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German companies are demanding stricter reductions of CO2 emissions

Rafał Bajczuk

On 7 February, Germany's E.ON, EnBW, Otto and Puma and the German branches of Alstom and Shell, along with the non-governmental organisation Germanwatch, published an open letter calling upon the German government and the European Parliament to support the proposal made by the European Commission in July 2012 concerning the backloading of carbon allowances. It is argued in this letter that in order to achieve the long-term goal of reducing CO2 emissions by 80%–95% until 2050 (in comparison to 1990 levels), companies need a predictable political framework and stable encouragement to invest in new technologies. The present level of carbon allowance prices does not guarantee that this kind of investments will bring a positive rate of return. The authors emphasise that interference with the carbon trading market should be an exception and will contribute to a long-term adjustment of the emissions trading system, so that the allowances become a real investing stimulus for companies.

Commentary

- In November 2012, the European Commission came up with the proposal of backloading 900 million carbon emission allowances in 2013–2015 and bringing them back to the market in 2019–2020. The EU Emissions Trading System (EU ETS) covers the largest companies (power plants, steelworks, cement factories, etc.) and airlines, which account for over half of all CO2 emissions in the European Union. If this proposal is accepted, the countries which would gain most would be Germany (457 million euros) and the United Kingdom (238 million euros). In this case Poland would lose most (1,042 million euros). The second largest loss would be incurred by the Czech Republic (375 million euros). There is no consensus in the European Parliament regarding the European Commission's proposal. The Industry, Research and Energy (ITRE) Committee of the European Parliament voted against the backloading proposal in January. In turn, the Environment, Public Health and Food Safety committee (ENVI) on 19 February voted in favour of intervention by the European Commission. A further procedure to accept the commission's proposal requires that the European Parliament should decide by a simple majority of the votes and the Council by a supermajority of the votes.

- The European climate policy is a subject of dispute between the German ministries for the environment and for the economy. The ministry for the economy does not agree with the two key proposals of the European Commission, which in turn are supported by the minister for the environment, namely: backloading and increasing the EU's emissions reduction target by 2020 from 20% to 30% (against 1990 levels). The ministry for the environment represents the interests of the green technology sector and of those companies which decided to start investing in reducing emissions. It argues that it is essential to maintain the stimulus for investments in low-emission technologies. In turn, the ministry for the economy fears that the competitiveness of German companies will fall, that the country will undergo deindustrialisation and that the energy-consuming industry will escape from Germany to other countries.

- The stance taken by German industry is not clear. The heavy industry lobby is opposed to the unilateral implementation of climate protection standards by the EU. The association of automobile industry is lobbying for example for increasing the admissible fuel consumption standards in automobile engines. In January this year, the German MEP Thomas Ulmer (CDU) came up with a proposal in a report to the European Parliament's Environment, Public Health and Food Safety Committee to lift the admissible CO2 emissions levels for automobiles – this proposal reflected the demands made by the German Association of the Automotive Industry (VDA) in November 2012.