

## Talking point

### German Climate Action Plan – facing up to reality

September 27, 2016

**The Climate Action Plan 2050 is intended to show how Germany can meet its climate change targets; it is currently out for consultation with Federal German government departments. There was intense public criticism when individual passages of an earlier draft of the plan were diluted at the instigation of the German Chancellery. In this political discussion, long-term political ideals are confronted by cautious (more realistic?) recent assessments of technological progress, the economies of scale achievable by climate-friendly technologies, and adoption by consumers. The Climate Action Plan remains vague in many important aspects, such as the technologies to be used to meet climate change targets, the approximate absolute costs that can be expected, the restrictions on consumer sovereignty and commercial freedom of choice that politicians are considering and the future infringement of ownership rights and vested interests.**

The Climate Action Plan 2050 for Germany has been developed over the past few months under the auspices of the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB). By its own definition, this plan provides 'guidance for the implementation of Germany's long-term climate change strategy'. The Climate Action Plan is explicitly not intended to be 'a detailed master plan fixed for decades'. Ultimately, it is a question of which measures are to be taken to achieve the long-term climate targets that Germany has pledged to meet, for example at the Paris Climate Change Conference in late 2015.

The latest draft of the plan is currently out for consultation with German government departments. In recent weeks, the press has hinted that the Climate Action Plan has already created political controversy, saying that an earlier BMUB draft dated June 2016 was significantly watered down at the instigation of the Chancellery. Members of the CDU/CSU parliamentary group have also expressed concern about this draft. The following two examples show the impact on the wording of the Climate Action Plan:

- The first draft said the following about the very important area of energy consumption in buildings: 'However, the installation of new heating systems based on the burning of fossil fuels must cease by 2030 at the latest.' In the latest draft, this very ambitious target was changed as follows: 'By no later than xxx [specific year to be determined as part of the consultation process taking into account the resolutions about the energy efficiency strategy for buildings], heating systems using renewable energy should be much more attractive than those based on fossil fuels.'
- A similar example can be found in the section about the transport sector. In this case, the first draft of the Climate Action Plan contained the following passage: 'The German government's goal is for the vast majority of newly registered passenger cars to have an electric drive system or other drive system using renewable synthetic fuels by 2030.' The wording of the current draft is much more cautious: 'The German government's goal is a significant reduction in emissions from passenger cars by 2030. The electrification of the new car fleet will make a crucial contribution to achieving this goal.'

Not surprisingly, these changes in the wording of the Climate Action Plan met with criticism among some politicians and from NGOs with an environmental focus. But how should these amendments be interpreted? Ultimately, there are two opposing views. Firstly, there are long-term (and therefore uncertain) political ideals for 2030 and beyond. Secondly, there are recent assessments being cautious about technological progress, the economies of scale that climate-friendly technologies can achieve in sectors such as buildings or transport, and future development of consumer demand.

One example in support of the cautious view is the fact that in 2015, a mere 10% or so of the housing stock in Germany used electricity, electric heat pumps and other energy sources (mainly biofuels such as wood) for heating. Natural gas and heating oil were predominant with a proportion of more than 75%; the figures illustrate

how comprehensively the housing stock would need to be restructured if it is to be largely carbon-neutral by (as early as) 2050. Electric cars provide another example. Despite being subsidised, sales are still slow in Germany (and elsewhere) in 2016, so issuing what amounts to a political decree that almost all new cars must be powered by electricity in 2030 is a very bold move. Although not impossible, from today's perspective this is fairly unlikely as an outcome of market forces alone (i.e. without any major government intervention).

### **Greater focus needed on the absolute costs and efficiency of climate change policy**

Overall, both views are essentially understandable. Those who believe the Paris agreement is more than just a piece of paper or a non-binding letter of intent naturally expect politicians' grandiose announcements of long-term climate change targets to be accompanied by packages of short- and medium-term measures. Nor are those who expressed concern when they saw the BMUB's first drafts likely to be entirely wrong when they said that some of the proposed measures and the interim targets with fixed deadlines could have a negative impact on business and consumers. The Climate Action Plan contains no estimates about the macroeconomic costs that are likely to accompany a massive reduction in greenhouse gases, for example. Given the rise in the costs associated with the German 'Energiewende' so far, it is entirely understandable that part of the political spectrum is treading carefully, and this should be welcomed. If, at the same time, many other countries adopt (much) less ambitious climate protection targets or are planning/taking much less specific measures than Germany, this prudence makes all the more sense. As obvious as it sounds, Germany and the EU – which is divided on climate change issues in any case – cannot rescue the world from climate change on their own.

Overall, the debate about the German Climate Action Plan highlights the following problem, namely that if you talk about ambitious long-term climate change targets at international level (or in political speeches), you ought to have more than a vague notion of how it all can be achieved. Which technologies and other resources will make such a transformation possible? What costs are consumers, businesses and the state likely to incur? Which restrictions on consumer sovereignty and commercial freedom of choice (e.g. banning certain technologies) do politicians have in mind? How much will ownership rights and vested interests be infringed? These are questions to which the Climate Action Plan provides no satisfactory answers.

Even though – as already mentioned – the Climate Action Plan does not claim to be a 'detailed master plan', answering these questions would probably give many of those affected at least an inkling of what could be in store for them. The fact that long-term estimates of the costs and benefits of climate policy measures are fraught with uncertainty should not be a reason for not taking up such a task. As with other large-scale projects, there is also the risk that those in favour of the project underestimate its costs. However, the cost issue is absolutely essential for the democratic legitimisation process of German climate policy, because public and private spending on climate protection are obviously in competition with other areas of spending.

### **Calls for emissions trading scheme to be strengthened**

Despite all its critics, the EU Emissions Trading Scheme (EU ETS) is a tool that addresses the cost-efficiency of climate policy measures very well, and is also very effective in terms of meeting the environmental targets. If the EU ETS were to be strengthened and extended to sectors such as the buildings/heating market and the transport sector, politicians would not need to focus so much on the question of which (technological) initiatives would offer the most benefits in terms of mitigating climate change. The players involved could answer this question for themselves based on the price signals provided by the EU ETS. Regardless of the question about the best tools for climate policy, the ambitiousness of the climate change targets is itself likely to become the focus of political debate in the coming years. Not least because there are signs that many targets of Germany's 'Energiewende' are being missed.

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