
GERMANY SHOULDN'T RUSH TO ABANDON COAL

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Policy decisions about climate change are among the toughest a government can make: Any change in direction is practically guaranteed to displease the stakeholders. A commission set up by the German government to work out how the country will phase out coal called for ending the fuels use by 2038. Energy companies, labor unions and environmentalists are all unhappy.

The Growth, Structural Change and Employment Commission, known simply as the Coal Commission, announced its plan on Jan. 27. Its report came in at 335 pages, and not just because German policy documents tend to be long and detailed: Much space is needed to address all the conflicting interests on an issue thats critical to German leadership in clean energy.

Germany is No. 3 in the world in renewable power capacity after China and the U.S., which are much bigger; its the global leader in solar capacity per capita and No. 4 in wind power capacity per capita. Yet 22.5 percent of its power production in 2018 came from brown coal and another 12.8 percent from hard coal. In 2016, the fuel accounted for 28 percent of Germanys total CO2 emissions and about 70 percent of the power industrys emissions. Although the use of coal is diminishing, its not happening fast enough for environmentally aware Germans; the government, too, sees it as a national disgrace. Thats the main reason officials defend the controversial Russian Nord Stream 2 natural gas pipeline even in the face of threatened U.S. sanctions: Germany needs alternative energy sources for a quicker exit from coal.

According to the report, the full exit should take place by 2038, though the government should try to make it by 2035. By 2022, power plants with a total capacity of 12.5 gigawatts -- more than a quarter of the total coal-powered capacity -- should be taken offline. By 2030, only 17 gigawatts of capacity should remain in operation.

Thats pretty fast, given coal's current importance, but not fast enough for environmentalists. Greenpeace has called the commissions decision unacceptable and incompatible with the global climate goals that Germany is committed to under the 2016 Paris Agreement. To limit climate warming to 1.5 degrees above preindustrial levels, environmentalists argue, Germany would need to abandon coal by 2030 and to move much faster before that date than the commission has proposed.

But even going as cautiously as the report suggests could cause significant upheaval. The commission proposes compensating consumers for any economic damage and keep subsidies for the power-generation industry past 2020, when theyre meant to expire. It also is considering compensation for closing power plants. The commission calls for the federal government to offer

the four German states affected by the coal transition 40 billion euros (\$45.7 billion) over 20 years to help with the industrial restructuring. The cash injections would fund, among other things, retraining and job creation for former miners; money should be put aside for early retirement, too.

Its an expensive program, and theres no way to predict how well the government measures will actually work, though the damage from climate change is real and imminent. Rolf Martin Schmitz, chief executive at the utility RWE, said in an interview published Monday that the transition will result in significant job losses already by 2023. Clearly, the 20,000 people directly employed in the coal industry wont be the only ones affected; the commissions report talks about approximately 60,000 jobs that directly or indirectly depend on brown coal alone, many of them in former East Germany. That worries Germanys powerful unions more than the proposed spending can assuage their fears.

Similarly, though the commission proposes spending 2 billion euros a year after 2023 to subsidize grid charges for households, many consumers fear major price rises. The average energy price for households was 29 euro cents per kilowatt-hour; before the commission met to approve the final report, Dietmar Woidke, minister president of the state of Brandenburg, suggested the price might go as high as 50 cents. Brandenburg, of course, is one of the states most affected by the planned transition, so Woidke's predictions should be taken with a grain of salt. Nevertheless, its possible that the planned compensatory measures wont offset the price rises both for households and for industrial consumers.

Politically, it would have been easy to aim for the fastest possible coal phaseout. A recent poll showed that 73 percent of Germans say abandoning coal quickly was important or very important. But the practicalities of restructuring the energy industry, already hard hit by the decision to close down nuclear power plants, and the need to ensure that former miners and energy consumers dont suffer, make the task daunting. Despite Germans enthusiasm about moving to a cleaner economy, the experts in the commission and the government must proceed cautiously; not setting overly ambitious goals may be the best approach until the first results of plant closures and the governments compensatory measures are apparent in the early 2020s.

That may be a disappointment to environmentalists -- but then, other countries, which dont have Germanys bulging budget and environmentally aware voters, likely will go even slower on cleaning up their energy mix.

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