Climate Protection Legislation

Climate protection is a central concern for the chemical-pharmaceutical industry. With its products and through the European emission trading scheme, the German chemical industry actively contributes to achieving the 2°C target and describes in a study how the industry can technologically reach greenhouse gas neutrality in its production by 2050.

German federal government presents draft legislation

In October 2019, the German federal government adopted a climate protection programme 2030 which defines measures in the sectors of energy, buildings, transport, industry and agriculture. One resulting consequence is the climate protection act. It creates a framework for action for the federal government to make the climate goals a reality, and it lays down annual reduction targets for the emissions of individual sectors. Furthermore, German Parliament (Bundestag) adopted an act on a fuel emission trading system which sets a CO₂ price for sectors not covered by EU emission trading, including smaller industrial installations. In the future, they too will be burdened with a CO₂ price. So far, no protection against carbon leakage (i.e. the shift of emissions to other countries) is provided for them.

Carefully monitor the coal phase-out

Also the early end of electricity generation from coal, as recommended by the Coal Commission, is to help reach Germany’s climate goals. The chemical industry sees supply security threatened by the coal phase-out. Therefore, measures for reliable supplies should be taken early. Moreover, electricity prices will go up. Thus, a compensation mechanism that eases the burden of rising electricity prices for all electricity consumers is necessary.

EU Commission announces "Green Deal"

The "Green Deal" recently announced by the EU Commission is to pave the way for a climate-neutral continent by 2050. The Commission is planning to further tighten greenhouse gas reduction to 2030 from currently 40 percent to 50 or even 55 percent and to expand the emission trading scheme to further sectors such as transport or buildings. Moreover, border compensation mechanisms are to be introduced to make up for climate protection costs.

Threat of double regulation

For the chemical industry, European emission trading is the key instrument for achieving climate targets and maintaining its competitiveness. It sets out a legally binding path for reducing emissions and guarantees that the industries covered will reduce their emissions EU-wide by 43 percent by 2030 compared with 2005. In consequence of the "Green Deal", this path will need to be redefined. National measures must take account of this existing regulation at European level and should not counteract it. Otherwise, they are counter-productive and cause double regulation. Therefore, ETS sectors are correctly excluded from the scope of the German fuel emission trading act.

THE VCI IS CALLING FOR THE FOLLOWING

- **No "carbon leakage"**

  The national emission trading system in Germany must not lead to additional burdens on industrial plants that are already regulated under the EU emission trading scheme. Furthermore, it must be ensured that plants now impacted by national emission trading have no competitive disadvantages. They depend on effective "carbon leakage" protection.

- **Ensure reliable supplies and affordable electricity prices**

  A compensation mechanism needs to be developed for the electricity price increases to be expected from the coal phase-out, and that mechanism should ease the burdens on all consumers. Reliability of supplies ("Versorgungssicherheit") should be defined and reviewed already before the first shutdowns of coal-fired power plants.

- **A more industry-friendly "Green Deal"**

  Another tightening of climate targets causes uncertainties in planning. Due to different abatement costs, expanding EU emission trading would lead to carbon leakage. Border compensation mechanisms are difficult in terms of trade policy and cannot be implemented for the complex products of the chemical industry.