



POTSDAM INSTITUTE FOR
CLIMATE IMPACT RESEARCH

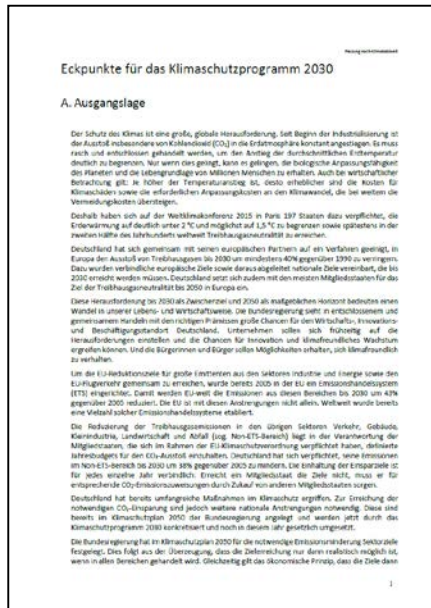
The German Government's Climate Action Programme 2030, and what to make of it

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)
- MCC-PIK report on carbon pricing reform options relevant input <https://bit.ly/32S8LBv>



- Assessment of Climate action program in light of MCC-PIK report <https://bit.ly/2nSKDzk>
- Basis of this talk

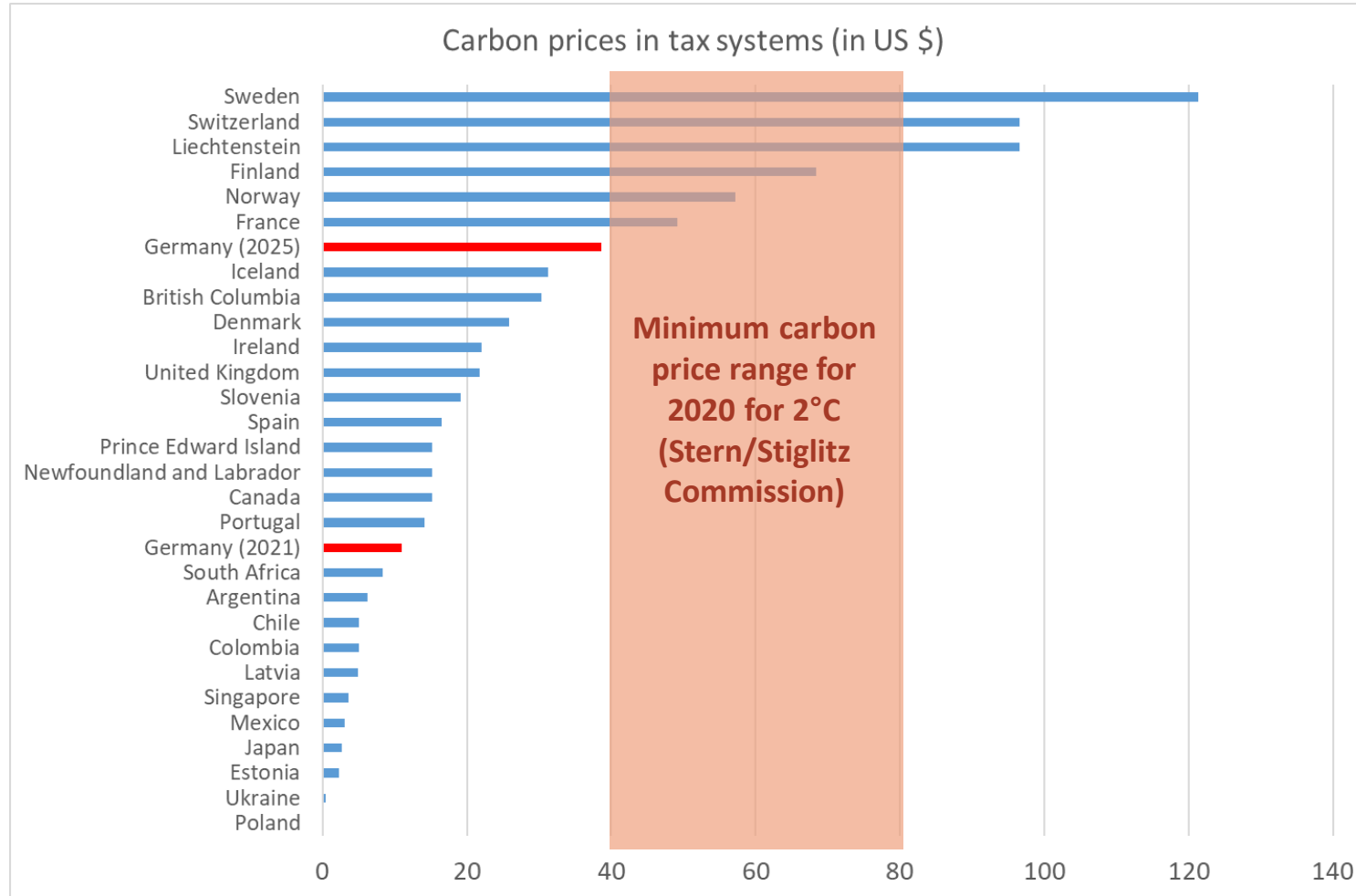
**1) IN WHICH AREA OF CLIMATE POLICY ACTION
IS YOUR COUNTRY PUSHING THE HARDEST?**

