



## Interview Joachim Weimann

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**Bert Beyers: Good afternoon, Professor Weimann. Perhaps you would like to introduce yourself briefly?**

Joachim Weimann: I am Professor of Economics and hold the Chair of General Economic Policy at Otto von Guericke University Magdeburg. As far as my academic work is concerned, I am an experimental economist, behavioural economist and environmental economist by background. And in this capacity, I have been working on climate issues for a very long time and have recently become Chairman of the Expert Council for Climate and Energy Policy at R21.

**What is R21?**

R21 is a non-profit organisation. R stands for Republic, and this organisation is dedicated to developing new content for civic politics. I don't work there as a member, but as an advisor and have been asked to set up and chair this expert council.

**It's about emissions trading systems. What is that?**

There are two ways to protect the climate. Firstly, you can take a planned economy approach. This means that the state prescribes

what, when, how and where avoidance must take place, with which technology, to what extent and so on. Secondly, you can take a market economy approach. In a market-based approach, the state merely provides a framework. It then leaves it up to the market, i.e. the individual players, to decide how to fulfil it. Unfortunately, we have opted for a planned economy.

### **Who are we?**

German climate policy clearly favours the planned economy, although there is a far better market-based option in Europe. We have a European emissions trading scheme and it works as follows: First of all, it defines which sectors are subject to this trade. This is essentially the energy sector. So wherever electricity is produced, that's where emissions trading applies. And then there are a number of large plants, aluminium smelters, glassworks, lime works and so on, which are also subject to emissions trading. It is then determined how much CO<sub>2</sub> this ETS sector, Emission Trading System sector, is allowed to emit in total per year. This is a tough planning intervention at the beginning. So-called emission allowances are then issued for the quantity determined in this way, which decreases every year. Anyone who is active in the sector and wants to imitate CO<sub>2</sub> then needs a corresponding authorisation.

### **And that costs money.**

That costs money. And as the number of allowances corresponds exactly to the number of tonnes that can still be imitated, this means that the climate target, namely the reduction of CO<sub>2</sub> emissions, is achieved immediately.

### **What happens next?**

The second step is the issue of emission allowances and their tradability. This means that the emission allowances can now be traded between the various emitters. Why is this being done? Well, we've only decided how much CO<sub>2</sub> we want to save, but not yet how we're going to do it. And we should do it in such a way that the costs of CO<sub>2</sub> savings are minimised as much as possible. In other words, we should always avoid emissions where the next tonne of CO<sub>2</sub> can be avoided at the lowest possible cost. This is extremely important

because it is the only way to successfully protect the climate. If we don't do this cost-effectively, it will simply be too expensive and we won't succeed. And how does trade now ensure that we get cost-effective solutions? Well, imagine two sources, two sources of CO<sub>2</sub>. They both have emission rights, otherwise they wouldn't be allowed to produce. But avoiding CO<sub>2</sub> is very expensive for one source and very cheap for the other.

### **So what are the options?**

The person for whom it is cheap to avoid simply avoids more and sells the emission rights that he no longer needs. And to the person for whom avoidance is expensive, who can then emit more. In other words, this trade means that ultimately avoidance always takes place where it is most favourable and emissions take place where avoidance would be most expensive. That is the market-based solution. Europe now has almost 20 years of experience with this and we can show that it works wonderfully.

### **And how does the German solution fit in?**

It doesn't fit at all, because emissions trading already organises avoidance efficiently and very effectively. This additional regulation that Germany is now adding on top is completely redundant. We say: We have now regulated this and it works, but it is not enough for us. We want to make our own contribution. That's why we're now building wind turbines and photovoltaic systems and thus avoiding additional CO<sub>2</sub>. But that's not working. Why not? Imagine a wind farm being built in Germany. It produces electricity. The gas-fired power plant next door has to produce less, saves CO<sub>2</sub> and now needs fewer emission allowances. What does it do with the emission allowances that it no longer needs? They are sold. In other words, the only thing that happens is that the emissions are distributed differently, but not saved.

### **Germany simply wants to be better.**

And thus makes everything worse. Emissions trading ensures that the avoidance of CO<sub>2</sub> is organised in Europe in such a way that it takes place at minimum cost. Germany is destroying this cost-efficient situation by saying: We want to avoid emissions now. It's

incredibly expensive for us, but we don't care. The others will then have to avoid less and emit more. This is highly counterproductive and harmful for climate protection and for Germany. With all the billions we are spending, we are not saving any CO<sub>2</sub> at all. On the contrary, in this way we are ensuring that global CO<sub>2</sub> emissions increase. If we build a photovoltaic system here, for example, this has no effect on European emissions. But the photovoltaic systems were built in China or Malaysia, with a lot of energy input. And the CO<sub>2</sub> emissions that result from this are also caused by climate policy in Germany! My university thought it was a good idea to completely cover our faculty building with photovoltaics. This has led to an increase in global CO<sub>2</sub> emissions. That's where common sense really stops working for good.

**You have obviously not been able to assert yourself at your university.**

They didn't ask me. We have a sustainability office.

