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Bundesministerium
für Wirtschaft
und Technologie

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National and International Climate Protection Policy from an Economic Policy Perspective

Lecture by Counselor
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Climate protection is right and important, but: to acknowledge facts and react rational on climate change



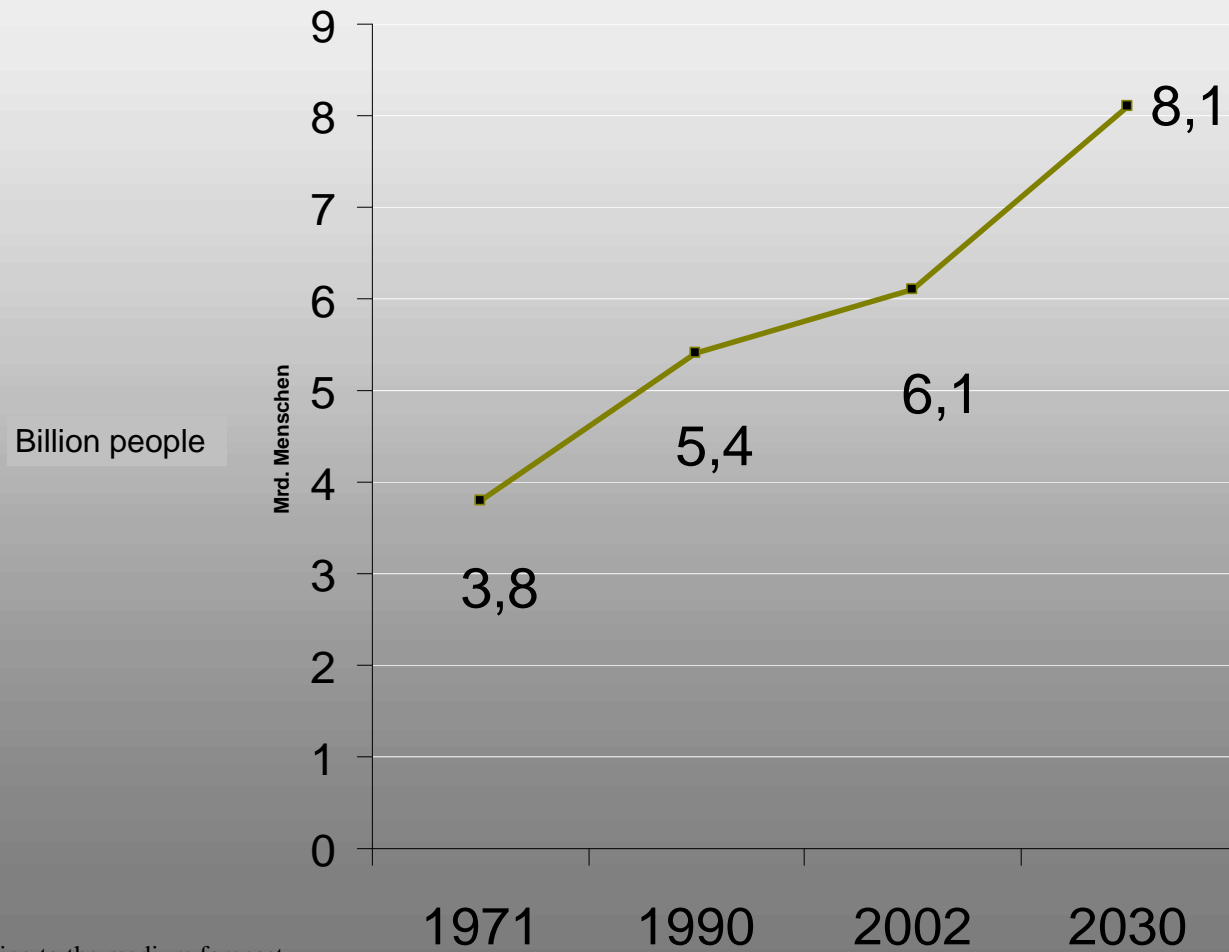


Initial

- ▶ **Climate protection since 20 years on the political agenda since the federal government operates active climate policy, i. e. today we don't start at "zero"**
- ▶ **Energy productivity since 1990 by around 22% increased**
- ▶ **CO₂ by 16%, all Greenhouse gases by 20,4% have fallen**
- ▶ **Greatest Reduktion in the industrial sector by ca. 130 Mio. t**
- ▶ **Many industries are approaching the physical limits**
- ▶ **It is undisputed: Global problems require global solutions**
- ▶ **Desire and reality of the emissions development**
- ▶ **Concern about "blinkered thinking,,**
- ▶ **In the population is the impression:
*"We can solve the problem alone,,***
- ▶ **Necessary: look at the global development**



