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ONE STEP FORWARD DOES NOT MAKE A LEADER

GERMANY'S CLIMATE PACKAGE AND ITS
RELEVANCE ON THE INTERNATIONAL LEVEL

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Executive Summary

- > The German government has agreed on a climate package with the aim of reaching the country's 2030 emission reduction targets. The development of this package and the governance architecture it introduces are a step forward for German climate policy. However, the specific measures are insufficient to achieve the government's own climate targets and fall far short of political expectations during a time of unprecedented societal demand for ambitious climate action. The package does not sketch out a pathway towards net-zero emissions by 2050 and does not lay out a credible plan for an economy-wide Just Transition. A remarkably wide range of stakeholders have criticized the package, including scientists, industry, trade unions, and environmental NGOs.¹
- > Given the global political context, Germany must play a stronger role in international multilateral politics in defence of a global rules-based system, including on tackling the climate crisis. However, with the weak climate package tabled on Friday, Angela Merkel will not be able to return on the international stage as "climate chancellor". To regain its former position as a frontrunner in climate politics, Germany must improve its climate package before COP25 in December. This is particularly important as 2020 is a crucial year for climate ambition, and Germany will and must play a key role as it will hold the Presidency of the European Council during COP26 and host a major EU-China summit.

¹ Clean Energy Wire (2019). [Reactions to government agreement on climate strategy, CO2 pricing](#)



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Introduction

Friday, September 20, was high noon in German climate politics and marked the beginning of a crunch time. Climate strikes took place across the globe, with 1.4 million participants in Germany alone. At the same time, the leaders of Germany's current government presented the outcome of intense all-night negotiations about **a climate policy package aimed at achieving the domestic and European emissions reduction targets for 2030.**² Just ahead of the UN Climate Action Summit, where Germany unsuccessfully sought to regain a position as an international climate leader, this marked a key moment in a process that had begun with the assembly of a dedicated "climate cabinet" consisting of all key government members in April 2019.³ In this briefing, we analyse the political context and outcomes, and assess the effects of the decision on Germany's future role in European and international climate politics.

What has been agreed?

The outcomes reflect the intent of the governing Grand Coalition between Conservatives (CDU/CSU) and Social Democrats (SPD) to respond to the significantly increased political importance of and public concern about climate change while not alienating traditional voter bases. Due to this approach, the **coalition partners tried to circumvent trade-offs and measures which would strongly impact specific groups.** This resulted in many lowest common denominator policies, and ultimately an unambitious package. Initial analysis of the climate package suggests that **the proposed measures would close only one-third of the gap to Germany's 2030 sector targets.**⁴

The **political debate in the weeks leading up to the decision was dominated by disagreement about various carbon pricing methods** to be implemented in transport and buildings (two sectors which are not included in the EU Emissions Trading Scheme), with the SPD initially demanding a carbon tax, and the CDU/CSU advocating for the introduction of a national emissions trading scheme for both sectors. In the end, the **governing parties agreed on an initial fixed price system, starting at a price of €10 per ton of CO₂ in 2021 and increasing to €35 per ton in 2025, which will transition into a certificate trading system in 2026 with a**

² Deutsche Bundesregierung (2019). [Eckpunkte für das Klimaschutzprogramm 2030](#)

³ For additional background, see Clean Energy Wire (2019). [Climate cabinet to put Germany back on track for 2030 targets](#)

⁴ Agora Energiewende (2019). [Pressebriefing Klimapaket 2030](#)



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minimum price of €35 per ton and a maximum price of €60. This price level is far below expectations as, for example, the Mercator Research Institute which advised the government on carbon pricing suggested an initial price of €50 in 2020, increasing to around €130 in 2030.⁵ At the agreed level, the carbon price will not be effectively steering investment and consumption decisions. Importantly, CO₂ prices in the transport and buildings sector must be higher than in, for example, the power sector to have a transformative effect. A good design of the carbon pricing scheme is highly important as poorly designed schemes have little effect on emission reductions but potentially adverse effects on the distribution of income and wealth, and thus on the social acceptability of climate policies.

The creation of a domestic climate governance architecture through **annual, legally binding sectoral emissions reduction targets** as part of a Climate Change Act, **with yearly progress checks by an independent expert commission**, is one key achievement of the package. If the sectoral targets are not met, the relevant ministry must, within three months, present an “action plan” to achieve the targets. However, it is unclear to what extent underperforming ministries will be sanctioned for non-compliance. It is also positive that the government has reiterated its commitment to EU-wide climate neutrality by 2050 despite lacking a clear path for the achievement of this target.

