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Germany: Coal phase-out

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Germany

Phase:

Management

Type:

Coal phase-out

Last modified: 08 February, 2022

Native name:

Gesetz zur Reduzierung und zur Beendigung der Kohleverstromung und zur Änderung weiterer Gesetze (Kohleausstiegsgesetz) Strukturstärkungsgesetz Kohleregionen

English name:

Law to reduce and end coal-fired power generation and to amend other laws (coal phase-out act) Structural strengthening act coal regions

Description

The [National energy and climate plans \(NECPs\)](#) provide for a gradual reduction and phase-out of coal-fired power generation by 2038 at the latest. According to the coal phase-out act, the next thresholds about installed net capacity of coal-fired power plants are set as follows: 15 GW hard coal/15 GW lignite in 2022 and 8 GW hard coal/9 GW lignite in 2030 (compared with 19 GW/18 GW in 2020).

Germany foresees to achieve a 65% share of renewable energies in electric energy consumption in 2030 (compared with 38% in 2018). In addition, the overall energy-efficiency improvement will reduce electricity demand. This is a particular challenge because Germany is also phasing out nuclear energy. For this reason, gas is considered to play an important role as a bridging technology for electricity generation, especially in the form of combined heat and power.

According to the [coal phase-out and structural strengthening](#), coal plants will be closed by 2027 through tenders with decreasing maximum prices. From 2028 onward, shut down coal plants will have to be carried out without financial compensation. The coal replacement bonus is determined according to the age of the systems, that is younger plants will receive proportionally a larger financial compensation. Under the provisions of the cogeneration act, a power plant can also be decommissioned by conversion from coal to low-emission fuel. The coal phase-out act provides for authorisations to introduce electricity price reductions such as:

- grants to electricity-cost intensive companies that are in an international competitive situation, as compensation for their additional electricity costs due to the coal phase-out;
- a federal subsidy for the transmission network charges.

There will be compensations for dismissed workers from opencast lignite mines, lignite and hard coal-fired power plants. Workers older than 58 years will receive an adjustment allowance in the form of a bridging aid, up to five years. If the entitlement to benefits for the standard old-age pension has not been reached after the five years have passed, the reductions resulting from early retirement will be compensated. In addition, further compensation payments are agreed on the basis of collective agreements.

The recommendations put forward by the Commission on growth, structural change and employment include a social consensus on how the coal phase-out can be achieved. Local stakeholders have been involved in defining the transition process of coal regions (Brandenburg, North Rhine-Westphalia, Saxony-Anhalt and Saxony). Up to €40 billion by 2038 have been allocated to support different projects ([Transformation Experiences of Coal Regions](#)) such as:

- a new funding programme for greenhouse gas-neutral generation;
- support for hard-coal plant employees: qualification training and direct information about new employment opportunities;
- mine management after closure: securing shafts and tunnels, eliminating mining-related damages, permanent management of pit water and groundwater;
- the expansion of rail and road infrastructure;
- the settlement of public authorities and research institutions;
- supporting cultural institutions directly linked with coal mining, like the 'German Mining Museum' and the miners' choirs and orchestras.

Comments

Germany's hard-coal mining industry is not competitive, in particular because of the geographical factors which lead to high extraction costs. In order to ensure that the phasing out of hard-coal mining complies with the principles of social justice, Germany has granted subsidies for the sale of domestically produced hard coal to cope with the decommissioning measures required and bridging allowances for employees

leaving the industry. The subsidies for sales of domestic hard coal ended in 2018 so that the share of imported hard coal rose up to 100% from 2019 onwards.

The decline of hard coal mining has been ongoing for more than 60 years. However, the historical reduction of hard coal mining was due to economic and technological developments, rather than environmental concerns. Nowadays, the government acknowledged the need for climate action and has agreed on a phase-out pathway.

The situation with lignite is different. Power generation from domestic lignite, which takes place in large power plant parks in the immediate vicinity of the opencast mines in the Rhenish and East German lignite areas, continues to have a high significance for employment policy. The political resistance of the environmental movement against lignite-based power generation, which accelerated process of coal phase-out, is not only aimed at CO₂ emissions from lignite, but also at the destruction of the landscape by opencast mines (such as Hambach and Garzweiler).

In 2020, more than two-thirds of energy sector emissions have been caused by coal-fired power plants although hard coal and lignite accounted for a much smaller percentage of the German gross power generation (30%). Furthermore, in Germany, 80% of current CO₂ emissions from electricity come from coal-burning as well as lignite. Both hard coal and lignite are mostly used in the electricity sector.

Cost covered by

National government






Involved actors other than national government

Employer organisation
Regional/local government
Trade union
Other

Thresholds

No, applicable in all circumstances

Sources

-  [Coal phase-out act \(Kohleausstiegsgesetz\)](#)
-  [Coal phase-out and structural strengthening](#)
-  [National energy and climate plans \(NECPs\)](#)
-  [Transformation experiences of coal regions](#)
-  [Structural Strengthening Act Coal Regions](#)

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