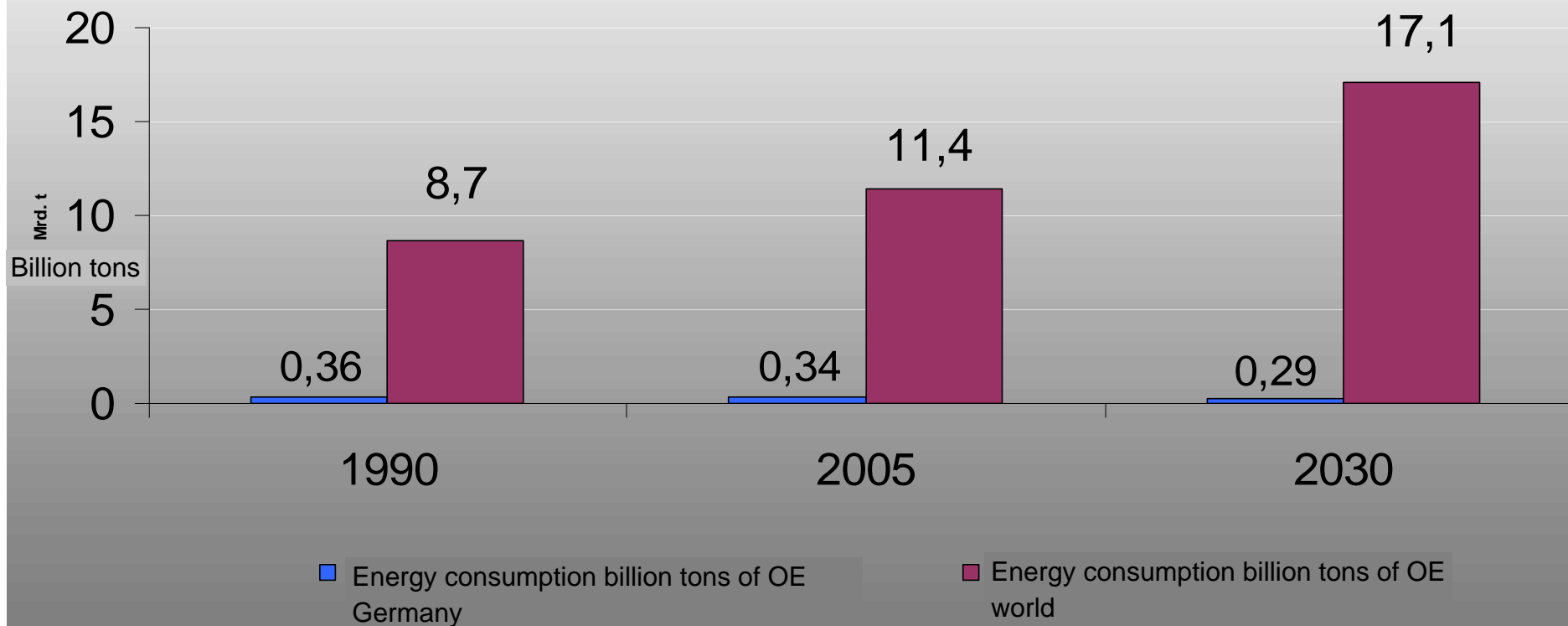
Development of the World's Population



According to the medium forecast
of UN



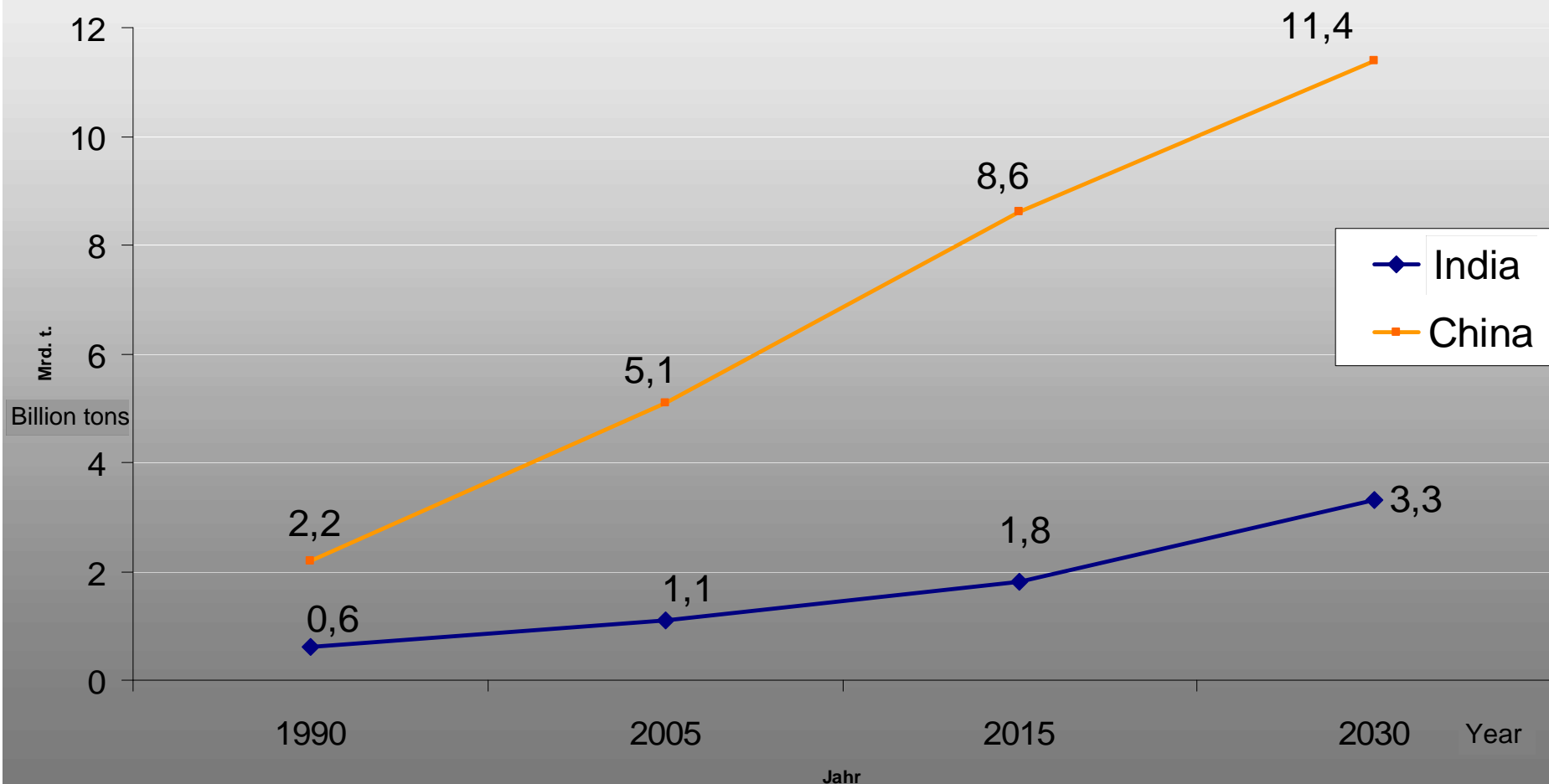
Increase of the Consumption of Energy



Source: IEA



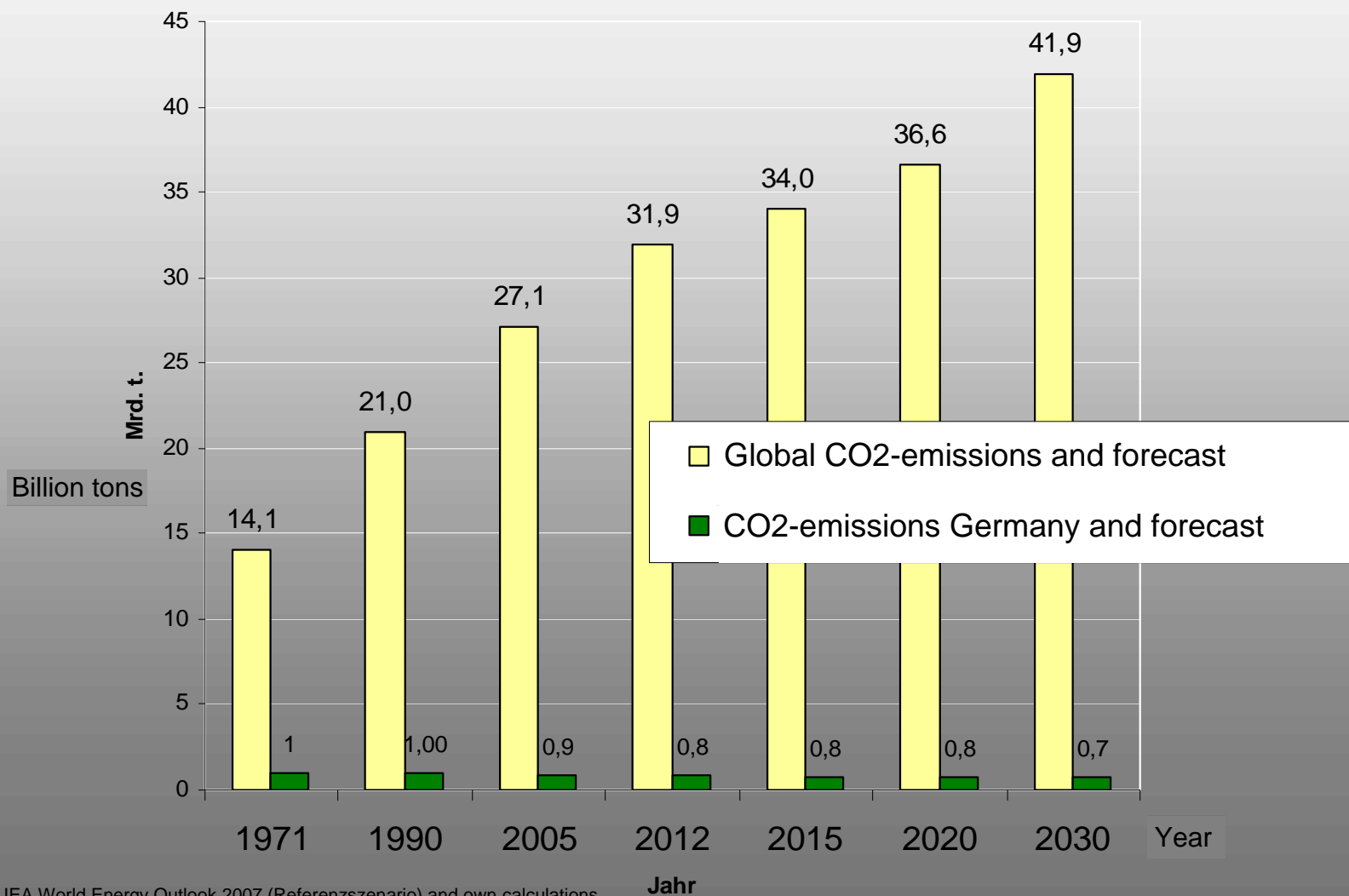
CO₂-Emissions of China and India to 2030