Overview

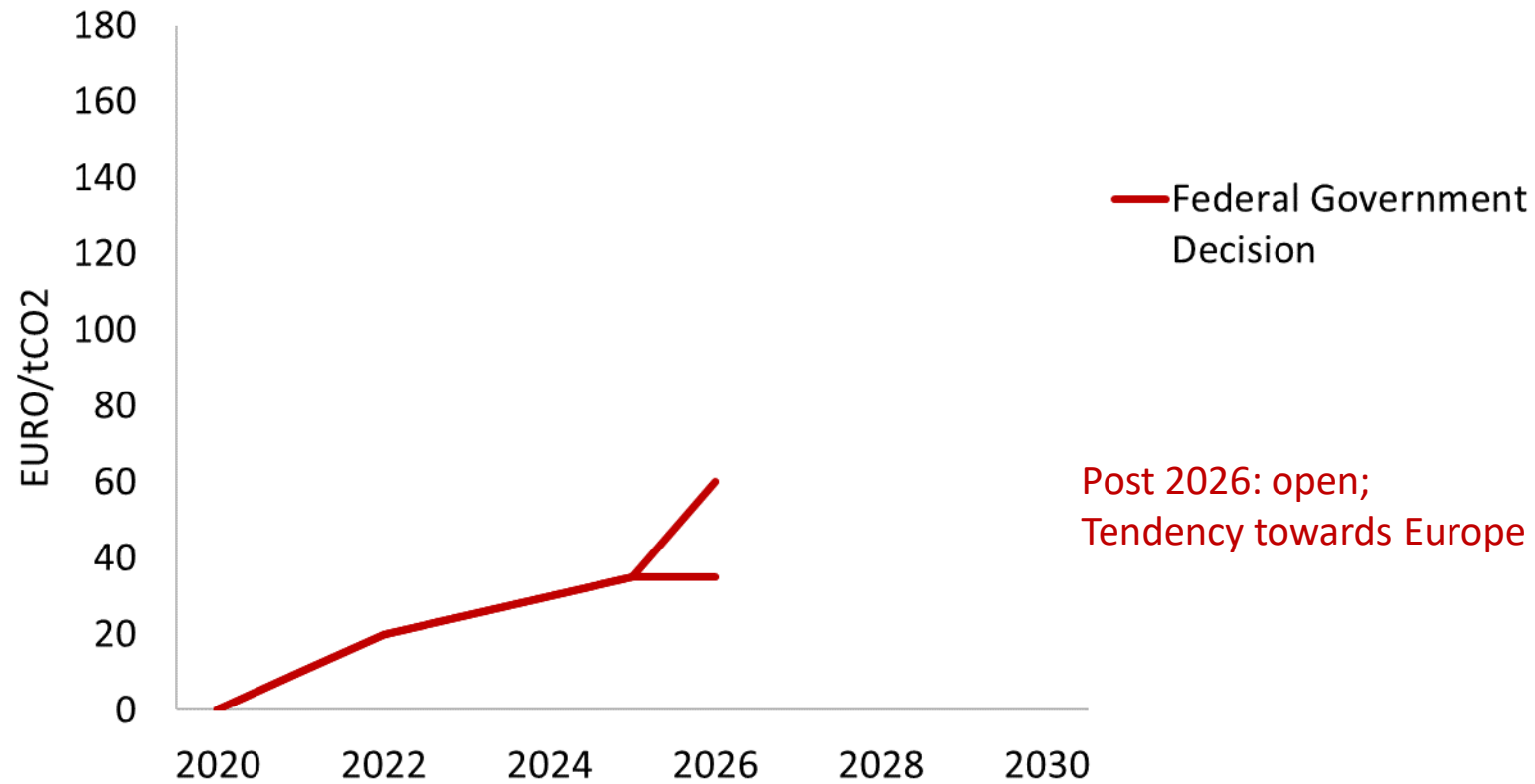
- Focus on **Non-ETS sectors**: no carbon pricing in place, slow or no progress in emission reductions so far

