EUROPE 06.12.2018 | Inken Behrmann

There's a way out!

German municipalities' dependency on power companies is no reason to postpone the energy transition

Read this article in German.

Some 73 per cent of all Germans are in favour of putting a quick end to coal power. Since last summer, the 'Commission on Growth, Structural Change and Employment' – known as the 'Coal Commission' – has been negotiating the phase-out of coal and structural change in the affected coal-mining regions of the Rhineland and Lausitz.

The main argument against any quick exit is usually that jobs will be lost in the coal-mining areas. But how can 20,000 people employed by the brown coal industry counter a whopping 73 per cent of the German population? In fact, job loss isn't actually the main concern: the large coal companies' systemic relevance, the dependency of local municipal budgets and the meshing of industry and regional politics are far more significant.

Both of these large brown-coal mining areas have already experienced structural upheavals and massive job losses. In the Ruhr area, for example, the end of hard-coal mining caused a structural break, which still negatively impacts many cities. After the German reunification in 1989-1990, tens of thousands of people lost their jobs in the opencast coalmines of Lausitz.

Today, some 20,900 people work at the energy companies RWE in the Rhineland, MIBRAG in Leipzig and LEAG in Lausitz. According to the Federal Environment Agency, there are so many older employees that the companies could implement structural changes until 2030 without having to dismiss anyone – provided they don't hire any new employees during this period.

Just to compare: when 25,000 women – the bulk of employees of Schlecker, the largest drugstore chain in Europe – were let go in one fell swoop in 2012, they were offered no adjustment programmes or structural support. In 2018, individual coal-mining jobs are less at stake

than the overall importance of the energy companies: Besides miners, an additional 52,000 people service the demand for goods and services of the energy plants and open-pit mining operations. How would municipalities finance their budgets with *those* potential job losses, and what about the personal involvements*?*

The entanglement of politics and energy companies

Politics and energy companies have been entangled since the late 19th century. As the German Reich began to convert to electrical power, Rathenau and Siemens, the first electricity suppliers, divided the market between themselves, creating a monopoly that gave electricity providers unique economic and political power. Today E.ON, RWE, EnBW, LEAG and MIBRAG continue to divvy up the regional electricity markets between themselves.

Coal companies and municipalities have been closely integrated for nearly as long. Because of its significant market power, RWE, founded in 1898, was supposed to be nationalised at the beginning of the 20th century. Instead, the company developed a concept that still shapes the German energy supply structure. RWE chose to reward municipalities that granted it electricity supply concessions with membership in its shareholder group: They got a say *and* became part of the company.

Today, more than 90 municipalities and rural districts belong to the Group of Municipal RWE Shareholders (VKA), the largest single shareholder of RWE Power AG. Group dividends form a significant part in municipal budgets: hence, the system merges industrial interests with the political interests of local authorities. The Rhineland thus faces a special challenge regarding structural change: If RWE goes belly up, local municipalities will suffer even more than they already have from years of zero dividends: They can't afford to make any political decisions that disadvantage RWE.

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The situation is similar in Lausitz, where municipalities own no shares in LEAG, the local energy company, but depend on it for trade tax revenue, compensation payments to open-cast mining communities and support for public projects. Low trading prices for electricity and low 2014 profits created huge financial hardships for municipalities having to repay Vattenfall €20 million for advance payment of

trade taxes.

As trade tax revenues continue to fall, the regions will become increasingly dependent on state subsidies. Unlike Vattenfall, its successor company LEAG hardly assumes any social responsibility such as aiding and funding local associations. Difficulties financing the municipal infrastructure, schools, day-care centres, after-school care centres and public life are looming.

In the coal-mining regions, economic links engendered personnel connections: Mayors of cities in the Rhineland and the Ruhr are or were on the RWE Supervisory Board. In 2018, despite continuously falling prices, board members, including several (former) mayors, went ahead and bought company stock. In Lausitz, local politicians and Vattenfall founded an 'AstroTurf project' – a PR campaign – 'Pro Brown Coal in Lausitz' in 2011, as well as 'the Lausitz round table' 'to plan the region's future together'.

In both regions, the dependency of municipalities and communities on monopolistic energy companies and close personal networks prevent an open discussion about phasing out coal and the alternatives to a fossil-fuel economy. Yet the transition has to be planned – yesterday.

The German state must take responsibility

Climate change makes it harder and harder to justify why public authorities blindly cling to fossil fuels. Yet again and again, the emotional 'social' argument that jobs will be lost is invoked. Understandable fears of the employees of RWE, LEAG and the state government are misused to promote an industrial policy of 'more of the same'.

Germany has set various targets for reducing CO2 by the years 2020, 2030 and 2050; in 2015, it agreed with other countries to limit climate warming to 1.5°C. These are framework conditions for planning structural change. The targets probably *can* control global warming. Failing to meet them will trigger uncontrollable self-reinforcing warming processes. However, meeting the 1.5°C target requires very rapid and concerted changes in the energy, transport and building sectors.

Protecting the climate – and ending coal rapidly – essentially requires a societal and political decision. Climate change is not open to negotiation, whereas financial mitigation and assistance for structural change are. In October, Spain's Minister for Ecological Transition showed the way:

Theresa Ribera got unions to agree to end coal mining by the end of the year by negotiating €250 million in early retirement and reskilling schemes, as well as social assistance.

Germany's federal government and states must take responsibility for past economic mistakes and provide financial aid for structural change based on a system of solidarity. The affected regions also need new – and positive – identities. Measured in purely monetary terms, the quality of life in the brown-coal regions will probably remain 'structurally weak'. Yet the regions have a great deal to offer: Lausitz, for example, combines proximity to Berlin with quiet country life and interesting culture.

We must discuss with local people *how* they want to live and what matters to their region. This is the only way to wean their economic and social structures from large corporations and a monopolised economy and stop them tottering from one crisis to the next. 'End Coal Now' need not be synonymous with job losses and a lack of identity or funding. It can also signify a sustainable future *without* noisy open-cast mining and repeated resettlement – *with* better air and water quality.



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