Source: IEA World Energy Outlook 2007 (Referenzszenario) and own calculations

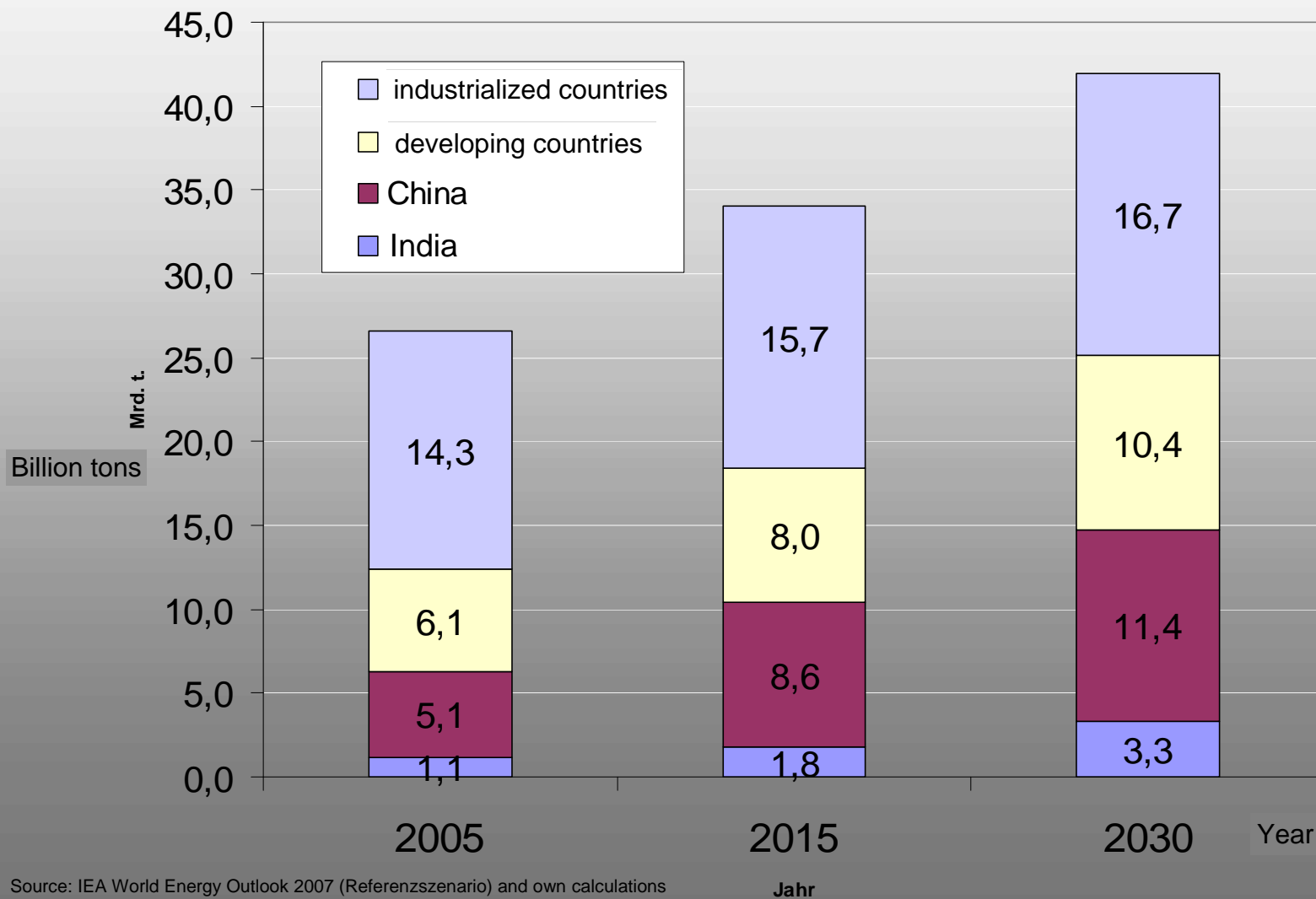


Global Increase of CO₂-Emissions to 2030



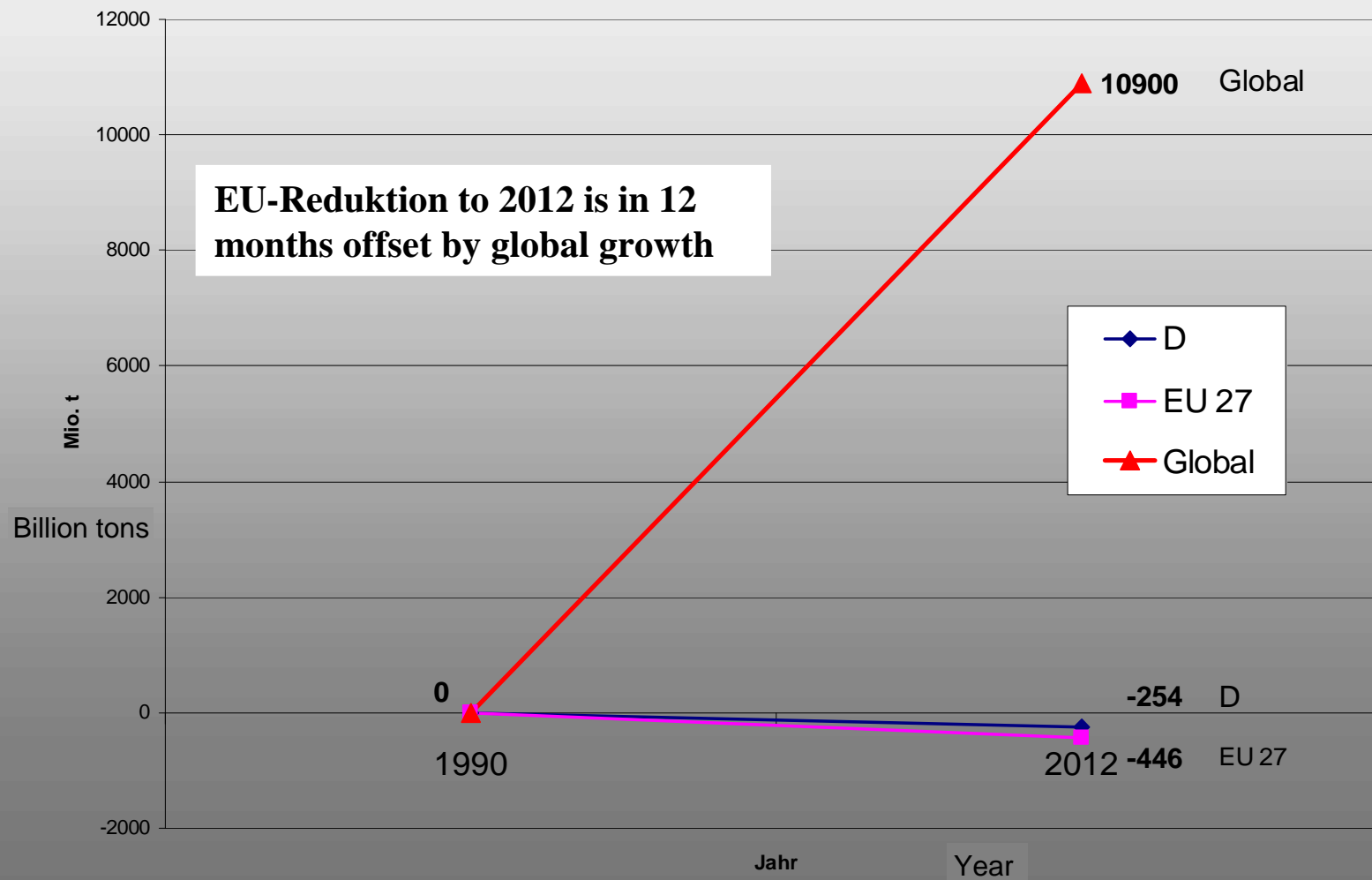


CO₂-Emissions by groups of countries – in future: developing countries > industrialized countries