MCC-PIK recommendation	Climate package
1. Choose either tax or ETS, define long-term price path	Start with ETS that is de facto a tax, 2026 ETS with price collar, 2027?
2. Carbon price in DE to start at 50 €/t, rise to 130 €/t by 2030	...to start at 10 €/t, rise to 35-70 €/t by 2026
3. Klimadividende, 100% revenues	Reduce EEG levy a little bit & tax credits for long-distance commuters, ~20% of revenues

CO₂-price in Germany very low in international comparison ...even for 2025

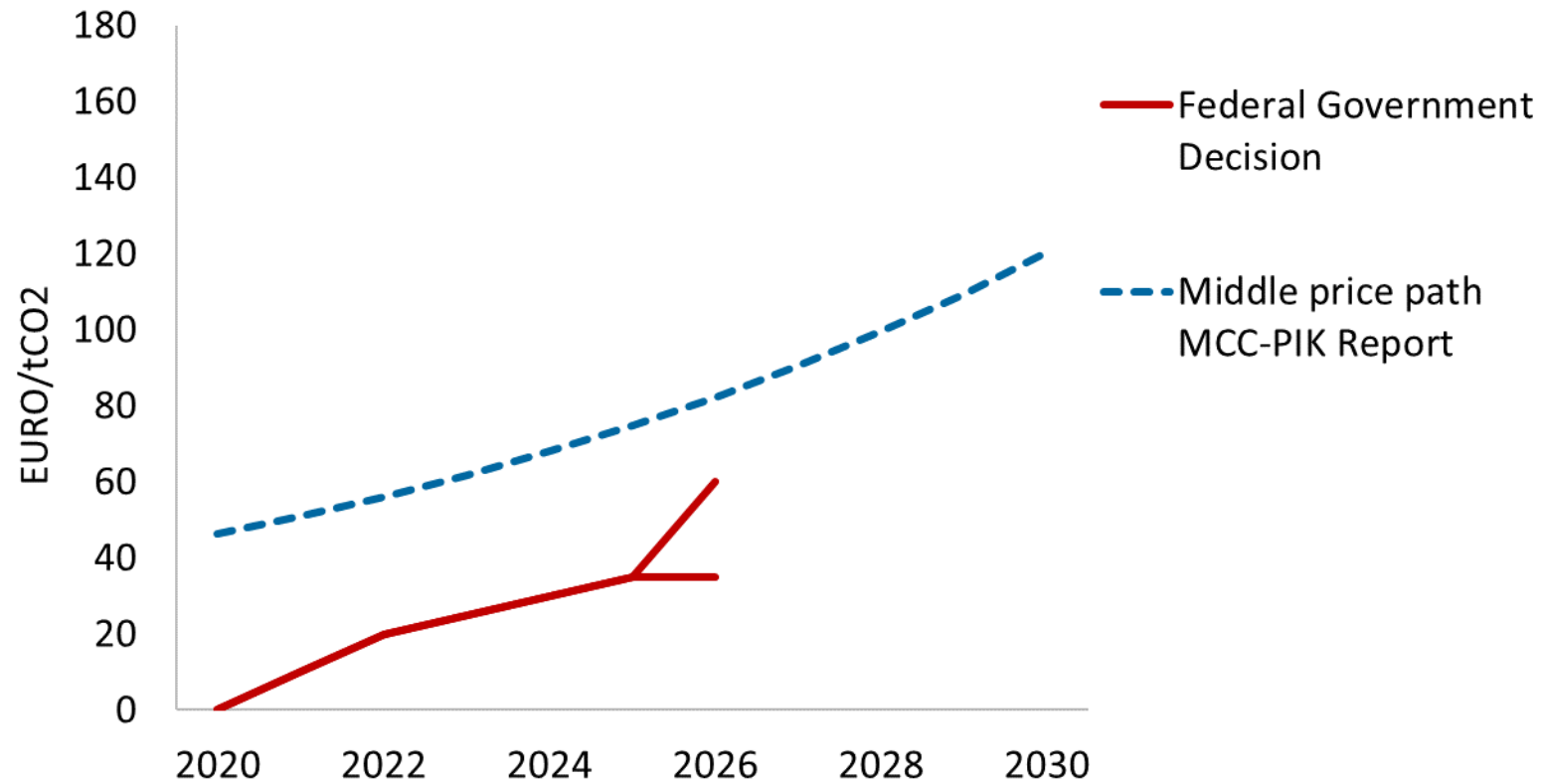


Good architecture, but low level of ambition:



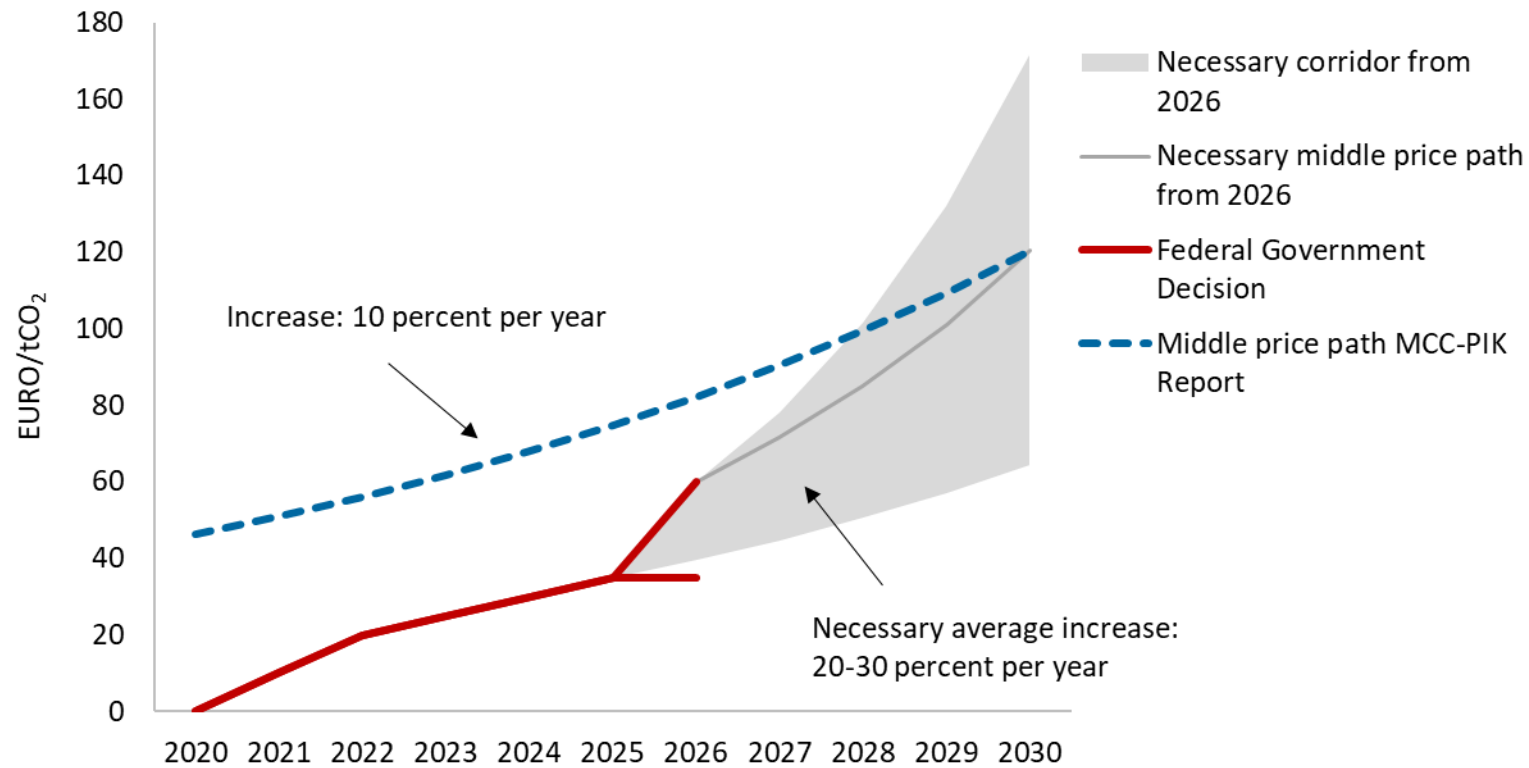
Source: MCC, Assessment of the German climate package, 2019

