

German government drops plans for contested coal tax

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The power plant "Neurath" run by coal from the brown coal open cast mine Garzweiler is pictured on October 24, 2014 in Rommerskirchen, western Germany. The power plant is operated by German energy giant RWE. AFP PHOTO / PATRIK STOLLARZ

Germany has scrapped plans to tax its oldest and dirtiest coal-fired power plants after fierce opposition from unions and operators, Economy Minister Sigmar Gabriel said Thursday.

Instead it will shutter some of the old [coal plants](#) in coming years and keep them on stand-by during power shortfalls, as it increasingly relies on renewable energy to meet its climate goals.

Gabriel, who is also vice chancellor, announced that his planned levy on the biggest polluters had been dropped after talks by members of Chancellor Angela Merkel's left-right coalition.

"Companies and trade unions said to us that that would not work... and that we would create thousands of jobless," Gabriel, a Social Democrat, said on public broadcaster ARD.

However Germany, Europe's biggest economy, stands by its goal of reducing carbon emissions by 2020 by 40 percent compared to 1990 levels, the government said.

Instead of the new tax, it plans to gradually mothball several [coal-fired power plants](#) with a total capacity of 2.7 gigawatts by 2020 and compensate the operators.

Gabriel said for these plants it would not just be a question of a few less operating hours, but that they would be "really closed" and serve as a reserve in case of severe shortfalls.

On the Frankfurt stock exchange, power companies were seen as the winners in the battle, with shares in RWE and EON higher.

The government also decided to favour the use of underground power cables for new cross-country "energy highways," because they face less opposition from residents than overhead lines.

Germany also plans to free up 1.6 billion euros (\$1.7 billion) a year for energy efficiency measures under the new plans.

Japan's 2011 Fukushima nuclear disaster prompted Germany to launch an ambitious programme to phase out nuclear power while accelerating the development of renewables such as wind, solar and biomass.

However, the nuclear phase-out has extended Germany's reliance on coal—especially its large lignite deposits—which remains its primary source of electricity, at 45 percent of gross production.

Greenpeace accused Merkel of breaking "her promise" from last month's G7 summit, where leaders pledged cuts in global [greenhouse gas emissions](#) and a "decarbonisation" of the global economy this century.

"Instead of initiating the exit from coal as announced at the G7 summit, the Chancellor is letting all the dreams of the [power](#) plant operators come true," fumed Tobias Muenchmeyer, energy expert at the environmental group.

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