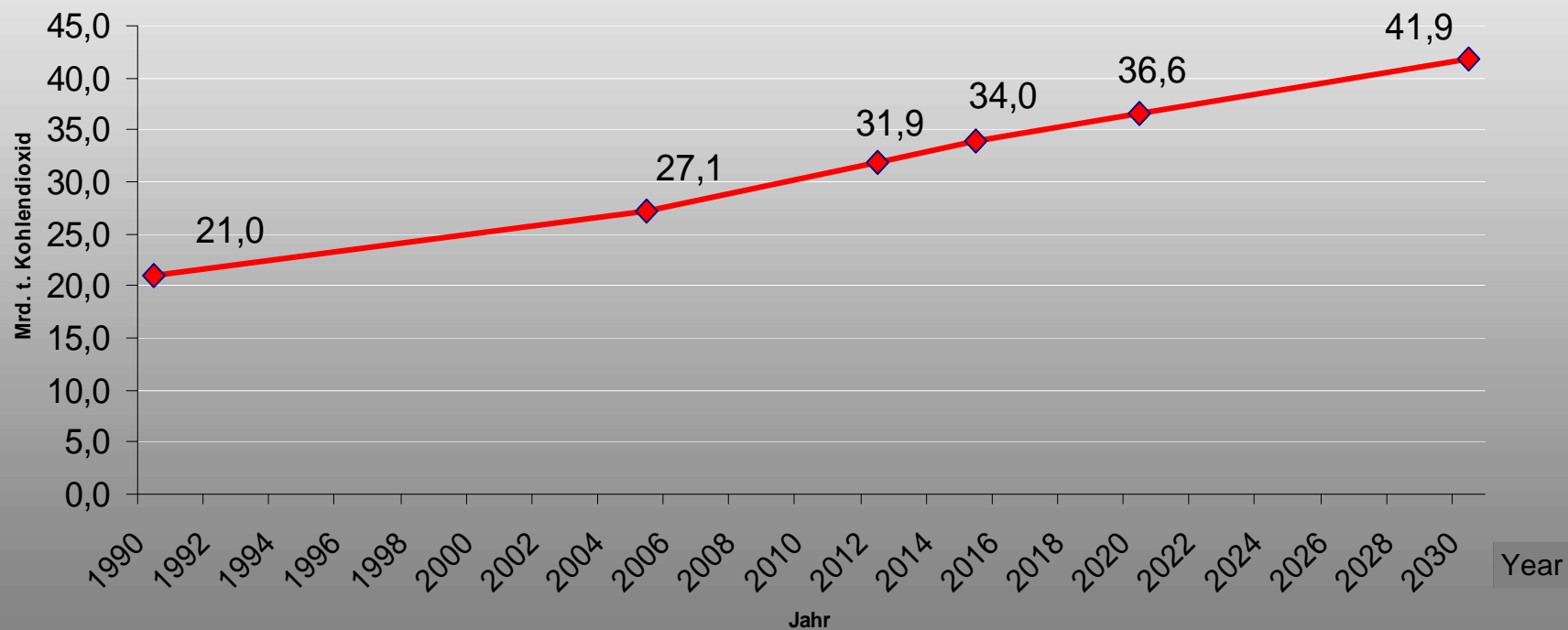
Increase of CO₂-Emissions 1990-2012 – Reduction Achievements Germany and EU





The Kyoto-Protocol - even if fully implemented - would not have a noticeable effect on the global greenhouse gas emissions' growth