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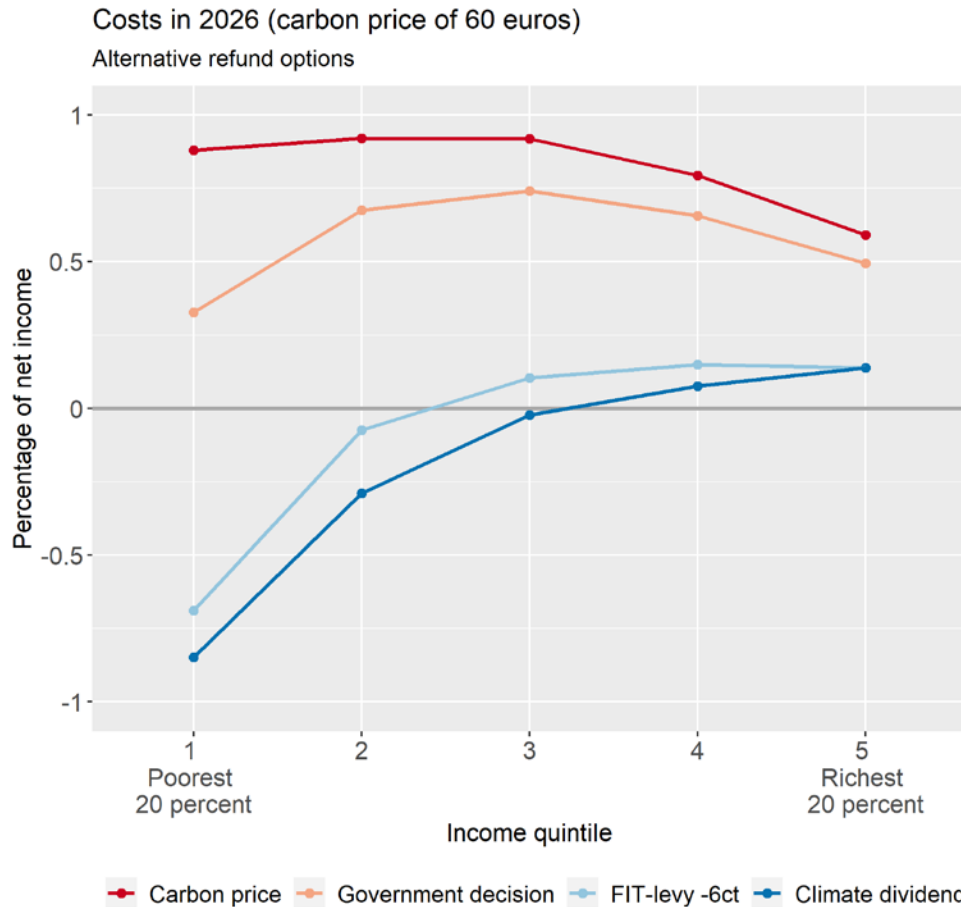
