Climate Transparency

British Embassy Berlin

BROWN TO GREEN FORUM

MANAGING THE PHASE OUT OF COAL - PERSPECTIVES FROM GERMANY, THE UK AND OTHER G20 COUNTRIES

May 2019

In January 2019, Germany’s Commission on Growth, Structural Change and Employment reached a compromise to close all coal-fired power plants by 2038 at the latest. This is an important signal to the international community.

Four months on, on 21 May 2019, the Brown to Green Forum hosted by [Climate Transparency] and the British Embassy Berlin discussed the economic, legal, climate-related and social aspects of Germany’s coal phase out with lessons learned from other G20 countries. High-level representatives from G20 countries, civil society, business and academia explored the following questions: What are the implementation challenges for Germany? What are the economic implications of a market-driven or state-driven coal phase out? What are the opportunities for social and economic innovation in former coal regions? How can G20 countries work together to share experiences? And how can the Powering Past Coal Alliance support those dedicated to a coal phase out?

At the event, Climate Transparency presented its new brief “Managing the phase out of coal – A comparison of actions in G20 countries”.

Welcome and Keynote

The following are no quotes, but a non-verbatim recollection of key points.

Sebastian Wood, Ambassador, British Embassy Berlin

The United Kingdom experienced large emission cuts since 1990 and net zero emissions by 2050 is achievable. Together with the Canadian government, the UK government has established the Powering Past Coal Alliance and will phase out coal by 2025. This reduces emissions and creates certainty for future markets.

Germany has shown with its coal commission that finding a consensus between different actors to phase out coal in such a coal-depending country is possible.

Peter Eigen, Co-chair, Climate Transparency

Much higher ambition in climate action is needed in G20 countries to reach the Paris Agreement temperature goal. Germany's aim to phase out coal by 2038 is a major step forward, but insufficient from a climate perspective – a coal phase-out by 2030 would be needed to be 1.5°C compatible.

Climate Transparency compares G20 actions in phasing out coal and its international partners have developed policy briefs on coal transitions for India, Indonesia and South Africa.

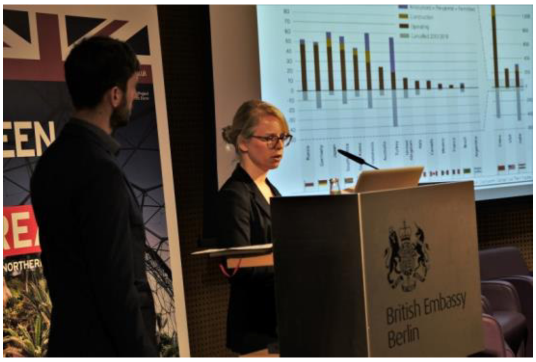
Rita Schutt, Deputy DG General issues of specific sectors of the economy; sustainability, Federal Ministry of Finance, Germany

The German coal phase-out might be expensive, but it is necessary and urgent. We are experiencing the three warmest years in a row since the starting of whether records.

Next to the immediate action programme for structural change in the coal regions and respective legislation, we need more renewable energy for power generation, grids and storage capacities. A smooth transformation to a carbon-neutral economy requires massive investments, innovation and the right incentives – this is why the German government is currently working on a tax and levy system in the energy sector.

The fiscal framework in general needs to be adjusted: Our aging population will have a powerful impact on budgets and social systems. Finally, the government is working on a sustainable finance strategy that will aim to make Germany a leading centre for sustainable finance.

Input: Comparing G20 actions in phasing out coal



Hannah Schindler, Project Coordinator, Secretariat Climate Transparency & Leo Roberts, Senior Research Officer, Overseas Development Institute

About 30% of the primary energy supply of the G20 countries is derived from coal. From 2012-2017, absolute energy supply from coal has been constant in the G20; the United Kingdom, Italy, the EU, France, the US and Canada experienced major decreases due to air quality and climate policies, carbon pricing, reduced costs of renewables and abundant supply of natural gas.

Most of the G20 countries are however currently constructing additional coal plants and/or are planning to do so, thus running the risk of stranded assets.

Highest capacities planned or under construction are in China, India, Indonesia and Turkey. G20 governments continue to provide at least US$39 billion per year for the production of coal, including coal-fired power. The largest overseas financiers are China, Japan and South Korea.

Panel I: Financing and implementing an end to coal

André Poschmann, Head of EU electricity issues, national and European electricity market integration, Federal Ministry for Economic Affairs and Energy, Germany

The broad consensus to phase out coal in Germany was a major success as the country is also phasing out nuclear – We do not leave the energy transition to the market.

The focus now must be on rapid implementation; not on discussing how we can become even more ambitious in our phase out date. The devil is in the detail, the government is currently identifying the right projects in the coal regions that are having a real impact on job creation and economic growth.

What Germany does in the electricity sector has impact on the rest of Europe due to the size of its economy and the shared grid system. The German government has started to discuss its coal-phase out plans with its neighbours in April, learning from earlier experience that decisions in Germany can impact severely neighbouring countries. In addition, we now have to agree on an ambitious EU long-term climate strategy.

