

Statement on the EU review

Planned lignite compensation payouts distort the market and slow climate action

Hamburg/Brussels, 4 June 2021 – The planned compensation payments in the context of Germany’s lignite phaseout distort the energy market, benefitting large coal corporations. Therefore, the green energy cooperative Greenpeace Energy is demanding in a submission addressed to the EU Commission today that they not be approved in their present form. Brussels is currently investigating the payments to assess whether they are compliant with State aid rules. “This aid is disproportionately high. It undermines the energy transition in multiple respects, distorts competition, and cannot be justified,” says Sönke Tangermann, one of Greenpeace Energy’s chief executives.

A study by the analysis institute Energy Brainpool shows that the compensation agreed upon by the federal government and the lignite operators – 2.6 billion euros for the RWE Group and 1.75 billion for the eastern German LEAG – is in fact very likely to delay the coal phaseout considerably because without compensation, that is, under pure market conditions, and given the rising costs of the CO₂ pollution permits needed, the climate-damaging power plants would most probably be shut down much sooner than 2038, the deadline under the current roadmap. “However, the high compensation payouts now ensure that lignite companies will be able to wait out the time when their power plants are no longer economically viable,” Sönke Tangermann criticizes.

According to Greenpeace Energy, EU competition watchdogs must therefore examine very closely whether the planned State aid is also in line with the objectives of the European Union – and whether it will in fact lead to a real reduction of CO₂, which would not have been achieved otherwise. “From the perspective of State aid rules, the way compensation amounts have been determined raises many questions. For aid to be compliant with State aid rules, it must, among other things, be kept to a minimum, which is doubtful in this case,” said attorney Maria Segura of the Brussels law firm Clayton & Segura, which is advising Greenpeace Energy.

The amount of compensation negotiated is, on the whole, far too high. The German government has not only considered profits allegedly lost in its calculations but also additional costs incurred by open-pit mining. However, this clearly contradicts the polluter pays principle of the Federal Mining Act, under which the operator bears full responsibility for any damages caused by open-pit mining.

According to the Energy Brainpool study, the delayed lignite exit caused by the compensation payments will also have other negative consequences for the energy transition. Since the continuing existence of lignite capacities distorts prices on the energy market, the revenues of

renewable energy providers such as will drop – and put them at a disadvantage in long-term purchase agreements.

“This, moreover, places obstacles in the way of important investments in sector coupling and flexibility technologies,” says Michael Claußner, author of the Energy Brainpool study. The high CO₂ emissions produced by lignite-fired power plants prevent electromobility, heat pumps, and green hydrogen from playing their strengths and achieving their full potential for climate protection. Finally, excessive compensation gives lignite corporations huge advantages. When RWE and LEAG invest in new energy projects, the compensation they receive puts them in a significantly better position than competitors who have been committed to the energy transition for years.

“Given the great market power that RWE and LEAG already have, it is strange that the Commission has not addressed potential distortions of competition resulting from compensation payments until now,” Sönke Tangermann says. In addition to economic arguments, Greenpeace Energy's statement to the EU Commission also includes other legal objections that speak against approval under State aid rules. For example, it has not been clearly specified whether compensation payments will be allotted to the planned socially responsible closure of coal mines and how high these payments will be.

Editorial note: Greenpeace Energy, alongside the environmental organization Greenpeace e.V., is one of the stakeholders submitting a statement to the EU Commission as part of the review process. The energy cooperative is taking a stance as a market player. To access the current Energy Brainpool study, visit www.greenpeace-energy.de/presse.html.

Media contact

Christoph Rasch
Policy and Communications Officer
Greenpeace Energy eG
Telephone +49 40 808 110 658
christoph.rasch@greenpeace-energy.de
www.greenpeace-energy.de/presse.html