Billion tons of carbon dioxide

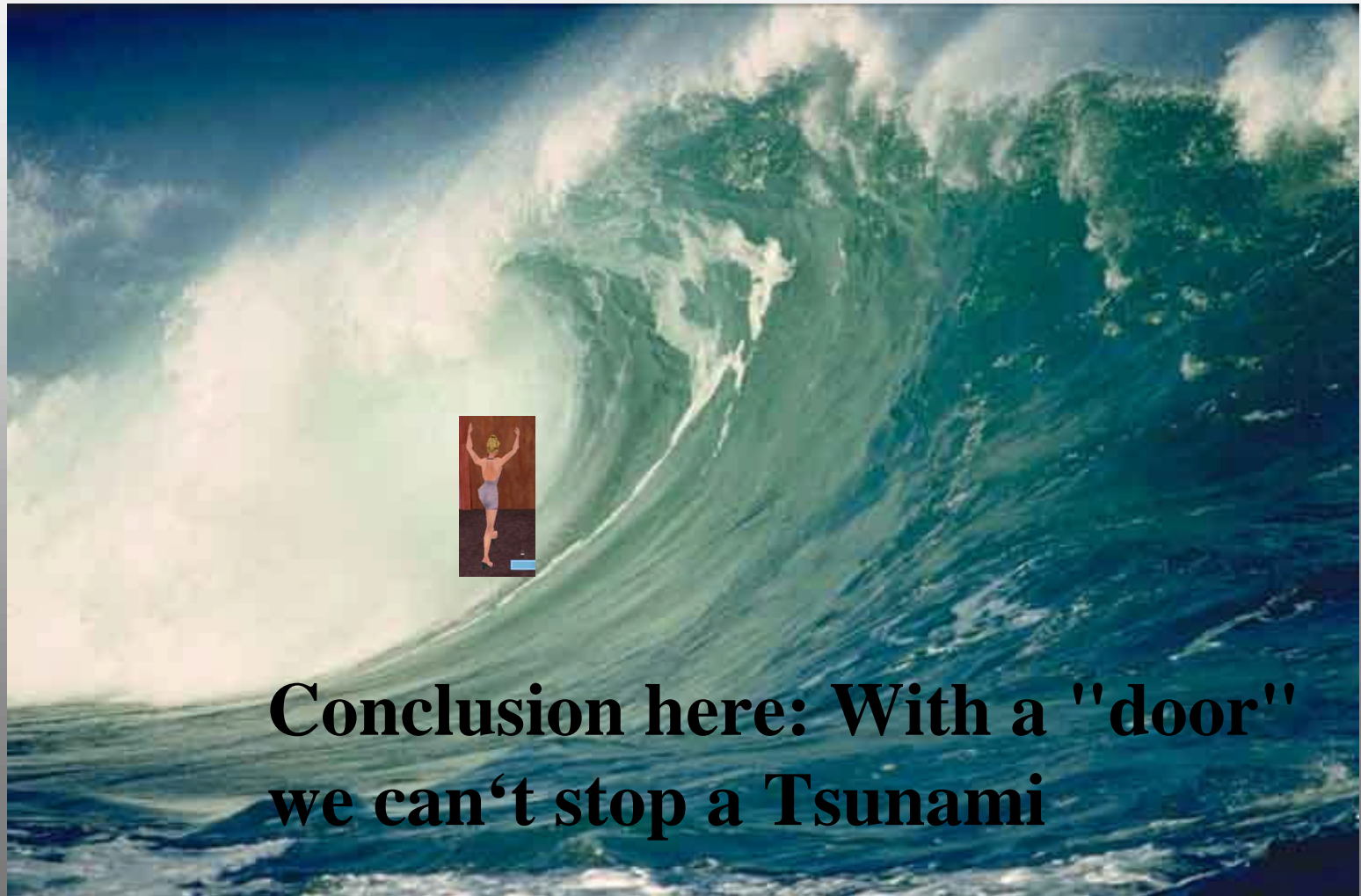


Source: IEA World Energy Outlook 2007 (Referenzszenario) and own calculations



The reality

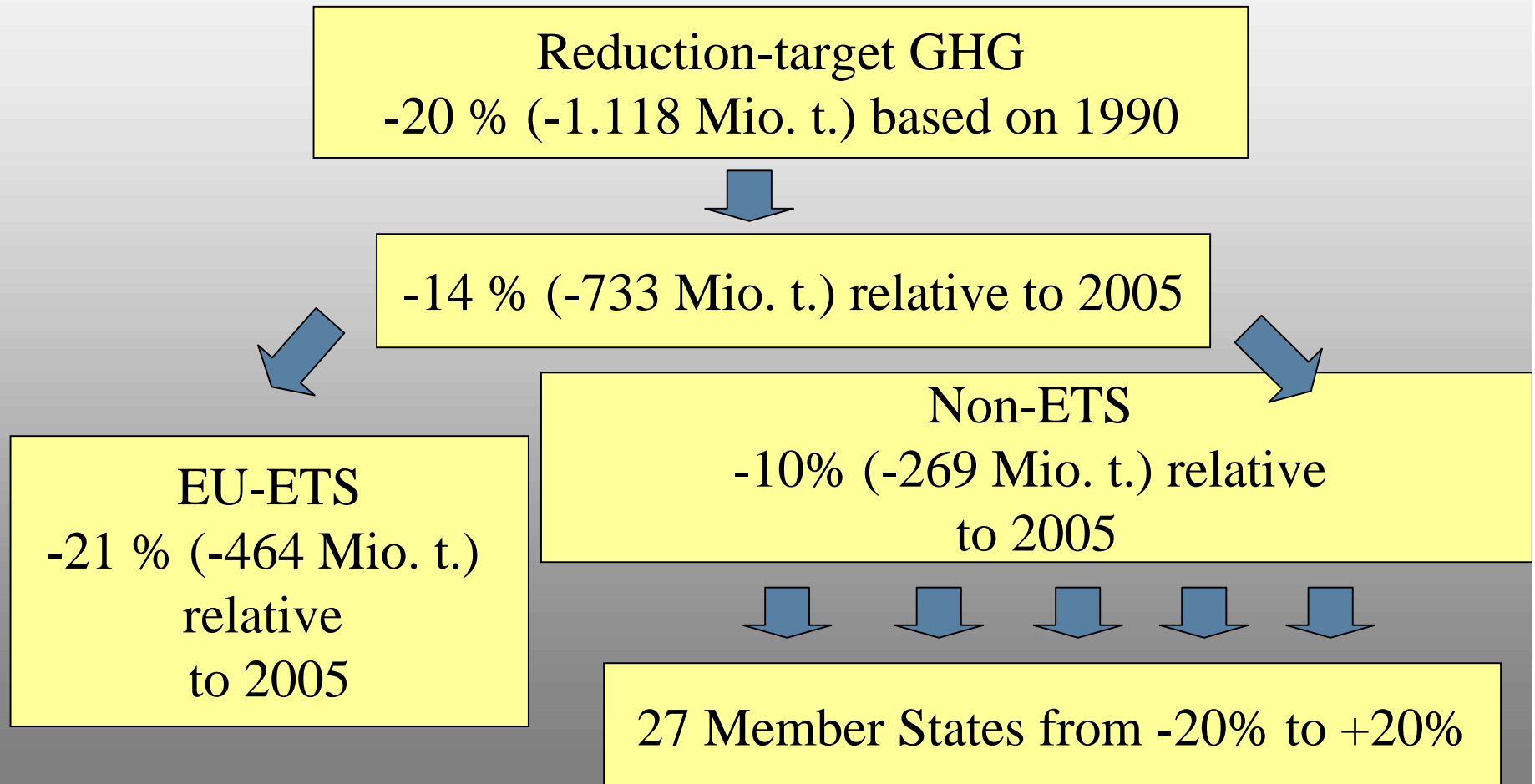
- ▶ **CO₂ is NOT a harmful gas (it is needed by any plant)**
- ▶ **therefore it is not justified to call it atmospheric pollution or contamination**
- ▶ **Global emissions are increasing by some 400 million tons per year, or more than 1 million tons per day**
- ▶ **It is clear that as long as the "global chimney" open upwards, there will be no absolute reduction in greenhouse gases enter**
- ▶ **Even a successful implementation of the Kyoto Protocol will not even leave a dent**
- ▶ **Any CO₂ reduction by Germany or the EU is quickly compensated within few weeks or months**
- ▶ **A "pilot role" does not seem to have a political impact on other countries**



