



CAP₂ Position



If coal is to be phased out, then please do it properly

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Parts of the federal government with ambitious goals

The Green parliamentary group in the Bundestag plans to increase the pace of the coal phase-out in the new federal states as well and to stop coal-fired power generation as early as 2030. So far, the plan was to phase out in 2038. In view of the fact that in Germany, after 65 years of nuclear power, the last nuclear power plants will be shut down in a few weeks and the expansion of renewable energies is rather faltering, this may be a courageous step from the point of view of security of supply. One can also ask whether it is politically and democratically in good style to abandon compromises once they have been reached. However, it is the privilege of politicians to set ambitious goals and to push for desired changes. Therefore, we at CAP₂ do not feel called upon to express excessive criticism here, especially since we cannot presume to be able to make statements with absolute certainty about the security of supply in 2030. What concerns us, however, is indeed the concern about the effect on the climate that this measure will have or is supposed to have.

Climate effect possibly zero?

This concern about the climate effect may be surprising at first, since a phase-out of coal-fired power generation is in itself a significant contribution to achieving German climate goals. It is not without reason that coal-fired power generation is criticized worldwide, since burning coal (compared to gas, for example) is an inefficient and at the same time CO₂-intensive process to produce electricity - not to mention the particulate emissions and the constant accidents in coal mines. Unfortunately, the world is sometimes a little more complicated than one might like. For example, emissions from coal-fired power plants in Europe are controlled via the European CO₂ emissions trading system. Coal can only be burnt in coal-fired power generation if European emission rights are available for the CO₂ emissions that result from it. These must be cancelled after acquisition to the extent of the emissions

that take place. This mechanism ensures that emissions in the economic sectors concerned can only take place if emission rights exist for them. Emissions trading is indeed the EU's central instrument for controlling and reducing emissions, and this has been working successfully and well for several years. And it does so at CO₂ avoidance costs that politicians can otherwise only dream of.

Now, unfortunately, comes the catch. When coal-fired power plants are shut down in Germany, emissions are reduced locally. But does that also apply from a European perspective? The answer at this point is very clear: no. Just because coal-fired power plants no longer burn coal does not necessarily mean that the rights that are released are no longer used to this extent. Quite the opposite; of course the rights will be used elsewhere for emissions. In Europe, emission rights are now very expensive. In recent years, the price of emission rights has risen in some cases much more than for shares or other securities. The high prices for EU emission rights are thus a reliable scarcity indicator. The rights are expensive because they have a real economic value. This real economic value consists in being able to legitimize emissions with them. We can and must therefore quite inevitably assume that the emission rights not used in Germany (as a result of an early end to coal-fired power generation) will of course be additionally used elsewhere to legitimize emissions. In other words, and perhaps somewhat exaggeratedly formulated: Germany subsidizes the above-average operation of coal-fired power plants in Poland, Hungary or Italy by foregoing coal-fired power generation. This is expensive for German taxpayers, because the severance payments to the utilities have to be borne by the taxpayer. It is also cheap for consumers outside Germany, because the unexpectedly high supply of CO₂ emission rights makes coal-fired power generation cheaper in other countries. And for the climate - this is almost the irony of the story - it has no relevance at all, because the climate does not care whether emissions are produced in Germany or in another country.

There would be a solution

Now, one could almost despair at this point, but there is a very simple solution that would also ensure that there would be a positive climate effect. The federal government would have to ensure that the emission rights that have become free are taken off the market. That costs money, but only then would there be an effect. The federal government and the relevant ministries are well aware of this fact, but so far it has not led to any consequences. A current example of this is the decommissioning of the Moorburg coal-fired power plant; here, the government has so far failed to withdraw the emission rights released from the market. It can thus already be said that the previously envisaged climate effect of the closure of the Moorburg power plant is currently zero. This is particularly painful when one considers that this power plant was one of the most efficient coal-fired power plants in the world.

Incidentally, there is another aspect that is systematically ignored in the context of the end of coal-fired power generation: Actually, it would not be necessary to shut down any power plants; it would suffice to emit fewer new emission rights or to withdraw existing ones from the market. The market would take care

of the rest. This would actually be economically advantageous and would have the desired effect in terms of climate protection. Only the press appointments in front of cooling towers without water vapour could be arranged less impressively.



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