



Climate neutrality: Are we ready for an honest discussion?

Eric Heymann

If you asked me which issue European Commission President Ursula von der Leyen has pushed most since her taking office in summer 2019, my answer would be clear: a climate-neutral EU by 2050. Other topics, such as international trade conflicts, the unresolved refugee crisis, high government indebtedness in many EU countries, the fact that extremist parties are gaining ground or Brexit, have somehow been pushed aside. Even the pandemic seems to fall behind, despite the fact that the EU member states have agreed for the first time ever to issue common bonds to deal with the crisis. Remember that a significant share of the capital is to go to climate-friendly projects.

The climate neutrality goal is set out in the European Green Deal of December 2019 which says it will “transform the EU” with tools to ensure “nobody is left behind”. Sounds excellent. And I, for one, am in favour of policymakers setting ambitious goals. However, there is a difference between “ambitious” and “realistic”. With regards to the Green Deal, it is impossible to make the EU completely climate neutral in only 30 years if we rely only on the technologies that are both available and politically acceptable today (see our piece “The tough choice to create a hydrogen economy”). Claiming that climate neutrality is or can become a growth strategy is an instance of wishful thinking. Perhaps I have been analysing the typical patterns of national and international climate policy for too long by now; after all, it is a common occurrence that ambitious climate protection goals are widely missed.

The next one to three years will be decisive. We will see whether we, as a society, are ready for an honest democratic discussion about climate neutrality. We will have to deal with inconvenient questions and inconvenient truths. But if this discussion does not take place, climate neutrality will remain a topic for fine speeches and promises – and nothing will be said, much less done, that could hurt anybody.

Inconvenient truths – inconvenient questions

Let’s face an inconvenient truth. Global energy demand is likely to rise further in the coming years, driven mainly by population growth (the world’s population grows by 80m people each year) and the desire for prosperity. Fossil fuels will remain the most important source of energy for now. Even according to the latest Sustainable Development Scenario of the International Energy Agency, which includes considerably more climate protection measures than those foreseen in the Paris Agreement, the share of fossil fuels in primary energy demand will still amount to 56 per cent in 2040. This is already a massive reduction from today’s 80 per cent. The SDS expects renewable energy sources to have a share of 35 per cent in total energy consumption; the biggest increases are expected in wind and solar power. In short, even in this optimistic scenario, renewable energies are far away from being the main pillar of global energy supply.

Being serious about openness to (new) technologies

One important question for the coming years is: Are we serious about being open to different (new) technological solutions? In the first place, we will have to recognise that all sources of energy come with specific risks and specific advantages and disadvantages in terms of economic efficiency, reliability, capability, and climate and environmental sustainability. These are the traditional corners of the energy policy triangle. There is also the question of whether certain technologies are politically acceptable.

Turning to economics, we will need to talk honestly about the costs of specific sources of energy. Fossil fuels are highly reliable and powerful, but their external costs are not adequately internalised yet. Carbon prices will need to be significantly higher than the political consensus currently allows. In the case of wind power and photovoltaics, pure electricity

generation costs (which are declining) are only part of the picture. As weather-dependent sources of energy gain importance, investments in networks and power storage capacities will need to be increased. Cost-intensive network interventions will take place more frequently. Moreover, other suppliers (for example gas-fired power plants) will see their capacity utilisation decline if more electricity from wind and solar farms is fed into the grid. These system-wide costs of an increased reliance on renewable energies are often neglected.

Nuclear energy is a good example for difficulties in terms of political acceptance. Countries such as Germany are aiming to exit from nuclear energy, which comes with very low specific carbon emissions, simply because people/politics do not accept it as a source of power. In contrast, nuclear energy remains an (important) pillar of the electricity sector in France, the US, China or Japan. These countries are also actively researching next-generation nuclear power options. The different stance on nuclear energy in Germany and France is probably one reason why the Green Deal does not mention nuclear energy at all.