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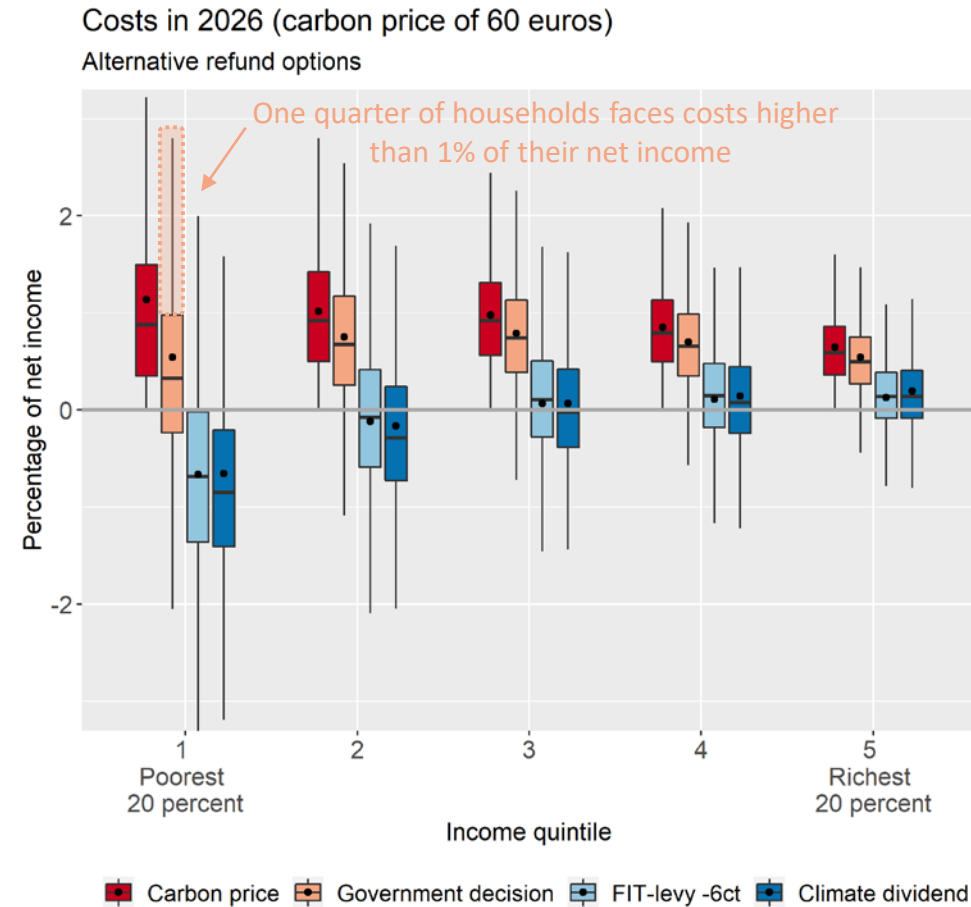