**Conclusion here: With a "door"
we can't stop a Tsunami**



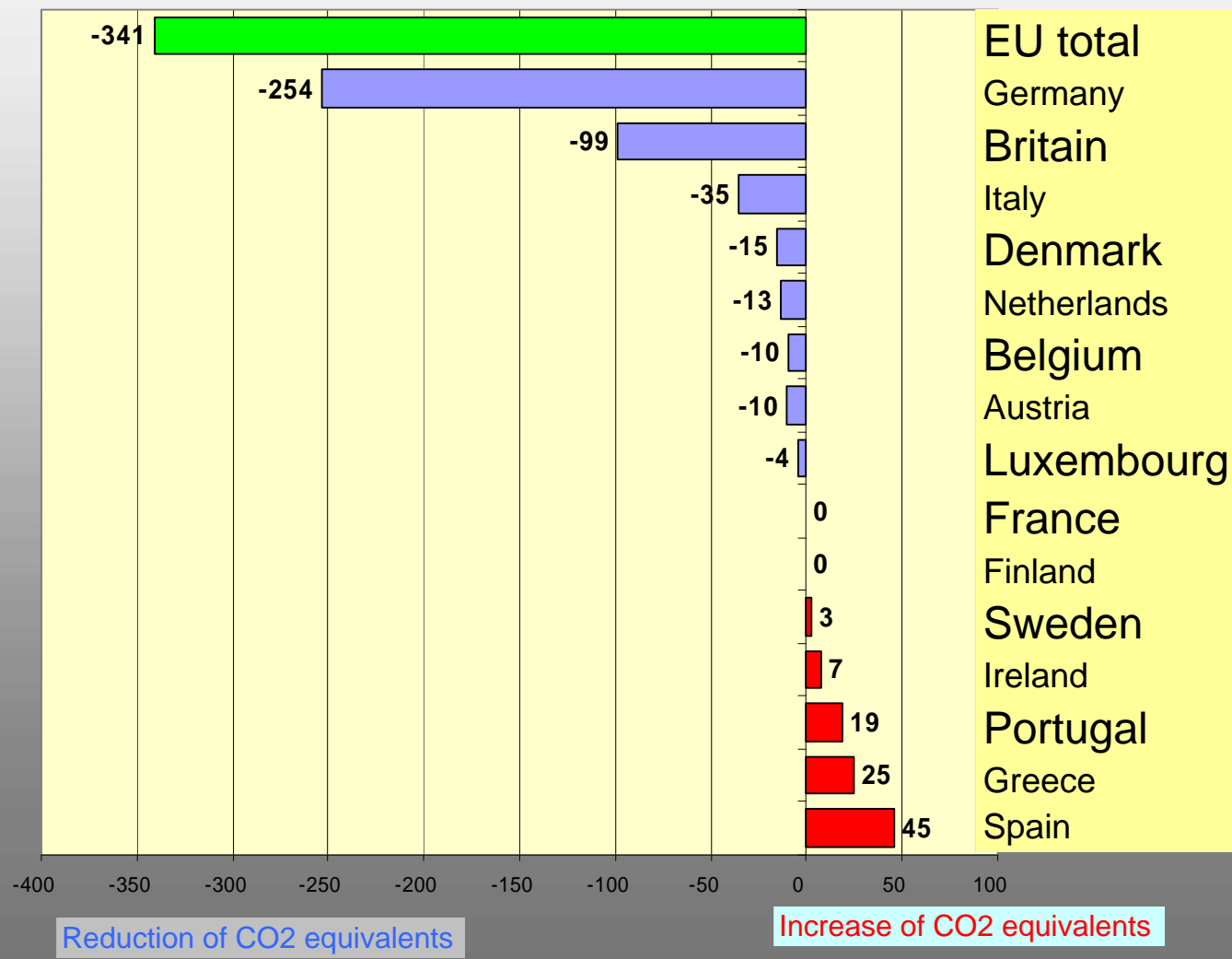
Targets of the EU-Climate Policy to 2020



