



Federal Ministry
for Economic Affairs
and Energy

COMBATTING CLIMATE CHANGE AND BOOSTING THE ECONOMY

Proposal for an alliance of society,
business and government for
climate-neutrality and prosperity

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Preliminary remarks



As the Federal Minister for Economic Affairs and Energy, I am particularly committed to maintaining a strong, competitive and successful German business sector.

I am doing my utmost to ensure this, especially under the conditions of the ongoing Covid-19 pandemic. Only if we succeed in safeguarding and expanding the substance of our economy, including its Mittelstand companies and their highly qualified labour force, will we be capable of maintaining the German and European model of democracy, prosperity and welfare on a long-term basis.

Furthermore, not least since my time as the Federal Minister for the Environment and Nuclear Safety, I have also been convinced that, far from being contradictory aims, effective climate change mitigation and economic prosperity are mutually dependent. For this reason, we must not play the two off against each other, but must rather find ways to combine them and mutually strengthen them.

For me, this has long since led to the concept of a necessary **reconciliation of climate change mitigation and commercial activity**. This requires a willingness to overcome old hostilities and entrenched differences, to cast aside one's own preconceptions. I am convinced that this is the only way to attain these overwhelmingly important aims whilst maintaining our social cohesion.

The following comments and suggestions are my contribution to the key debate of our age. I want this to feed into specific decisions and arrangements over the coming months, breathing a fresh sense of optimism into those with interests on both sides of the equation.

Berlin, 11 September 2020

A handwritten signature in blue ink, appearing to read 'Peter Altmaier', written in a cursive style.

Peter Altmaier
Federal Minister for Economic Affairs and Energy

Combatting climate change: a central task for our generation

We have known for more than three decades that we are on the road to a global ecological disaster due to climate change.

Since the beginning of the age of industrialisation, worldwide carbon emissions from fossil sources have risen rapidly – and their apparently unstoppable rise is continuing.

If we fail to restrict global warming to a maximum of 1.5 to 2 degrees, our failure will threaten the survival of our ecosphere and of all of humanity. This understanding is well-founded, it is backed by the overwhelming majority of scientists and people in positions of responsibility around the world, and it cannot be challenged by rational argument.

The period of time within which it will be possible to curb global warming to this extent is not infinite: the window of opportunity will close in the coming years. And even if no-one can predict with absolute certainty how many years or decades we still have before it is too late, the pressure to act is enormous. Otherwise we will irrevocably destroy the future of our children and grandchildren, and that of all subsequent generations.

It is true that many countries have already taken effective steps: in Germany, for example, it has proved possible to cut carbon emissions by more than 35% since 1990 whilst economic output has kept expanding. The share of electricity consumption covered by renewable energy has risen to roughly 50%.

However, we have to be realistic and concede that the combined volume of all the successful action is far from sufficient to attain the goal of a timely and sufficient restriction of global warming. Again and again, valuable time has been lost because the need for climate action has been pushed into the background by current events and necessities. Many decisions came too late or were too hesitant. Not even the ultimately successful adoption of the Paris Climate Agreement after many long years of negotiations fundamentally changed this situation. As a result, we have disappointed and lost the trust of many people and large sections of our young generation.

In this depressing situation, the European Union has decided to undertake a bold new start on climate policy in the form of the Green Deal. Europe will no longer wait until other comparable industrial regions take similar steps. We have committed to the goal of far-reaching climate neutrality by 2050 and now need to put the preconditions in place so that we can actually reach this goal.

This requires more than just partial corrections to existing policies. One reason why we have lost the trust of so many young people is that we have been unable to answer three of their most important questions:

- Will we actually, securely and reliably attain the target of far-reaching climate neutrality in the European Union by 2050? What guarantees are there, and what specific steps will be taken to make it happen?

- Will these steps enable us to attain the overwhelmingly important goal of a global limitation to the rise in temperatures, with other regions around the world following our example and approach?
- How can it be that the interests of climate change mitigation apparently keep taking second place to other necessities?

In view of the responsibilities we hold in government, commerce and society, we must not permit this new attempt to get bogged down or to fail.

We therefore need to be willing to view climate change mitigation as the central challenge for our generation, and to act accordingly. Transparently, and in a way that everyone can understand.

So far, Germany has had good concepts for hitting the targets already in place for 2030. This is something we can build on. But we have to recognise that the Green Deal is confronting us with a massive challenge.

The raising of Europe's climate targets from a reduction in carbon emissions of 80% - 95% by 2050 to a goal of far-reaching climate neutrality is not a quantitative change: it is a qualitative change of huge significance.

We must not permit the current pandemic, the start of an election campaign at some point for the Bundestag elections in September 2021, and the subsequent time taken to form a government to again lose us crucial time that we can never get back.

I therefore propose that, even before the start of the campaign for the Bundestag elections, we bring about a broad cross-party consensus on the need for action in the field of climate policy. This should include not only the parties represented in the Bundestag, but also large parts of the climate movement, the business community and the churches and religious communities.

A strong economy as a guarantor for successful climate policy

All too often, climate and commerce are turned into opposites in a way that is both objectively wrong and damaging. Many people who are convinced of the need for climate action view a functioning economy as a hindrance rather than a help. In the other direction, the stakeholders in the business community often tend to see climate policy measures only as additional burdens. Both approaches impede the necessary progress towards achieving the climate targets.

We will only bring about a fundamental shift in climate policy and make the global breakthrough if we have a strong and efficient economy in Germany.

If we do not have a strong and globally competitive economy, we will not be able to maintain our level of education, health, social security and prosperity in the long term. This would result – as elsewhere – in severe social conflicts and disruption. Germany would lose its international status

as a role model and end up marginalised in international policy-making. This would diminish our influence in global decisions on climate policy.

Billions of young people around the world are desperate for the prosperity and security that have long been part of our lives here. They will only take over and implement our approach to climate action if we offer them solutions which do not mutually exclude climate change mitigation and prosperity, but rather facilitate both. Only if we succeed in doing this will we be able to slow down and halt the overexploitation of the environment and the climate worldwide.

If we do not have a strong and internationally successful economy, we would lack the means with which to tackle the necessary transition at both national and European level. The realisation of the Green Deal will demand a massive amount of funding over the next few years, and we will only be able to afford it if we have sustainable growth in our economy.

Also, weakening our economic strength would impact directly on global carbon emissions: products (e.g. steel, copper, chemical products) made in the EU entail far lower fossil-based CO₂ emissions than comparable products produced in most other industrial or emerging economies. If we were to lose large parts of our industrial value chain, carbon emissions would fall in Europe, but would rise considerably around the world, and would thus do lasting harm to the world's climate.

Since we can only attain our national and European climate targets if all parts of the economy become climate-neutral in the medium to long term, the necessary transition will entail enormous costs.

We already know today that the production of “green” (i.e. climate-neutral) steel and copper is technically feasible, as is “green” mobility (e.g. via green fuels, batteries and fuel cells), for example, but that they entail major expense.

A resolute policy to achieve climate neutrality therefore requires an equally resolute policy to strengthen our country's economy.

The first aspect of this is to have reliable and predictable climate targets. This means that we should not focus solely on 2030: a lot of the investment being undertaken by the business community takes decades to amortise. We also need time to do the research, and to translate its findings into practice. For this reason, we urgently need a comprehensive concept covering the steps to achieve climate neutrality by 2050.

In this way, we can also ensure that the burdens imposed on this and future generations are shared equally, so that everyone will be able to cope.

The more resolutely and rapidly the climate transition is pursued by government and society, the more support will be needed for those companies willing to share in the journey.

Here, the level of assistance for the transition should be graduated in line with the speed of the transition. This will motivate early movers to step up their efforts, and this will benefit our climate policy in general.

It is possible to relieve the burden on companies, and particularly on SMEs, in many areas that are not directly related to climate action, e.g. taxes, charges and bureaucracy.

The various sectors should therefore be given a possibility to work with state actors to develop specific transition concepts.

Wherever possible, climate policy should be realised in a market-based way in future: this saves costs and speeds up the transition. European emissions trading and national carbon pricing are excellent instruments which can enable us to achieve carbon reductions in a technology-neutral and efficient way. They can be effectively complemented by other market-based instruments, such as CO₂ auctions.

Climate policy is a task for the whole of society

If the way in which the state, commerce and society act is to be consistently guided by climate policy – and if this is not the case, the necessary targets will not be reached – the decisions on climate policy measures must not be repeatedly and solely dependent on the outcome of elections and coalition negotiations.

For this reason, a fundamental political consensus and a strong societal consensus are equally important. The only way we can avoid lapsing into old habits is if the climate-aware citizens from all sorts of areas who are committed and convinced get together and maintain a continuous dialogue on climate policy.

Climate policy: a global task

We are aware not only of the urgent need for more and swifter climate action, but also that we can only restrict global warming if many other countries and regions follow our European and German example. We do not wish to preach to or patronise anyone, but we need to ensure that the political and societal awareness of the scale of the challenge increases greatly. Also, proven and confirmed best practices must be made generally accessible.

We therefore need to ensure that our experience and success can be understood and experienced around the globe. The existing structures are already working very well, but we still lack an overarching concept for the global transition.

20 specific proposals to boost climate action and economic strength

1. Even before the Bundestag elections, a binding “**charter for climate neutrality and economic strength**” should be adopted by the Bundestag and the Bundesrat on a cross-party basis. The charter can be signed up to by the Länder and municipalities, as well as civil society organisations and companies. It is a historic compromise between climate and commerce.
2. In order to attain inter-generational equity, the charter stipulates the goal of **climate neutrality by 2050 at the latest**. The reduction targets up to 2050 are broken down and set out as **specific reduction targets for each individual year** between 2022 and 2050. They take account of and implement the forthcoming decisions by the European Union on the 2030 greenhouse gas targets.
3. The attainment of the climate and economic targets is stipulated to be a **priority task**. To this end, the charter contains a “**climate guarantee**” and an “**economy guarantee**”. This obliges the state bodies rapidly to take and implement all the necessary and appropriate measures to attain the climate targets and to maintain the strength of the economy. This includes the principle that burdens from climate measures which affect the competitiveness of companies must be offset.
4. The charter states that a certain **percentage of gross domestic product (GDP)** must be made available each year for climate action and help for businesses. The stipulated percentage of GDP is high enough to attain the climate targets and reflect the prime significance of climate and commerce.
5. The **public-sector bodies** (Federation, Länder, municipalities) are obliged by the charter to reliably attain the goal of climate neutrality as early as 2035.
6. A **public scoreboard** is set up displaying the actual progress on climate change mitigation for everyone to see. It also reveals which companies and organisations have taken on voluntary commitments to mitigate climate change, and names those institutions and companies which have already achieved the goal of greenhouse gas neutrality.
7. A market-based certification system is established which can certify an institution’s climate neutrality without this involving high costs or excessive administration.
8. Those sectors and companies which are willing to do so can commit in carbon contracts for difference to a swifter transition process than that set out in the official climate targets. Generally, the more quickly the transition process takes place, the higher the assistance and investment grants should be.
9. In order to attain climate neutrality, companies will need massive amounts of renewables-based electricity, heat and green hydrogen. A matching mechanism ensures that the necessary volumes are effectively made available at the stipulated time of transition.
10. The climate targets are **primarily attained using market-based mechanisms**. European **emissions trading** and **national carbon pricing** are reformed accordingly for this purpose.

11. Consideration should be given to the extent to which the market-based instrument of **CO₂ auctions** can additionally be used. In this process, companies and other interested parties can make specific bids based on the price at which they can demonstrably reduce a certain amount of CO₂.
12. The Renewable Energy Sources Act (EEG) is thoroughly reformed and adapted to the new EU targets, and is gradually expanded to become a European instrument which can play a key role in advancing the electricity transition across Europe.
13. The **EEG surcharge** is gradually reduced further and is stabilised on a reliable basis in the long term. It is ensured that the **social insurance contributions** do not exceed 40% of gross wages in the long term.
14. A decision should be taken by early 2021 as to how to avoid disadvantages arising for green low-carbon or carbon-neutral products on the world market. To this end, the advantages of border adjustment mechanisms or compensatory levies should be considered and weighed up.
15. A new “Clean Products made in Germany” label should be created and promoted in tandem with the business community.
16. A cross-party nation-wide “**Climate and Economy**” foundation is set up to ensure at all levels that the high priority of the envisaged measures is not imperilled.
17. A “**House of the Energy Transition**” should be set up in Germany to provide holistic information to German and international visitors about the way the energy transition works.
18. The European Union should set up an **international “Climate global”** agency to promote and implement successful climate action around the world.
19. A “**Climate and Economy Council**” will be set up at the Federal Ministry for Economic Affairs and Energy to advise the government on questions relating to the transition and to submit its own proposals.
20. An international “**Climate University**” should be set up in Germany at which outstanding researchers, teachers and students from all around the world can work and learn together.

