The German Government’s Climate Action Programme 2030, and what to make of it

Prof. Dr. Ottmar Edenhofer

Workshop “Coordinating the next wave of EU climate policies”
Berlin, 20 November 2019
Guiding questions and background

1. In which area of climate policy action is your country pushing the hardest?
2. Is the national climate policy strategy bound to (a) be integrated into and (b) influence EU climate policy?

- Climate action program 2030 adopted by German government (September 2019)
- Basis of this talk
1) IN WHICH AREA OF CLIMATE POLICY ACTION IS YOUR COUNTRY PUSHING THE HARDEST?
**Overview**

- Focus on **Non-ETS sectors**: no carbon pricing in place, slow or no progress in emission reductions so far

<table>
<thead>
<tr>
<th>MCC-PIK recommendation</th>
<th>Climate package</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Choose either tax or ETS, define long-term price path</td>
<td>Start with ETS that is de facto a tax, 2026 ETS with price collar, 2027?</td>
</tr>
<tr>
<td>2. Carbon price in DE to start at 50 €/t, rise to 130 €/t by 2030</td>
<td>...to start at 10 €/t, rise to 35-70 €/t by 2026</td>
</tr>
<tr>
<td>3. Klimadividende, 100% revenues</td>
<td>Reduce EEG levy a little bit &amp; tax credits for long-distance commuters, ~20% of revenues</td>
</tr>
</tbody>
</table>
CO$_2$-price in Germany very low in international comparison ...even for 2025

- Minimum carbon price range for 2020 for 2°C (Stern/Stiglitz Commission)
Good architecture, but low level of ambition:

Source: MCC, Assessment of the German climate package, 2019
Good architecture, but low level of ambition:

Source: MCC, Assessment of the German climate package, 2019
Good architecture, but low level of ambition:

Source: MCC, Assessment of the German climate package, 2019
Distributional effects of carbon pricing in 2026

One quarter of households faces costs higher than 1% of their net income.
Burden on enterprises

- Large differences in the burden between economic sectors (calculation for 35 € per tonne of CO₂)

- The more the costs are passed on to consumers, the lower the disadvantages in international competition.

Source: Statistisches Bundesamt, own calculations
2) IS THE NATIONAL CLIMATE POLICY STRATEGY BOUND TO (A) BE INTEGRATED INTO AND (B) INFLUENCE EU CLIMATE POLICY?
Overview

<table>
<thead>
<tr>
<th>MCC-PIK recommendation</th>
<th>Climate Package</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Europe as convergence point, implement EU-ETS floor price</td>
<td>Europe as convergence point, implement (moderate) EU-ETS floor price</td>
</tr>
</tbody>
</table>

Decision of the Federal Government: "The Federal Government will work in close cooperation with the European Commission to introduce a European-wide emissions trading across all sectors. In a first step, the existing European emissions trading scheme (for energy and industry) should be supplemented by a moderate European floor price. [...] In a second step, in alliance with other willing member states, we will work towards the prospect of integrating the non-ETS sectors into the ETS." (Bundesregierung 2019b)
Foundation laid for European integration

- “Probably the most important sentence in the document.” (Ministry staffer)
- ETS floor price endorsed
- A paradigm shift in German climate policy, first indications that it will actually be followed through
  - No post-2030 national targets in draft Climate Action Bill
  - President of the new EU Commission supportive