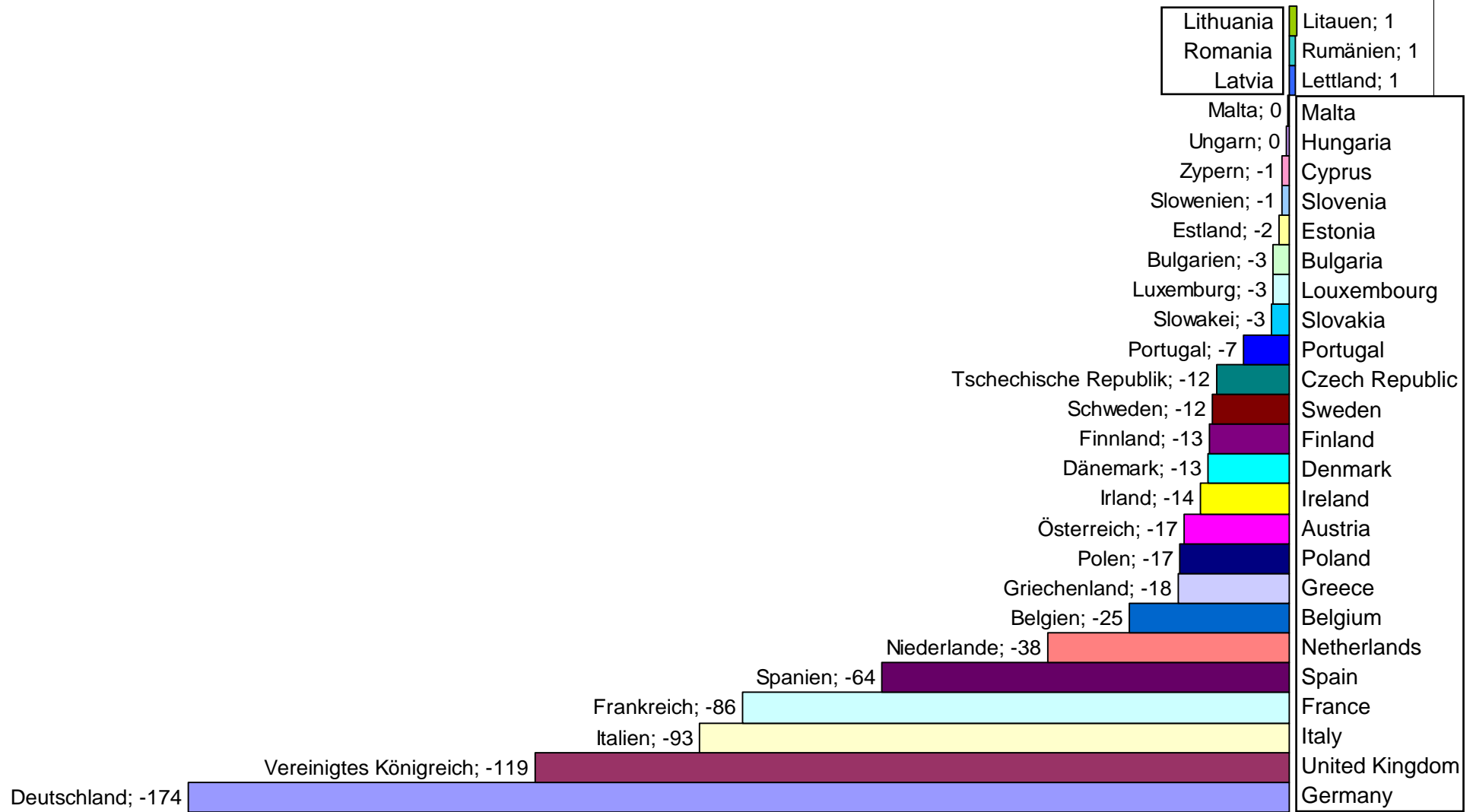
Remeinder: In the EU-Climate-Bundle 2008-2012 Germany bears the main brunt

**Change of CO₂ equivalents
 1990 to 2008/12
 EU-burden sharing**

**Germany contributes the
 lion's share of 75% with
 254 million tonnes**



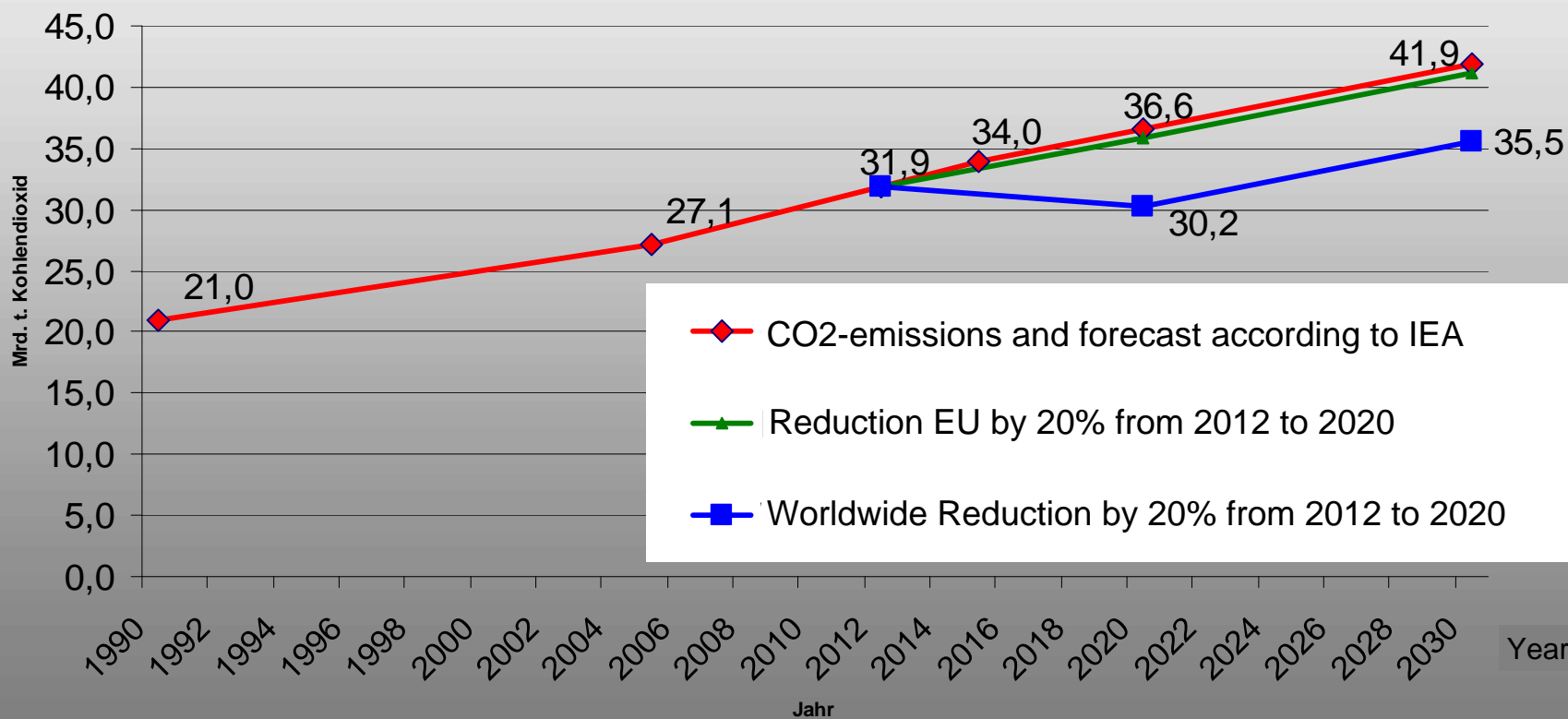
**Reduktion THG 2005-2020 according the EU-Climate-Bundle
(ETS und Non-ETS) Here, too, Germany has the largest share; I remember the nuclear exit**





Carbon Dioxide-Emission and global Impact of a reduction of 20% in Europe and worldwide

