
GERMANY STRUGGLES WITH DIRTY ENERGY IN CLIMATE CHANGE BATTLE

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An open-cast lignite mine in North-Rhine Westphalia. Environmentalists say Germany must shut such mines to reach its climate change goals © Bloomberg

Germany has mined and burnt lignite for hundreds of years and has the physical scars to show for it. From the Rhineland in the west to the Lausitz in the east, the landscape is pockmarked by vast open-pit mines, empty save for colossal excavators burrowing ever deeper into the ground.

But a government-appointed task force is set on February 1 to release a plan on ending the use of lignite, or brown coal, in a crucial decision for Germanys energy industry and its standing in the fight against climate change.

Lignite □ one of the dirtiest sources of energy □ accounts for almost a quarter of electricity generated in Europes largest economy and 20,000 jobs. But Germanys reliance on the cheap fuel is seen as a key reason why it has fallen behind its climate change goals.

Environmental campaigners want Berlin to show it is serious about cutting greenhouse gas emissions by closing lignite-fired power plants sooner rather than later. But just how soon has been the subject of an intense political debate.

The task force □ convened by Chancellor Angela Merkel last year □ is made up of representatives of industry, politics and environmental groups. Its overarching mandate is to ensure Germanys energy sector meets its 2030 climate targets, which means cutting greenhouse gas emissions by just over 60 per cent from a 1990 baseline.

But the group must also work out how to compensate affected companies and regions, some of which depend heavily on lignite mining. The Lausitz, for example, which sits south-east of Berlin, has few other industries and none are large enough to absorb thousands of job losses.

One of the few certainties, according to people involved in the talks, is that the final compromise will be expensive for German taxpayers □ possibly costing several billion euros a year over the next two decades.

Everyone has something to lose: industry, the regions, workers and the electricity producers themselves, said Holger Lösch, deputy director-general of Germanys BDI industry federation. If they are not compensated adequately, then there might be no deal. And that is what the government has only now started to calculate. The question is: who is going to pay for all this?

Tina Löffelsend, head of energy and national climate policy at Bund, one of the environmental groups on the committee, said: At the end of the day, a lot of this is about money. The regions want money, industry wants money and the power companies want money too. But the federal government has yet to show its hand.

Perhaps the most controversial part of the commissions mandate is the need to work out an end date for lignite use in Germany. Environmental groups want the last lignite-fired power stations to be shut in 2030, but utilities and industry representatives say this is too ambitious.

Markus Krebber, chief financial officer of RWE, a utility that operates some of Germanys largest lignite power plants, said a 2030 phase-out was physically impossible. Germany had committed to closing its last nuclear power station by 2022, he said, and removing another reliable source of supply just eight years later would stretch the system too far.

It depends on grid enhancement, which is very important, and on additional renewable capacity and [electricity] storage solutions. If these progress very well over the next decade, than maybe it is possible [to phase out lignite] in the 2030s. If they do not progress very well, we will definitely rely on coal for more than two decades, he said.

Another bone of contention is how quickly to begin the phase-out. Industry prefers a wait-and-see approach that would leave the bulk of closures for the end of the next decade, while green campaigners stress the need to act quickly. We want the curve to start off steeply. That means reducing as many emissions as possible right at the start, said Ms Löffelsend.

Among politicians, the main concern is to make the inevitable job losses as painless as possible and to avoid a spike in electricity prices that could harm industry.

The jobs created by lignite are well-paying, said Armin Laschet, prime minister of North Rhine-Westphalia, home to some of the largest lignite mines in Germany. In addition, there is concern about rising energy costs. In the direct vicinity [of the lignite mines] we have the chemical industry — Bayer, Evonik, the aluminium smelters in Neuss, the steel industry in Duisburg — and many more. They all depend on access to affordable energy.

The commission was originally scheduled to deliver its report in December but the date was pushed back after regional leaders from eastern German lignite states said they were unhappy with the — still sketchy — compensation plans.

Ms Merkel has convened a bridge-building meeting of senior commission members, regional prime ministers and ministers for January 15 in an effort to hammer out a compromise by the February deadline.

Business leaders, however, are braced for a blow under almost any scenario. It is clear that phasing out coal will raise electricity prices because what we are talking about is removing a cheap and steady source of power, said Mr Lösch.

On the other side of the debate, the fears are just as acute. If the people see that climate change protection only works if it is expensive or if it imposes huge social costs, said Ms Löffelsend, then we have a problem.

Kaynak/Source: