

Germany

G20 coal subsidies



Germany has proposed **€40 billion** transition support to coal mining regions, but with a distant 2038 phase-out date

Coal and Germany's economy

US\$49,791



GDP per capita, PPP
(2016–2017 average)

39,664



2016 imports
(kilotonne oil equivalent)

1,401



2016 exports
(kilotonne oil equivalent)

42%



Share in power mix
(by generation)

Key findings

- Germany ended hard coal mining (and subsidies for it) in 2018 and proposes to end lignite mining and coal-fired power by 2035–2038. Transition support is expected for hard coal miners until 2027 and for the rest of the coal industry over the next 20 years.
- In January 2019 the Commission on Growth, Structural Change and Employment (the ‘Coal Commission’) made phase-out recommendations, including €40 billion (US\$47 billion) in compensation to affected states. Analysis shows that the government already provided fiscal support amounting to nearly €2 billion (US\$2.1 billion) per year (2016–2017 average).
- Fiscal support for coal-fired power consumption was €172 million (US\$185 million) per year (2016–2017 average).
- Germany has committed to restricting international coal-fired power support.

Prominence of fossil fuels and subsidy phase-out commitments

- Germany obtains 56% of its electricity from fossil fuels (IEA, 2019), with significant government support towards the production of all fossil fuels and fossil fuel-powered electricity (Gençsü et al., 2017).
- As a member of the G20, Germany has committed to the phase-out of inefficient fossil fuel subsidies over the medium term (as agreed in 2009), and as a G7 member to do so with a 2025 deadline (G20, 2009; G7, 2016). Germany has also committed to phase out environmentally harmful subsidies, including those to fossil fuels, by 2020 as part of the European Union (EU) and a signatory to the Convention on Biological Diversity (Aichi Target 3) (United Nations, 1992; European Commission, 2011).

Government support to coal production

- In 2007, Germany pledged to end subsidies for hard coal by 2018 (Federal Government, 2007) – a commitment which was adopted EU-wide in 2010 (European Union, 2010). There is no evidence of support to coal mining since 2018.

Government support to coal-fired power production

- Germany's Coal Commission recommended a coal phase-out by 2038, with an earlier 2035 option (Commission on Growth, Structural Change and Employment, 2019).
- However, Germany has adopted a new (temporary) coal subsidy: 'capacity payments' for lignite plants, remunerating power plants for remaining on stand-by (European Commission, 2018). Support is expected to be €230 million (US\$271 million) per year (European Commission, 2016). Reserve plants have not yet been used.
- Germany restricts financing for coal through its bilateral finance institutions. However, the state-owned KfW IPEX-Bank allows financing for coal-fired power plants if they meet minimum efficiency standards (Federal Ministry for Economic Affairs and Energy, n.d.).
- No national-level majority state-owned enterprises with coal mining or coal-fired power operations were identified. Though over 1,000 municipal utilities ('Stadtwerke') run coal-fired power plants (not included in our data).

Government support to coal and coal-fired power consumption

- Fiscal support to consumption of coal-fired power by industry continues via tax reliefs – nearly €172 million (US\$185 million) annually for coal-fired power consumption (2016–2017 average).
- No fiscal support was identified for coal consumption in the Organisation for Economic Co-operation and Development (OECD) dataset. However, other studies have identified an energy tax reduction for coal use (Köder et al., 2014).

Government support to the transition away from coal and coal-fired power

- As hard coal mining ends, measures have focused on the transition away from coal. State aid for areas affected by coal mine closure will continue until 2027.

Germany's government support to coal and coal-fired power production and consumption

€ millions, 2016–2017 annual average

Instrument	Coal production ⁱ	Coal-fired power	Coal consumption ⁱⁱ	Transition support ⁱⁱⁱ
Fiscal support	96	none identified	172	1,963
Public finance	none identified	22.5	none identified	none identified
Domestic	–	none identified	–	–
International	–	22.5	–	–
State-owned enterprise investment	none identified	none identified	none identified	none identified

Note: for more detail and sources see the Germany data sheet available at odi.org/g20-coal-subsidies/germany.

ⁱ This category includes support for coal exploration, mining, processing and transportation.

ⁱⁱ This category includes support for consumption of coal-fired power, and of coal other than for its use for coal-fired power generation (or for co-generation of power and heat).

ⁱⁱⁱ This category includes support for closing down mining sites, and for workers and communities in their transition away from coal and coal-fired power.

- The Coal Commission has proposed €40 billion (US\$47 billion) over 20 years to regions transitioning from coal (Commission on Growth, Structural Change and Employment, 2019). Proposals include decommissioning hard coal plants and compensation for lignite plant operators (Egenter and Wehrmann, 2019), and up to €2 billion (US\$2.4 billion) annual compensation for consumers (private and industry) if prices rise during the phase-out (Reitzenstein and Popp, 2019).
- The extent of support to industry for transitioning away from coal in Germany (and other G20 countries) raises questions over the balance of responsibilities between government and other actors (including companies and their stakeholders) (Whitley et al., 2017).

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This country study is one in an 18-part series. The country findings are collated in the summary report, which you can find at odi.org/g20-coal-subsidies along with full references, acknowledgements and further information about methodology and data sources.

Unreferenced information in this summary is from the analysis conducted for this report, available in the Germany data sheet at odi.org/g20-coal-subsidies/germany.