On 29 January 2020, the German government adopted the draft Act on the Phase-Out of Coal (Kohleaustiegsgesetz). This initiated the legislative procedure for the phase-out of coal in Germany. It marks a further important milestone in implementing the recommendations of the Commission on Growth, Structural Change and Employment (WSB).

The key points:

1) In 2018, the German government appointed a Commission on Growth, Structural Change and Employment. The Commission’s task was to draw up proposals for a gradual reduction and phase-out of coal-fired power generation in Germany and for sustainable, forward-looking structural development in the regions affected by the coal phase-out. The Commission presented its final report to the German government at the end of January 2019.

2) The Commission’s recommendations on structural development policy were adopted in summer 2019 with the Act on Structural Change in Coal Mining Areas (Strukturstärkungsgesetz Kohleregionen). With the Act on the Phase-out of Coal, the German government is now implementing the central elements of the Commission’s recommendations on the gradual reduction and phase-out of coal-fired power generation in Germany.

3) The Act on the Phase-Out of Coal contains legislative provisions on phasing out electricity generation from hard coal and lignite, amendments to the Combined Heat and Power Act (KWKG) and to the Energy Industry Act (EnWG), and other legal provisions. The Commission’s recommendations on increasing the share of renewable energies to 65 percent of gross electricity consumption in Germany in 2030 have not yet been implemented. An adaptation of the Renewable Energy Sources Act (EEG) is planned, to be carried out as quickly as possible.

4) As proposed by the Commission, the draft act determines that by the end of 2022, coal-fired power plant capacities will be reduced from the current level of more than 40 gigawatts (GW) to only 30 GW – 15 GW each for hard coal and lignite. Further power plants will gradually be taken off the market between 2023 and 2030. The goal is to reduce the total capacity of coal-fired power plants to 17 GW – 9 GW lignite / 8 GW hard coal – by 2030. The last coal-fired power plant in Germany will go offline by 2038 at the latest. A review in 2026, 2029 and 2032 will evaluate whether the shut-downs scheduled for after 2030 can be moved forward by three years, resulting in an earlier final date for the coal exit of 2035. The first hard coal-fired and lignite-fired plants will already be taken off the market in 2020.

5) Talks were held with the operators regarding the shut-down of lignite-fired plants. Agreement on a shut-down path was also reached with the minister-presidents of the Länder affected. The shut-down of lignite capacities is linked to direct compensation payments to plant operators totalling 4.35 billion euros.

6) Regarding the shut-down of hard coal-fired plants, operators are to receive close-down premiums up to 2026. The level of these premiums will be determined on the basis of a market tender process. The tender for closure is to be supported by regulatory law from 2024 and, from 2027, completely replaced by shut-downs in accordance with regulatory
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law. This support will ensure compliance with the planned reduction path, even if the tender is under-subscribed. There is a cap on the close-down premium. This will gradually decrease from 165 million euros per gigawatt in 2020 to around 50 million euros in 2026.

7) The reduction in coal-fired power plant capacities (lignite and hard coal) will be gradual and as constant as possible. The annual hard coal capacity to be shut down for the years without a specific target level, i.e. 2023 to 2029 and 2031 to the final date, will be calculated from the difference between the total target path for shutting down (lignite and hard coal) and the lignite-fired power plant capacities to be shut down in the respective years.

8) The planned adaptation of the Greenhouse Gas Emissions Trading Act (TEHG) will specify that allowances under the EU emissions trading scheme will be cancelled in an amount equalling the emission reductions achieved by the coal phase-out and where the allowances are not already taken from the market and put in the EU-ETS market stability reserve. This will guarantee that the coal phase-out has a completely positive impact for climate action.

9) Despite the decision to phase out coal, a new coal-fired power plant is likely to start operation in 2020. The operator of the Datteln IV power plant, UNIPER, holds a valid licence to set up and operate the power plant. Talks between the German government and the operator aimed at preventing the start of operation failed, ultimately due to disagreement over the amount of compensation. What is important for the government is that the additional emissions resulting from operation of the plant are balanced out.
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Background
Commission on Growth, Structural Change and Employment

- The Commission on Growth, Structural Change and Employment was appointed by the German government in June 2018. The Commission’s mandate was to draw up proposals, for example for a gradual reduction and phase-out of coal-fired power generation in Germany and for sustainable, forward-looking structural development in the regions affected by the coal phase-out. The 28 members of the Commission represented a broad spectrum of groups including environmental, economic and industry associations, and the scientific community. The recommendations presented to the German government in January 2019 were adopted by a majority of 27 to 1 of the Commission’s members. In addition to proposals for a gradual phase-out of coal-fired power generation and recommendations for structural development measures in the regions affected, they include further measures to support the coal phase-out and to foster the energy transition in Germany.

Climate action, energy and coal

- Germany still has a coal-fired power generation capacity of more than 40 GW. Just over 50 percent of that is based on hard coal, the rest on lignite. In 2019, these power plants produced around 170 terawatt-hours of electricity. In other words, almost 30 percent of the electricity produced in Germany in 2019 was provided by coal-fired power plants. The amount of electricity produced from renewable energy sources was significantly higher – 240 TWh.

- In order to achieve the 2030 emissions target for the energy sector laid down in the Climate Action Plan 2050 and adopted with the Climate Change Act (Klimaschutzgesetz), emissions from coal-fired power generation must be reduced to well below 90 million tonnes per year by 2030. This corresponds to a remaining power plant capacity of around 8 GW for electricity generated from hard coal and 9 GW for electricity generated from lignite.