



Carbon pricing dropped from new Franco-German treaty



German business associations warned that putting a price on carbon might drive power prices up in Germany, putting companies there at a disadvantage compared to their French competitors. [Claire Stam]

France and Germany will cement their historic post-war reconciliation with the signing of a new Elysée treaty on Tuesday (22 January). But the draft text, seen by EURACTIV, no longer mentions carbon pricing among new bilateral initiatives.

“It is extremely regrettable that pricing CO2 emissions is no longer mentioned in the new treaty,” said Claudia Kemfert, a researcher at the German Institute for Economic Research (DIW).

“It would be useful for France to continue supporting this issue and thus allow Germany to further integrate carbon pricing in its regulations,” she told EURACTIV.

Fifty-six years after Charles De Gaulle and Konrad Adenauer signed a post-war reconciliation treaty in 1962, France and Germany will seal a new “cooperation and integration” pact next week in the German town of Aachen, near the Belgian and Dutch border.

One year ago, on the treaty’s 55th anniversary, the German Bundestag and the French National Assembly published a first version of the new Elysée treaty, which mentioned new “comm initiatives” on carbon pricing to fight climate change (paragraph 16).

But the document that will be signed tomorrow, seen by EURACTIV, no longer mentions the idea. Instead, two broader paragraphs address general issues such as sustainable development, climate change, the environment and economic affairs (paragraphs 18 and 19).

France and Germany “are working to strengthen the process of implementing multilateral instruments related to sustainable development, global health and the protection of the environment and climate,” says the new draft treaty, referring to the Paris Agreement and the United Nations’ Sustainable Development Goals (SDGs).

The two countries intend to “bring forward the energy transition in all relevant sectors,” and “develop their cooperation” to “finance, develop and implement joint projects, particularly in infrastructure, renewable energy and energy efficiency,” according to the revised text.

Overall, France and Germany commit to adopt “ambitious measures to fight climate change” and “act in close relationship” with one another “in order to formulate common approaches and policies”.

But although they declare their intention to “put in place incentives mechanisms for the transformation of their economies,” they no longer mention carbon pricing as a solution to turn those pledges into concrete action.

German reluctance on carbon price floor

France has made several attempts to introduce a carbon price floor over the past three years.

President François Hollande first floated the idea on 25 April 2016. Emmanuel Macron then took it up in his electoral campaign and once again backed it during his Sorbonne speech on the future of Europe, on 26 September 2017.

Since then, Paris has pushed for the introduction of a carbon price floor at European level.

Those efforts culminated on 12 December 2018 when nine EU member states urged the European Commission to propose a CO₂ price floor and extend carbon pricing to sectors like transport, which are currently not covered by the Emissions Trading Scheme, the EU's carbon market.

The joint letter was signed by Denmark, France, Finland, Ireland, Italy, the Netherlands, Portugal, Sweden and the UK. But Germany was notably absent from the list.

In Germany, observers remarked that a minimum carbon price would put the French power sector at an advantage. Indeed, French nuclear plants ensure electricity production there is light on carbon emissions while the German electricity sector is still dominated by CO₂-heavy coal and natural gas.

German business associations have warned that a CO₂ price floor might drive up electricity prices in Germany, putting companies at a disadvantage against their French competitors.

All eyes on the German 'coal commission'

But German opposition to a minimum carbon price could drop after the coal exit commission publishes its final report on 1 February.

Chancellor Angela Merkel and Finance Minister Olaf Scholz met on 15 January with the premiers of Germany's four coal states. Berlin pledged long-term payments to lignite mining regions, removing a major hurdle to reaching a compromise over the country's coal phase-out. Other key issues for coal-dependent regions include supply security and power prices.

“Things could move forward on the CO2 pricing front in Europe after Germany’s coal commission releases its roadmap to phase-out coal,” said Nicolas Berghmans, a researcher at IDDRI, a French sustainable development think tank. “It is only a matter of time, the commission must now agree on a date to phase out coal,” he told EURACTIV.

According to Berghmans, even though the new Elysée treaty does not explicitly mention CO2 pricing, “it does open the door for it” and still contains interesting proposals to strengthen bilateral cooperation on environmental matters.

In Germany, Environment Minister Svenja Schulze (SPD) has been openly supportive of CO2 pricing. But finance minister Olaf Scholz (also SPD) rejected in November her plan to work on a national price on CO2 emissions, which would have included sectors such as heating and transport.

Asked by EURACTIV to comment on the absence of a CO2 price floor in the Aachen treaty, the environment ministry chose to remain vague.

“Although CO2 pricing is not explicitly mentioned in the Aachen Agreement, it remains a subject of Franco-German talks, i.e. within the Joint High-Level Inter-ministerial Working Group on Climate Change, launched in Meseberg in June 2018,” a ministry spokesperson said.

The dialogue is aimed to “intensify cooperation on this cross-cutting issue and develop common views on the energy transition, which includes pricing carbon emissions,” the spokesperson said.

Further Reading

Efficacité et Transparence des Acteurs Européens © 1999-2018. EURACTIV.COM Ltd. | Terms and Conditions | Privacy Policy | Contact us