Billion tons of carbon dioxide



Source: IEA World Energy Outlook 2007 (Referenzszenario) and own calculations

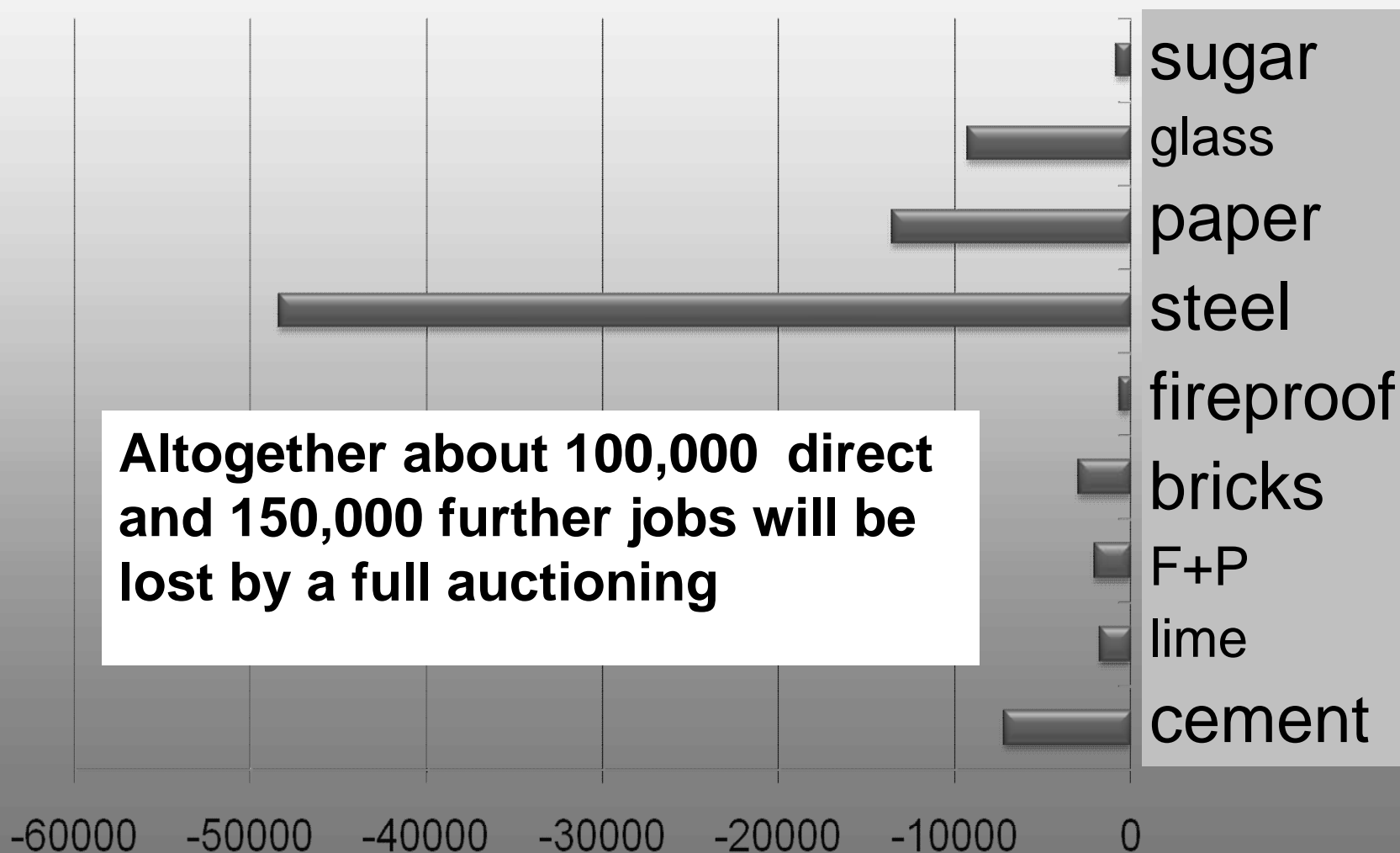


Problems of the EU-Climate-Bundle – specially the ETS

- ▶ **-21% reduction relative to 2005 for almost all sectors in Germany because of the current inputs without growth- and job-losses not affordable**
- ▶ **Reversal of the EU-sharing (10% ETS and 21% Non-ETS makes sense)**
- ▶ **Auction of certificates in the manufacturing industry ecologically and economically counter-productive (location- and job-relocation)**
- ▶ **By „cap and trade“ ecological target „automatically“ reached**
- ▶ **Auction leads to competitive disadvantages and even directly to the end of some economic sectors, such as glass, paper, lime**
- ▶ **Economic burden for auction across all sectors at 50 €/t higher as total Eco-tax revenue (18,7 Mrd. €)**
- ▶ **Job losses after reports not yet completed ca. 250.000 for Germany**



Direct employment effect (ET-Sektors) to 2020



Altogether about 100,000 direct and 150,000 further jobs will be lost by a full auctioning



Economic burden of the glass industry

Profit (estimated)	<u>230 Mio. Euro</u>
Certificates cost at 45 euro / t	-211 Mio. Euro
Costs by electricity consumption	-104 Mio. Euro
Total burden	<u>-315 Mio. Euro</u>
Result	<u>-85 Mio. Euro</u>



Economic burden of the paper industry

Profit (2007)	<u>75 Mio. Euro</u>
Certificates cost at 45 Euro /t	-284 Mio. Euro
Costs by electricity consumption (+15%)	-120 Mio. Euro
Total burden	<u>-404 Mio. Euro</u>
Result	<u>-329 Mio. Euro</u>



EU-Climate-Bundle


The federal government has recognized the problem and wants to protect the competitiveness of our economy

- ▶ **Carbon-intensive industries fully exempt from the auctioning (simultaneous decision to climate-bundle)**
- ▶ **Indirect effects to the electricity price by auctioning compensate**
- ▶ **No redistribution of certificates („poor, rich“)**
- ▶ **A CDM/JI-Rate amounting to 50% the Reduction commitment**
- ▶ **The compliance of the Kyoto-targets require as a minimum by all member states**



Seizing Opportunities: Global Strategy for the Future design rationally

- ▶ **Because it is unrealistic to expect that the "global chimney" will be closed soon:**
- ▶ **Squeeze the "full" lemons and not the "empty", i.e. reduce where it is most cost-effective and economical; in other words:
To reach the ecological necessary in a economical efficient manner!**
- ▶ **Therefore: Establishment of a global climate fund, starting with for example 1\$/tCO₂ i. e. with dynamic volumes (currently 28 Mrd \$/a) for the global most efficient projects (top-runnes)**
- ▶ **Establishment of a "Climate Change Adaptation Fund" “ (CCAF) to implement adaptions**
- ▶ **Special energy program in the "sunbelt of the earth"**
- ▶ **CO₂-free nuclear energy use unreservedly**
- ▶ **All technological options unconditionally and accelerated further develop**



Thank you for your
attention!

