% target). The RES industry's development also has become important to the economy, with Germany's share of the global market at 13% (compared to 5% of world trade), and to employment, with nearly 350,000 jobs, or half of all jobs in the RES sector in the EU.

Germany's reputation is also at stake. The country not only promotes climate diplomacy in the EU but also in various international forums such as the G20 and G7, and emissions reduction plans for 2030 were formally declared in international climate negotiations leading to the adoption of the Paris Agreement.

Revision of Instruments. To minimise deviation from its 2020 goal, and above all to achieve the 55% reduction in emissions in the next decade, Germany intends by 2030 to increase the share of RES in electricity generation to 65% (instead of the planned 50%), and by 2019–2020, to build new wind (both onshore and offshore) and solar farms, develop energy networks and, by the end of 2018, set a date and adopt a plan for the gradual phase-out of coal in electricity production. A special commission will be appointed to address the last task (“Growth, structural change and employment”), which will also develop a set of measures to reduce the gap between the expected and actual 2020 achievements. The instruments will be accompanied by financial and legal safeguards: the would-be CDU/CSU and SPD coalition proposes the creation of a special federal fund for structural changes and the adoption of a law guaranteeing implementation of the necessary measures.

Hence, it is the power sector—with its dynamic development of RES and the phase-out of coal—that will be the pillar of the retooled strategy, adapted to the economic and political realities. Expansion of RES should ensure Germany's competitiveness, while the departure from coal will emphasise the country's reliability as a leader in reducing emissions. Transport, at least in the medium-term will not be that pillar—the coalition parties mentioned electromobility and the need to establish a similar commission for transport (and for the construction sector), but they plan to support traditional industry, with an aim to modernise the internal combustion engine to make it more efficient and emissions cleaner.

Conclusions. The coalition talks in Germany have confirmed the expected problems with maintaining targets for emission reductions by 2020. Ultimately, that may lead the government, especially the Social Democrats, to revise *Energiewende* and introduce new instruments to implementing the policy. The determination of the new government will be tested with arrangements for the phase-out of coal. If it proves possible and, especially if the end date is set, the CDU/CSU and SPD coalition—with its greater representation in the Länder, in enterprises, and the importance of green technology to the German economy—may be a better guarantor of its implementation than the “Jamaica” coalition. The current period of exceptional economic prosperity is another factor conducive to making difficult decisions now.

However, *Energiewende* still will be focused on the energy sector. The de-carbonisation of transport and the development of electromobility have been postponed for the time being. In a few years, this may cause further problems with the implementation of the transformation, and changes to the internal combustion engine (especially diesel) may prove to be more problematic for the Germans than coal. Symptoms of this can be seen in Germany's objection to the EU's Clean Mobility Package.

At the EU level, Germany will remain the champion of ambitious climate policy, even if still focused on the energy sector. One should expect a return to the discussion on further strengthening the EU Emissions Trading System (e.g., the floor price proposed by French President Emmanuel Macron and already discussed in Germany). If coal will be phased out, these activities will be developed further and may focus on effective limitations of financing coal investments, such as in the EU's post-2020 budget.

The Polish government should not place undue importance on discussions about the problems with *Energiewende* but rather implement and accelerate the national policy of energy transformation. This is in line with the efforts of other developed and developing countries around the world. At the EU, it is now worth undertaking actions aimed at promoting electromobility and emissions reductions in the transport sector and securing financing of projects in line with the Polish vision of this transformation.