



# Ambitious climate goals are moving out of reach

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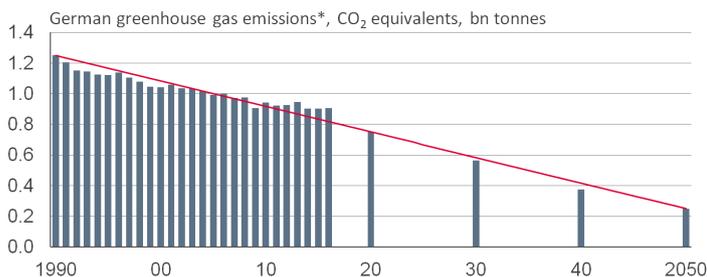
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Between 1990 and 2016, Germany reduced its greenhouse gas emissions (GHG emissions) by 27.6%. Excluding the significant downtrend in the first few years after the German reunification, GHG emissions still declined by more than 19% between 1995 and 2016. This is a considerable success, particularly in an international comparison. After all, global energy-related carbon emissions increased by more than 50% during the same period.

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\* The reduction path in this chart shows a reduction of greenhouse gas emissions by 80% by 2050 (compared to 1990). Officially, the German government aims to reduce GHG emissions by 80-95% by 2050. Thus, the reduction path represents the least ambitious development.

Sources: Federal Environment Agency, BMWi, Deutsche Bank Research

Germany has publicly committed itself to reduce its GHG emissions by 40% by 2020 (in comparison to 1990). If this goal is to be reached, emissions will need to decline by c. 17% by 2020. In other words: Germany has only four years – 2016 to 2020 – to reduce its GHG emissions by almost the same percentage as in the 20 preceding years. This goal is surely ambitious – and it seems quite strange that (almost) all political parties simply defend it and do not (or at least not publicly) ask the question whether the grapes might be too high. We are obviously dealing with a significant political taboo here, probably not least because climate change is a very emotional issue for parts of the public.

The German climate protection goals also played an important role in the (failed) exploratory talks for a “Jamaica” coalition. In the media, the issue was narrowed down to the question of how many (older) coal power plants should be shut down prematurely in order to make a contribution towards reaching the climate goals. While we do not want to join this discussion, we would like to point out that any emissions from electricity generation are subject to the EU emissions trading scheme (EU ETS). Thus, they have only a theoretical effect on the national German climate protection goal, if any. If Germany shuts down coal power plants (be it by government order or for economic reasons), demand for emission certificates under the EU ETS will decline, which is why the certificate price will decline as well (ceteris paribus). Other power plant operators within the EU can then purchase the newly freed, cheaper certificates. The emissions cap under the EU ETS will not change – at least in the current regime.

Back to the German climate protection goals. The long-term GHG emissions reduction targets remain ambitious. Assuming a linear reduction path, emissions would need to decline by 25% in the 2020s and by 33% in each of the two subsequent decades. Then, GHG emissions would be 80% below the level of 1990 by 2050 – or, in other words, in line with the minimum goal. Officially, Germany even aims for a reduction by up to 95%. This means that the percentage declines would need to rise every decade in comparison to all preceding decades.





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Of course, long-term forecasts are subject to particular uncertainties. Nevertheless, assuming that declines become ever more rapid over time runs counter to both intuition and experience from other areas of life. After all, success is usually most easily achieved right at the beginning (excluding revolutionary technology breaks). Obviously, we will need to see significant technological progress in all economic and social areas (and within less than 35 years) if the long-term climate goals are to be reached. If policymakers set themselves such ambitious goals, they should have more than just a vague idea about the technologies and instruments they plan to use in order to realise them. In addition, they should tell corporates and citizens about the (considerable) costs involved and the restrictions which will probably become necessary. A climate policy which is based solely on (exaggerated) idealistic notions inevitably loses credibility.

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