Source: MCC, Assessment of the German climate package, 2019

Distributional effects of carbon pricing in 2026



Household net income is equivalence-adjusted; based on EVS 2013

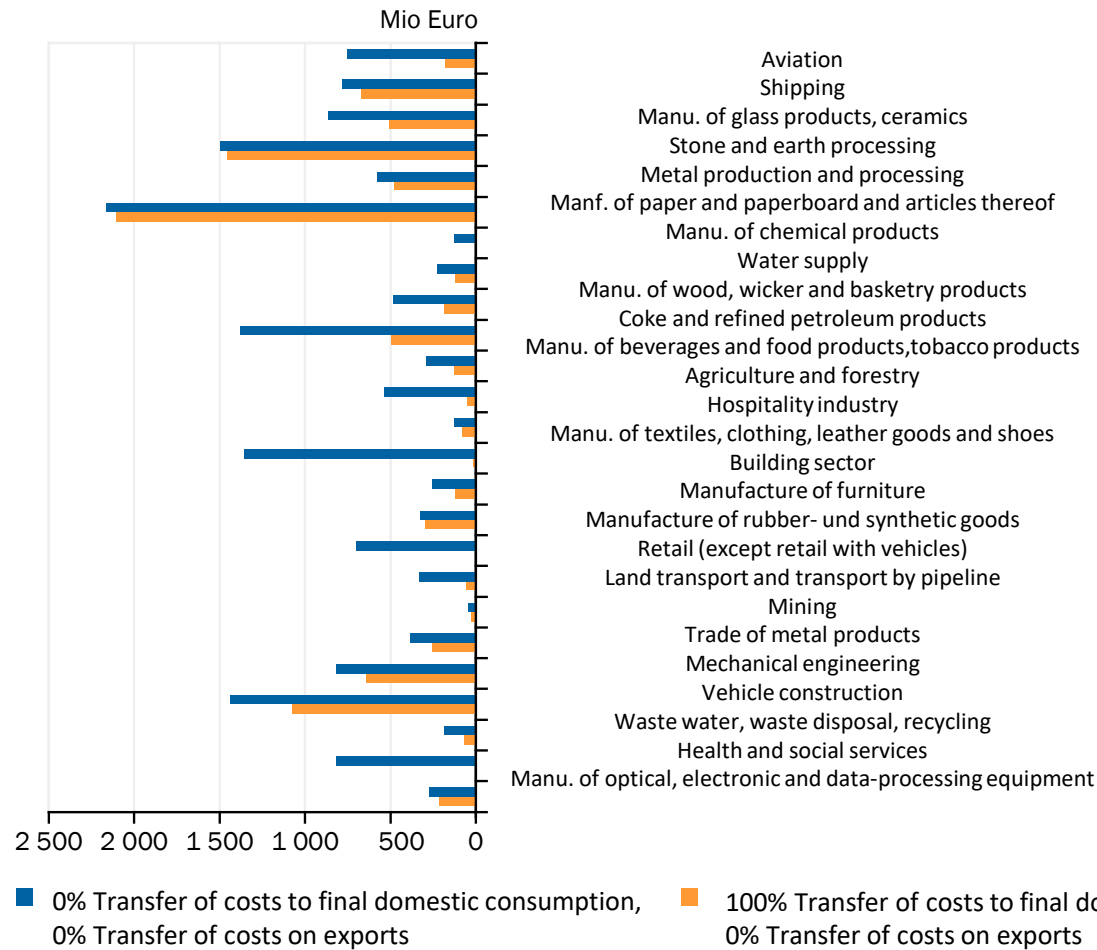


Household net income is equivalence-adjusted; based on EVS 2013

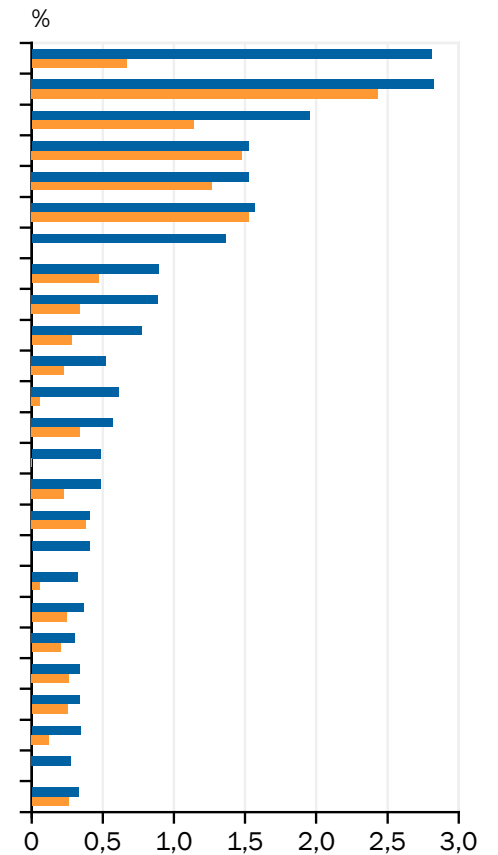
Burden on enterprises

- 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.