Carbon capture storage and usage systems are quite unpopular in the EU, too. According to the IEA, however, we will need them for decarbonisation. The Green Deal also supports investments in this technology, even though CCS, at least, meets with considerable political resistance in countries such as Germany.

I would like to point out that these statements should not be taken as support for or rejection of any of these technologies. If, however, people are actually afraid that large parts of the planet may become uninhabitable due to climate change and if they really want to achieve climate neutrality, they should not reject technologies right away that may help to reach this goal, even if they involve certain risks. An honest debate about climate neutrality will need to include non-ideological risk assessments of different sources of energy and also an analysis of potential measures to adapt to climate change.

A certain degree of eco-dictatorship will be necessary

The impact of the current climate policy on people's everyday lives is still quite abstract and acceptable for many households. Climate policy

comes in the form of higher taxes and fees on energy, which make heating and mobility more expensive. Some countries have set minimum energy efficiency standards for buildings or similar rules in other areas. However, climate policy does not determine our lives. We take key consumption decisions, for example whether we travel at all, how much we travel and which means of transport we use, whether we live in a large house or a small apartment and how we heat our homes, how many electronic devices we have and how intensely we use them or how much meat and exotic fruit we eat. These decisions tend to be made on the basis of our income, not on climate considerations.

If we really want to achieve climate neutrality, we need to change our behaviour in all these areas of life. This is simply because there are no adequate cost-effective technologies yet to allow us to maintain our living standards in a carbon-neutral way. That means that carbon prices will have to rise considerably in order to nudge people to change their behaviour. Another (or perhaps supplementary) option is to tighten regulatory law considerably. I know that "eco-dictatorship" is a nasty word. But we may have to ask ourselves the question whether and to what extent we may be willing to accept some kind of eco-dictatorship (in the form of regulatory law) in order to move towards climate neutrality. Here is an example: What should we do if property owners do not want to turn their houses into zero-emission buildings; if they do not have the financial means to do so; if doing so is not possible for technical reasons or if the related investments do not pay off?

Loss of competitiveness or restrictions to free trade

If the EU moves considerably more quickly towards climate neutrality than the rest of the world, carbon prices in the EU will rise more rapidly, too. This will reduce the competitiveness of energy-intensive companies in the EU. Are we willing to pay that price? Probably not – remember, nobody is to be left behind. So will we subsidise these companies to enable them to use expensive, but climate-friendly technology? This option will be difficult to implement in the long run due to budget constraints. An honest discussion will have to deal with the truth that each euro spent on climate protection is no longer available for expenses on education, research, public health, digital infrastructure,

domestic and external security, tax cuts or higher pensions. The EU commission plans to introduce a carbon border adjustment system to address the competition problem. Do we really believe that doing so will not make the affected countries introduce countermeasures? Are we really willing to give up the advantages of free trade in favour of climate protection?

Massive political resistance ahead

Nobody is to be left behind on the path towards climate neutrality. This statement from the Green Deal probably amounts to trying to square the circle. A major turnaround in climate policy will certainly produce losers among both households and corporates. In addition, prosperity and employment are likely to suffer considerably. If

this was not the case, climate protection would be an easy undertaking. These developments will obviously have an impact on the political landscape, both at the national and EU level. Some parties will find arguments against strict climate protection policies if the latter lead to a significant increase in energy prices or to restrictions of personal freedom or ownership rights. And let us not fool ourselves: these parties will find voter support. At the EU level, there will be major conflicts about distribution, which may contribute to (further) divisions within the bloc. Are we ready to deal with this polarisation? Or will we adjust our climate policy ambitions if we find that (overly) ambitious climate policies are not acceptable to a majority of the people?

We will have to deal with inconvenient questions and inconvenient truths. But if this discussion does not take place, climate neutrality will remain a topic for fine speeches and promises – and nothing will be said, much less done, that could hurt anybody. ➤