In the energy sector, the government has agreed to **present a coal phase-out law by November** – ten months after the independent “Coal Commission” tabled its widely recognized recommendations.⁶ While the government has already tabled a transition bill, and some elements of the phase out acts, partisan conflicts, state elections and debates around compensation payments and ambition have already delayed the process. In this context, Germany announced on September 22 that it will join the Powering Past Coal Alliance.⁷ However, it does not yet meet the criteria for becoming a full member of the so-called “Declaration Group” which demands a coal phase out by 2030 for all OECD countries.⁸ The package furthermore reconfirms the target of 65% renewable electricity production by 2030 but **does not include adequate policy measures to accelerate renewables**

⁵ Deutsches Institut für Wirtschaftsforschung (2019). **Für eine sozialverträgliche CO₂-Bepreisung**; Mercator Research Institute on Global Commons and Climate Change (2019). **Politik-Dialog zur CO₂-Bepreisung**

⁶ E3G (2019). **The German Coal Commission – A Role Model for Transformative Change?**

⁷ Powering Past Coal Alliance (2019). **Germany and Slovakia head list of new Alliance members at UN Climate Action Summit**

⁸ Powering Past Coal Alliance (2019). **PPCA co-chairs announce expanded membership offer for national governments**



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deployment and even reinforces some barriers, such as a minimum distance between wind turbines and settlements. On the upside, the situation for deployment of solar PV and offshore wind might improve thanks to the new policies. The climate package also does not clarify the future of fossil gas across economic sectors.⁹

Concerns about the social impacts of climate policy have played a key role in the political debate. The package includes some measures to reduce taxes, electricity prices, duties and social hardship for poorer households, reflecting a joint interest of the governing parties to ensure that citizens do not perceive new climate policies as a financial burden. However, the package does not lay out a necessary overall reform of energy taxes and surcharges as well as a full reimbursement of the revenues from carbon pricing, despite prior promises. Problematically, the package also does not reduce fossil fuel subsidies and even increases some, such as tax incentives for commuters. Some of these measures will potentially undermine the overall effectiveness of the package, such as the combination of a low carbon price and higher financial support for commuters.

The government is also not yet adequately anticipating and planning for the upcoming structural changes caused by the deep decarbonization of the economy, for example through the transition of the automotive and broader manufacturing sector from internal combustion engine vehicles to electric mobility. The **package does not lay out a credible plan for a Just Transition, thus putting at risk social cohesion, competitiveness and planning security for affected communities.**¹⁰ A successful and socially just climate policy needs to take into account the socio-economic and regional effects as well as the interaction with other trends such as digitalization.

National Context

Germany is significantly lagging behind its own climate targets. It will miss its 2020 emission reduction target and is on track to miss its 2030 targets.¹¹ There have been significant emission cuts in most economic sectors except transport since 1990, but much of these gains are due to the breakdown of Eastern German

⁹ Read more about the importance of addressing gas in E3G (2019). [Deep Decarbonisation and the Future of Gas in the EU](#)

¹⁰ Read more about E3G's work on Just Transition on our [website](#)

¹¹ Climate Home News (2019). [Germany to miss 2030 climate goal without coal phase out](#)



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industry post-reunification.¹² Overall, **no sector is on track to meet current domestic targets, which are not yet aligned with the Paris Agreement.**¹³

This also presents a future fiscal problem as, under the EU's Effort Sharing Regulation, Germany will have to buy emission allowances from other EU member states starting in 2021 if its emissions in non-ETS sectors, including transport and buildings, do not meet the 2030 targets. The total costs of this could amount to up to €60bn.¹⁴

At the same time, **climate policy has become a key political topic** driven by strong mobilization by "Fridays for Future" and the broader climate movement as well as due to increasingly strong climate impacts and related social and economic costs. In the 2019 European Elections, the most recent Germany-wide elections, "climate and environment" was a priority for many voters.¹⁵

This **rising political importance of climate change has caused parties to adopt significantly more ambitious rhetoric on climate policy**, resulting in a livelier debate on the design of effective climate policies. In this debate, parties often attempted to link climate policy to their own core values, for example the importance of the competitive social market economy (Conservatives) or social justice (Social Democrats). The current political importance of climate change also coincides with a period of strong polling for the Green Party.

While all these developments have facilitated a more ambitious debate on climate policy measures, the **negotiations on the climate policy package were also strongly influenced by the internal dynamics of the governing coalition**. The Social Democrats in particular sought to position themselves as a stronger voice on climate.¹⁶ At the same time, opponents of more ambitious climate policy warned that it may lead to disruptions that could benefit far-right populist parties.

¹²Umweltbundesamt (2019). **Emissionsquellen**

¹³ Spiegel Online (2019). „**Deutschlands Klimaziele sind total veraltet**“

¹⁴ Agora Energiewende (2019). **Die Kosten von unterlassenem Klimaschutz für den Bundeshaushalt**

¹⁵ Tagesschau (2019). **Umfragen Wahlentscheidende Themen**

¹⁶ Berliner Morgenpost (2019). **Koalitionsspitzen beraten über Fortschritte beim Klimaschutz**



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What does this mean for Germany's global standing?