Total Burden



Burden in relation to production value



Source: Statistisches Bundesamt, own calculations

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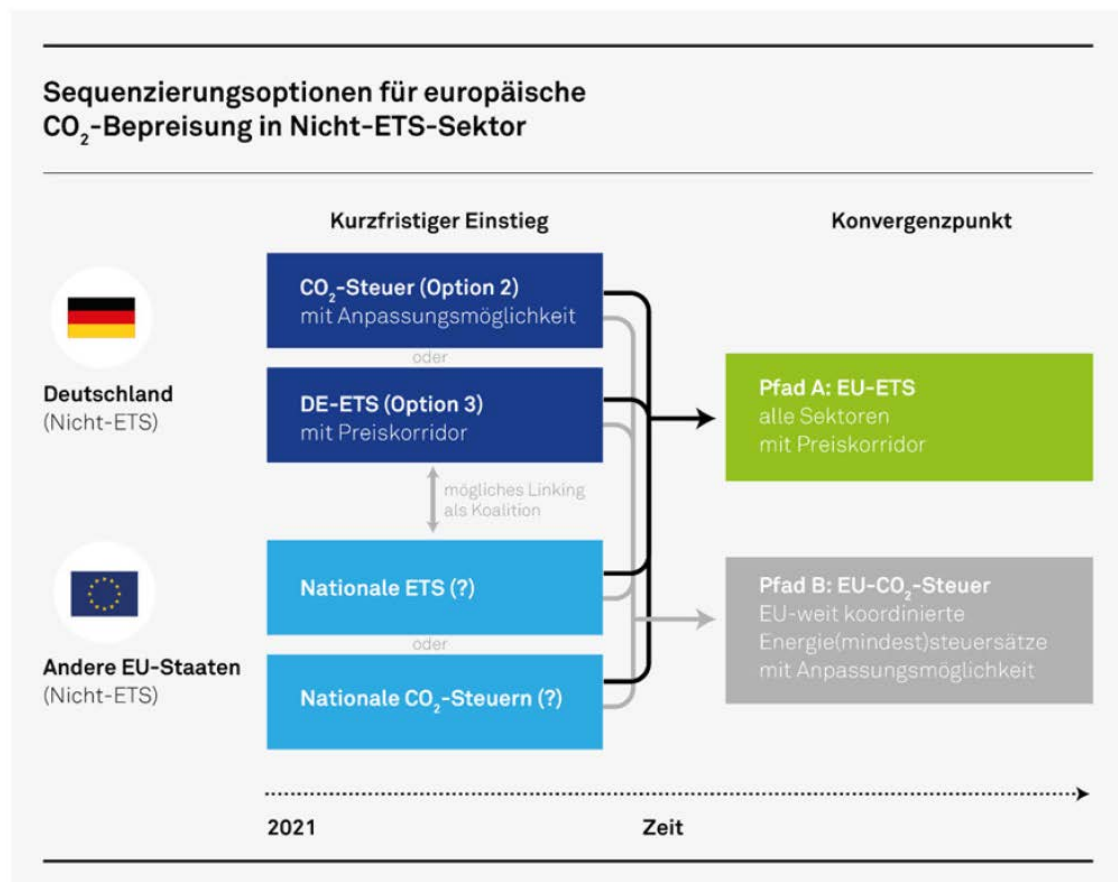
**2) IS THE NATIONAL CLIMATE POLICY STRATEGY
BOUND TO (A) BE INTEGRATED INTO AND (B)
INFLUENCE EU CLIMATE POLICY?**

Overview

MCC-PIK recommendation	Climate Package
4. Europe as convergence point, implement EU-ETS floor price	Europe as convergence point, implement (moderate) EU-ETS floor price

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