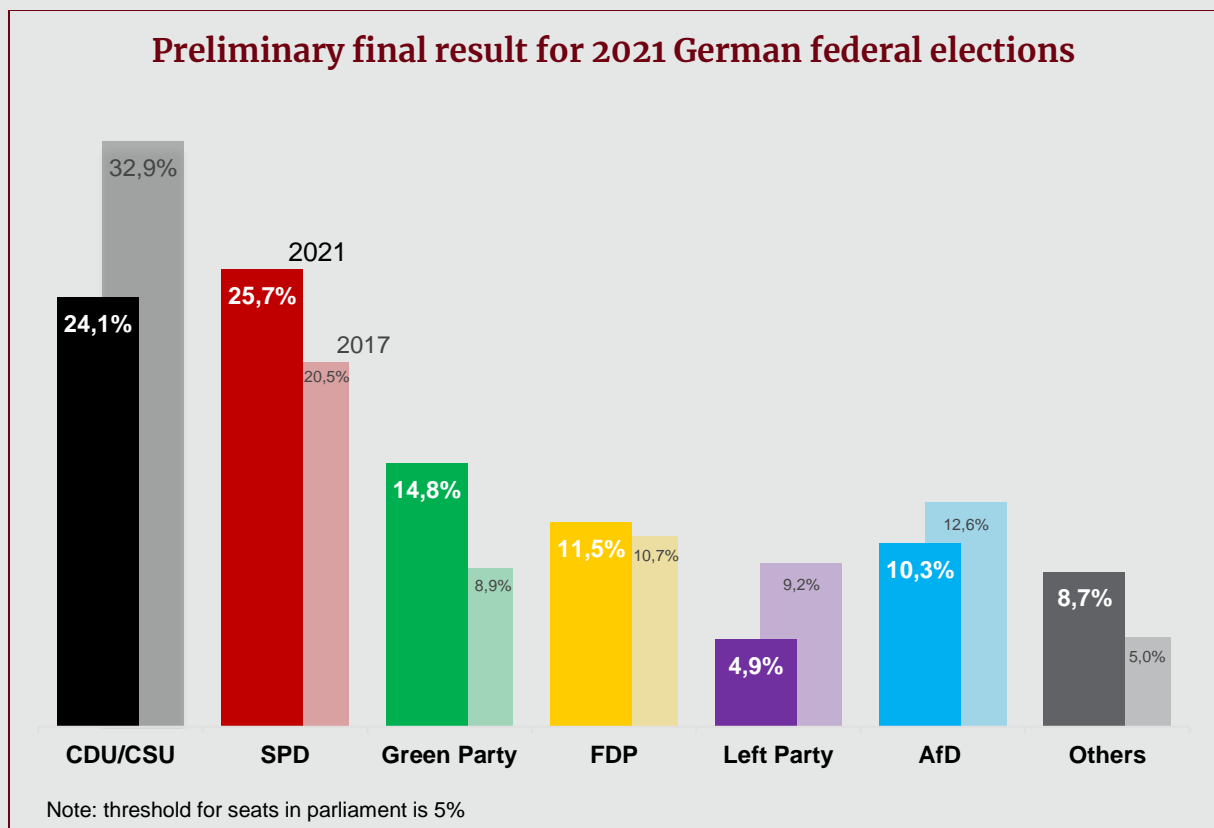


Germany's Climate Election: an Analysis

Overview:

The German elections on September 26, 2021, brought major changes to the political landscape. With Chancellor Angela Merkel no longer running for office, her center-right Union fell to its worst result in history. The center-left SPD won first place behind its chancellor candidate Olaf Scholz, while the liberal FDP and especially the climate-focused Greens scored good results and can now act as kingmakers. The next government will take office at a crucial time for climate policy.

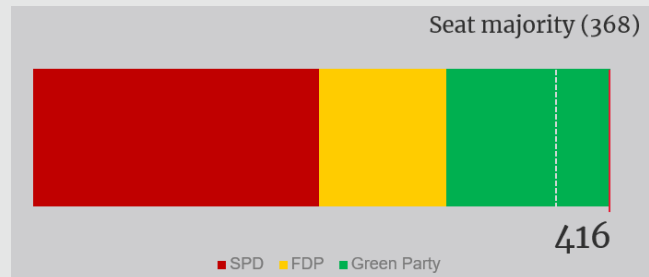


Source: Bundeswahlleiter via [Clean Energy Wire](#)

Which governing coalition?