Germany used to be regarded as a global leader on climate action thanks to its domestic energy transition (“Energiewende”) and its role in securing international agreements, earning Chancellor Merkel, who has been in office since 2005, the title “Climate Chancellor”.¹⁷ However, **Merkel’s reputation as a “climate chancellor” faded when the domestic energy transition faced significant hurdles and the government became a brake on European and international climate processes.**¹⁸ This year, the government and Chancellor Merkel personally have stepped up their rhetoric again and played an important international role in advancing the EU’s negotiations on a 2050 net zero emissions target.¹⁹

However, **as an important global defender of multilateralism in a fragmented world**, and a leading power in a changing European Union post-Brexit, **Germany’s international importance for coordinating and accelerating global efforts against climate change will further increase.** This is mirrored in calls for Germany to adopt a leadership position in foreign policy, which will very likely develop stronger interlinkages with climate security and risk challenges over the coming years.²⁰

At the recent Climate Action Summit, **Chancellor Merkel sought to portray the government’s climate package as a breakthrough**, including to re-establish Germany’s international reputation as a leader on climate change and to secure her personal legacy as a “climate chancellor”. However, her speech received a critical reception, with many observers pointing out that the proposed policies of her government are insufficient for such a role.²¹

Furthermore, **Germany is at risk of entering crucial international negotiations in 2020 with a set of insufficient climate policies.** In the second half of 2020, Germany will assume the Presidency of the European Council, and will thus coordinate the EU’s work during the important COP26 in Glasgow. There will also be a high-level summit between the EU and China in Leipzig ahead of COP26 where climate must be a key priority in order to increase and coordinate climate ambition.²² Furthermore, Germany must act decisively to prevent a backsliding on

¹⁷ Clean Energy Wire (2019). [The story of “Climate Chancellor” Angela Merkel](#)

¹⁸ POLITICO (2019). [Angela Merkel’s inconvenient truth](#)

¹⁹ AP (2019). [Angela Merkel calls for EU-wide climate neutrality by 2050](#)

²⁰ E3G (2019). [The Geopolitics of Climate Change](#)

²¹ ZEIT Online (2019). [Von der „Klimakanzlerin“ ist nichts zu spüren](#)

²² ZEIT Online (2019). [Merkel kündigt für 2020 Gipfel aller EU-Staaten mit China an](#)



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climate and other commitments at the 2020 G7 Summit in the USA and G20 Summit in Saudi-Arabia.

Germany's domestic decisions can impact incoming European Commission President Ursula von der Leyen's plan to realize a strong climate agenda. Von der Leyen has made climate policy a key issue for her Commission, promising a "European Green Deal" and a Climate Law, a likely increase of the EU NDC and an increase of climate and just transition investments. An increase in the EU's climate target for 2030 (50-55% emission reduction), as envisaged by von der Leyen, would entail tighter requirements for Germany moving forward.²³ In addition, the proposed policies are far from what is necessary to achieve a deep decarbonization of the European economy towards net-zero emissions by 2050 at the very latest, despite Germany's support for that target on the EU level.

German domestic decisions are closely observed by other EU member states. Countries in Central and Eastern Europe in particular are closely watching Germany's energy and climate agenda, such as the coal phase-out process and the Energiewende.²⁴ Additionally, Germany is a key player, often a role model, on international climate finance, and investment decisions of German companies have global relevance. All of this shows that **the German government must improve its climate package significantly ahead of COP25 in December to regain its former role as frontrunner on climate politics.**

What next?

The government proposals mark the beginning, not the end, of the transformation of Germany's economy towards net-zero emissions. The draft proposal must now be translated into detailed legal measures by the end of the year which will strongly determine the effective impact of the proposed policies. After the policies have been formulated in detail, they must be approved both by the German Parliament and the Federal Council. Both approval processes are opportunities for ratcheting up ambition. Another cause for changes to the package may arise from the SPD. In December, its party convention will vote on whether to continue the Grand Coalition, and climate policy will play a potentially important role in this vote. The SPD is also currently electing a new leadership, and most of the candidates have criticized the package for being too unambitious.

²³ Clean Energy Wire (2019). **German climate policy faces pivotal moment on 20 September**

²⁴ For example, the Czech Republic recently assembled a coal commission based on the work of Germany's coal commission.



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About E3G

E3G is an independent climate change think tank operating to accelerate the global transition to a low carbon economy. E3G builds cross-sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change. E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere. In 2018 E3G was ranked the fifth most globally influential environmental think tank for the third year running.

More information is available at www.e3g.org

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