Beth Child, Deputy Director, International Climate Strategy, British Department for Business, Energy and Industrial Strategy

The UK is a frontrunner in phasing out coal. In 2008, it was the first country to have a binding emission reduction target. In 2010, we observed a major shift in the energy market towards renewables and gas. A just transition and the fact that electricity prices for consumers did not rise helped to create acceptance. The Powering Past Coal Alliance advocates a coal phase-out in 2030 for OECD countries and in 2050 for non-OECD countries, shares good practices and provides support and advice to third countries. The UK aims to work with more countries on phasing out coal and provides funding programmes. Germany and the UK have many opportunities to work together.

Fabby Tumiwa, Executive Director, Institute of Essential Service Reform, Indonesia

The Indonesian government considers coal the lowest cost option of new power generation; it is currently building additional coal plants. Coal has become an important commodity for Indonesia's coal regions in the last 20 years – at district level 50% of GDP comes from the coal business. These regions are at the same time the country's major palm oil producers.

Indonesia is following Germany's coal phase-out and the multi-stakeholder approach is considered to be important. However, a remarkable reduction in coal will only be feasible in Indonesia with: 1) a decreasing coal demand from China and India (the major importers of Indonesian coal), 2) renewable energy becoming more competitive, 3) Japan, China and South Korea reducing their financing for coal production including coal fired power generation in Indonesia.

Markus Hagel, Politik & Corporate Responsibility, RWE AG

The German coal compromise is crucial for RWE's planning security. It now needs to be implemented, with an adequate compensation for RWE.

In addition, RWE advices to take out CO_2 certificates of the market to accelerate the change in Germany's power sector. RWE has recognised that coal and nuclear are not the future of Germany's energy production. The security of energy supply is essential – the company works on power-to-x projects and storage technologies. With the acquisition of Eon's renewable electricity generation assets, RWE will be the third largest supplier of renewable energy in Europe. It currently invests 1.5 billion euros per year in renewables.

Panel II: Climate change meets social justice and innovation

Amb. Stephane Dion, Canada's Ambassador to Germany and former Minister of Foreign Affairs and former Minister of the Environment of Canada

The transformation needs to be fair for 9 million workers in the coal industry worldwide. We need to bring them into the fight against climate change, also to prevent a populist backlash.

In Canada, a report found that coal-related workers have higher than average wages, their median age is above 50 and many work in areas with unemployment rates above the national average. Canada created a just transition task force which visited all coal-communities and the government will create workers transition centres.

Christine Herntier, Mayor of Spremberg, Member of Germany's Commission on Growth, Structural Change and Employment

The recommendations of the coal commission represent a large step forward but they need to be implemented in full. I work together with all mayors of our region as part of the Lausitzrunde and we are in close and regular contact with citizens, trade unions and companies to discuss implementation.

The people in the Lausitz know that I fought for the region as a member of the Commission and it was very important to have a seat at the table.

To not lose the trust of the public, bringing people into jobs is now central. In the Lausitz, we developed a cluster strategy – we focus on innovation in energy supply, storage mobility, effective resource management and health care. The national funds for structural change in the region provide opportunities for the young people which might otherwise leave. Intergenerational justice is important too, though we do not have any Friday for Future kids in the Lausitz.

Jesse Burton, Researcher, Energy Research Centre of the University of Cape Town and E3G, South Africa

89% of South Africa's electricity supply is derived from coal. The state-owned utility Eskom is in a political crisis and nearly bankrupt – we need refinancing plans. The government is currently discussing how to slowly shift away from coal, this is part of the draft Integrated Resource Plan that envisions to expand renewables from currently 3.3 GW to 20 GW installed in 2030. The share of coal in the electricity supply is to be reduced by 20% in 2050.

I would like to see a coal commission in South Africa as in Germany. South Africa has started a social dialogue process to develop just transition sustainable development pathways, but it has low funding. A first step would be to collect data on our coal workers which is currently non-existing.

Thomas Spencer, Fellow, The Energy and Resources Institute, India

The Indian perspective on a just transition differs. India experiences high economic growth rates, but the country is poor and has to achieve what Europe achieved in the 19^{th} century – a massive macroeconomic transition towards an industrialized economy and higher levels of welfare. 50% of India's work force is in farming, which, however, provides just 17% of its GDP. By 2050 farming will only contribute 8% to GDP. Millions of farmers thus will need to shift to other sectors. Less than 1% of India's labour force is working in the coal sector, a comparatively low number (300 000 people in the formal coal sector, 100 000 in the informal sector and maybe 500 000 people indirectly working in the sector). India simply cannot follow the German example.

In India it is widely acknowledged, that renewables are the cheapest source of electricity. The pace of transition will not be determined by costs but on how fast we can integrate renewables into the grid. Coal will increase to grow in the next years. According to our expectations coal power generation will peak in 2030s. A particular challenge is the reduction of coal for industrial manufacturing (cement, steel) which is expected to grow rapidly, while the power sector might be at zero coal by 2050.