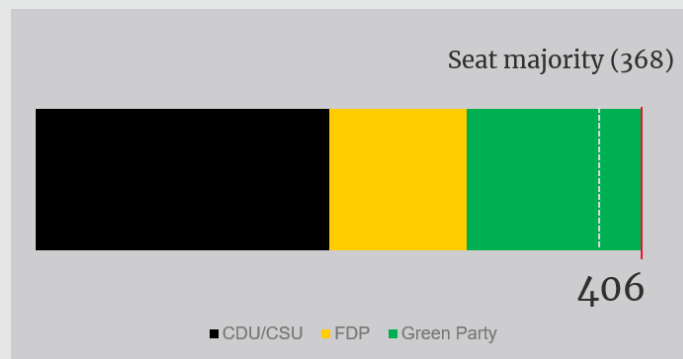
It could take months until coalition talks are complete and the parties agree on the next government. Four parties have a chance to enter the next government: the Christian Democrats of the CDU-CSU or "Union", the Social Democrats of the SPD, the Free Democrats of the FDP, and the Greens. There are three realistic options for the next coalition:

1. Traffic Light (SPD, Greens, FDP) under SPD Chancellor Olaf Scholz



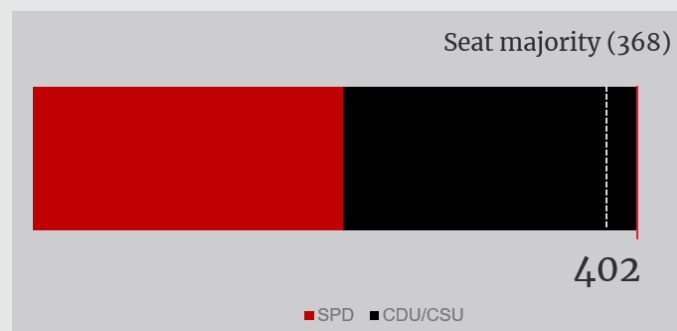
Given that the SPD won first place and its chancellor candidate Olaf Scholz has the highest personal approval ratings, a so-called “Traffic Light coalition” appears to be the most likely option. The smaller partners, the Greens and the FDP, have already met to discuss shared goals. And SPD leaders have already said they are ready to enter exploratory talks with the Greens and FDP. While the Greens and the FDP disagree on core issues relevant for climate policy—for example, the FDP backs both tax cuts and a “black zero” policy of minimal government deficits, while the Greens want more spending on the energy transition—they could overcome these by agreeing to set up a green investment agency whose investments are not on the government balance sheet.

2. Jamaica (CDU, Greens, FDP) under CDU Chancellor Armin Laschet



Although the CDU fell to its worst result ever, it still finished a close second and has a chance to be in the next government. CDU and CSU leaders have admitted that the “traffic light” option under SPD leadership is the most likely, but if talks fail, the Union stands ready to explore a “Jamaica” coalition.

3. Grand Coalition (SPD and CDU) under SPD Chancellor Olaf Scholz



Least likely, although mathematically possible, is a continuation of the current “grand coalition”. In 2017 the CDU and SPD agreed on such a coalition after negotiations over a “Jamaica” coalition failed when the FDP walked out.

A climate consensus

On the biggest climate questions, all four parties that might enter the next government agree:

- All four parties recognize that climate change is anthropogenic and a serious threat.
- All four parties are committed to the Paris Agreement and reaching net zero by 2050 or earlier.
- While their rhetoric is different, each party supports protecting and creating jobs during the energy transition and ensuring Germany remains an industrial power.
- Nuclear power is still unwanted. Germany's six remaining nuclear power plants will shut down by the end of 2022. Setting aside a few nuclear advocates in the FDP and CDU/CSU, no major party is interested in returning to nuclear power.

The boundaries of national action

While the next German government will have major opportunities to shape German policy, its room for action is to some extent limited by EU policy and national court orders related to the German constitution.

EU policy: The EU climate targets determine Germany's room for maneuver; Germany must do its part to hit EU-wide goals. In July 2021 the EU released drafts of the laws meant to help it achieve the climate targets in the European Green Deal, notably a 55% reduction of GHG emissions by 2030, compared to 1990 levels.

Examples of binding EU policy:

- **EU targets:** Germany must achieve legally binding EU targets, such as the 2030 emissions reduction and the renewable energy targets. Failing to do so could lead to fines or sanctions.
- **EU ETS & ESR:** The EU emissions trading system (ETS) limits emissions from German industry and electricity. The EU Effort Sharing Regulation (ESR) requires emissions reductions in non-ETS sectors. Failure to comply with the latter can lead to financial consequences — and hurt Germany's bargaining power and reputation at the EU level.
- **EU energy taxes & vehicle bans:** Germany is affected by EU energy taxes and regulations, e.g. a proposed 2035 ban on sales of new fossil fuel cars.

Takeaway: Whether and how fast Germany reduces emissions is really not up for debate, the question is how.

**** The Coal Phase-Out example:** *A German commission agreed to end coal power by 2038 and compensate affected regions and firms, and the government put the date into law. However, experts and party leaders anticipate coal power ending in Germany by 2030 largely due to EU regulations and carbon pricing. The German debate, therefore, largely reflects the merits of changing the political exit date and how doing so would affect compensation payments.*

A two-way street: But these German elections also affected the future of the EU. The next German chancellor will sit on the European Council, which sets high-level political targets and approves EU legislation. And the make-up of the next German coalition will also influence the European Commission.



German courts: A ground-breaking April 2021 ruling by the German Constitutional Court made clear that Germany has a constitutional obligation to reduce its GHG emissions:



National climate obligations:

- The Court ruled that Germany’s 2019 climate law, passed by the Union and SPD, was “incompatible with basic rights,” citing the undue burden that climate inaction today would place on future generations.
- In June 2021, the outgoing government responded by revising the climate law to raise Germany’s climate targets for 2030, also adding new targets for 2040 and 2045 (net-zero).
- Crucially, these targets are divided by sector, such that if a sector misses its target, the responsible ministry must implement an emergency program to achieve the next targets.

The main parties’ official climate positions

This section lists the key climate positions in the parties’ official campaign manifestos.

 Free Democrats	 The Greens
<ul style="list-style-type: none"> • GHG-neutrality by 2050 • Supports market mechanisms over regulation • Does not support a ban on combustion engines; supportive of synthetic fuels • Supports application of Article 6 from the Paris Agreement • Wants to scale down subsidies for renewable power and rely on economy-wide carbon pricing to drive their expansion 	<ul style="list-style-type: none"> • GHG-neutrality by 2041; -70% emissions by 2030 • Supports phaseout of all fossil fuels; skeptical of hydrogen, synthetic fuels & natural gas • Coal phaseout by 2030 • Supports carbon pricing with revenue recycling but prefers regulation • Only emission-free car registrations from 2030 • Underlines importance of industrial transformation and decarbonization

 Social Democrats	 Christian Democrats
<ul style="list-style-type: none"> • GHG-neutrality by 2045 • Supports rapid renewables expansion but wary of losing public acceptance • Coal phaseout by 2038 • Wants environmental standards in EU treaties (e.g. MERCOSUR) and to abolish private dispute settlement mechanisms 	<ul style="list-style-type: none"> • GHG-neutrality by 2045 • Very supportive of the “hydrogen economy” and LNG • Coal phaseout by 2038 • Emphasizes removing bureaucratic hurdles to building renewables • Supports application of Article 6 from the Paris Agreement

North America spotlight

This section examines policy areas especially relevant for Germany's North American partners.

Transatlantic climate cooperation

- Most of the parties see a transatlantic climate partnership as important. **Union** chancellor candidate Armin Laschet has called for a “revival” of transatlantic relations that revolve around free trade “but also a common climate foreign policy”. **CDU** foreign policy expert Norbert Röttgen is also a Transatlanticist who prioritizes climate. **SPD** chancellor candidate Olaf Scholz has proposed a “climate club” based on shared climate targets, unified standards for measuring emissions, and carbon border adjustments. His party would insist on strong environmental standards in any trade deal with the US.
- The **Greens** have an initiative, promoted by party leaders Annalena Baerbock and Robert Habeck, that calls for closer transatlantic cooperation. Foreign policy expert Alexander Graf Lambsdorff of the **FDP** is similarly supportive of climate cooperation with North America.

Carbon border taxes

- All parties support the EU's proposed Carbon Border Adjustment Mechanism, emphasizing the need to prevent carbon leakage. **The Greens** have called for the CBAM to replace the free carbon allowances currently given to EU industry, whereas **the Union** is more hesitant to remove this support. The **FDP** also calls for international coordination on carbon border measures beyond the EU ETS.

Carbon pricing

- The current **Union/SDP** government implemented a national scheme that as of this year puts a price on emissions in the transport and buildings sector. For the **FDP**, pricing is the key plank of their climate policy. **The Greens** want strong carbon pricing with income redistribution as a complement to regulation. However, during the campaign the **SPD and Union** in particular have expressed concerns about the burden that carbon pricing may put on poor households.

Negative emissions

- The **FDP** and the **Union** advocate for applying emissions reductions made in developing countries to Germany's climate targets (Article 6 of the Paris Agreement). The **FDP** also advocates the use of negative emissions technology, and the **Union** emphasizes the use of carbon sinks to reduce emissions.

Climate finance

- In June 2021 at the G7 the ruling government coalition (**Union and SPD**) pledged to increase the budget allocations for climate finance from 4 to 6 billion euros annually by 2025. We can expect at least a continuation if not an increase of this stance after the federal elections.
- The **Greens** have a specific proposal to provide an additional €10 billion in international climate finance and achieve a 0.7% ODA quota by 2025. They also want to promote the restructuring of investment banks (e.g., the World Bank) into transformation banks. The **CDU** calls for using climate financing to support adaptation, while the **SPD** has focused on abolishing fossil fuel subsidies around the world.

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