**In your opinion, what climate policy makes sense in Germany?**

Once you realise that the national climate policy we are pursuing is redundant, i.e. it brings no benefits for the climate but causes huge costs, then you can only draw one conclusion: We should stop doing this as quickly as possible. That is completely obvious. My demand: please put an end to this unspeakable German solo effort, and do so as completely as possible in all areas, including those that are not subject to the ETS, because - and I would like to make this point - it is not the emissions in Germany, nor those in Europe, that are decisive for the climate, but the global emissions. And if you look at them, you realise that they are rising. If we burn less oil or less gas or less coal in Europe, then what we don't burn will be burnt elsewhere. A look at the energy markets shows this. If you look at the oil market, you will see that oil production is constantly rising in parallel with CO<sub>2</sub> emissions. This means that what we save is burned more elsewhere.

**We now have to deal with a lot of laws and regulations in Germany when it comes to climate protection. Do you want to abolish them all? How do you even want to do that and with which political forces?**

The first question is: What is reasonable? What would happen if we came to the conclusion: National climate policy is counterproductive, we don't need it, let's give it a rest. It only has costs, no benefits. Instead, we first need a European climate policy. And that could consist of extending emissions trading to all sectors so that we can get all European emissions under control in a cost-effective manner. This would mean that we could reduce European emissions according to plan, on a path that we can define politically. It couldn't be better. And at minimal cost.

**You speak in the subjunctive.**

If we were to end this national climate policy and switch to a European climate policy, many stakeholders would look pretty old. Then all the NGOs would suddenly no longer have a business model. Then the Green Party would suddenly no longer have a raison d'être. It would no longer be needed and all politicians, whether red, green, yellow or black, who have installed this climate policy in the past, and who still advocate it today, would have to say: Sorry, guys, you can make a mistake. It was a mistake. Now we're doing it completely differently.

**That was exactly my question.**

Of course, that's exactly what no politician does. That's absolutely clear. I always compare it with the GDR. The GDR's economic and social system is a bit like Germany's climate policy, both are about important goals. We want to save the climate here now. We want to help the world move forward. The GDR was supposed to create a new social order that would bring equality, justice and peace. In both cases, planned economy methods were used. In both cases, this failed miserably. In the GDR, however, this failure did not lead to any change. Why? Because the stakeholders in the GDR, the party people, the rulers, the cadres, the powerful would have lost everything. They continued the whole thing with brute force, even though it was clear that this was the wrong way to go. The whole thing was then brought to an end by the normative power of the factual.

**What is the connection to climate policy?**

If you publicise my proposal widely, you will meet with endless resistance. Everyone will demonstrate and protest massively against it and say: That's not on! Even the editors of WELT like to write about "blind trust in markets" as if it were something abysmally naive. These journalists probably haven't the faintest idea why markets are of such enormous importance for our prosperity and their own income. That's why my proposal is probably not politically viable. But I think it's time we at least said out loud, people, even if it's not politically feasible, there is an alternative and it's far better than what we're doing. Take note of that, start discussing it openly and then let's see what happens.

**Do you see any political forces in Germany with whom you could have a sensible discussion about this?**

You can't talk to the AFD. Their climate policy consists of denying climate change. You can forget that. They don't have a solution for anything and they don't have a solution for that either. Why do people vote for the AFD? One of my explanations for this is that many people, especially in eastern Germany, don't want green policies. That's why they voted for bourgeois parties and not the Greens, but they still got green policies. And now you're asking yourself: who else should I vote for if I don't want them?

**Who is left then?**

There is no one at the moment. There is an enormous inertia in the parties that wants to maintain the status quo and a huge misunderstanding and lack of understanding of the advantages of a market economy solution. There are only some people in the centre-right parties who will at least listen to this, who might even nod and say: yes, it's all very nice, but it won't work. That's why R21's approach is not to try and convince individual politicians, but rather to have an alternative in our quiver that people can turn to when they no longer know what to do next, bearing in mind that the normative power of the factual also begins to take effect in climate policy at some point. Many people are desperate to do something about climate change. But they don't know how to do it. That's why they follow the politicians who promise them that everything will be great. That's how we'll save the world. But that only leads to frustration. We have to make a lot of sacrifices. We pay a lot of taxes, we have a lot

of regulations that hinder us and we achieve nothing. Instead, we only ever hear messages like: This month has been the warmest since weather records began and so on. Which is not surprising when you look at global CO<sub>2</sub> emissions. People will continue to despair.

### **Are you hoping for momentum in politics and the economy?**

That's my hope. Momentum is very fashionable at the moment.

### **How does the emissions trading system model work globally?**

Let's imagine a world in which Europe actually pursues a climate policy that makes sense. In other words, with an emissions trading system throughout Europe across all sectors with a clearly defined reduction path. Then we would pursue a climate policy that is successful because emissions would actually be reduced at minimal cost and at minimal cost to people. And without overburdening them with bureaucracy, without frustrating them. That would have a major impact internally in Europe. The citizens would say: We can be proud of ourselves and of Europe. That would be a huge step forward. And then European politicians could take this model out into the world, go to China, go to India, and present it as best practice and say: Look, climate policy can also be implemented in such a way that prosperity doesn't suffer, that we don't have to stop everything, that we don't have to say goodbye to everything. It can be done in harmony with positive, prosperity-enhancing economic development. And we have now decided to behave reciprocally.

### **What does that mean?**

In other words, we are continuing on this path. We will continue to reduce emissions, but only if you join in. Otherwise, we'll just leave it at what we have now. We can do that too. But if you join in, but only then, we will continue on this path. That's why we're calling on you to join this system! We will help you. If you are a poor country, you will be allocated emission rights, free of charge.

**So in your model there is an equalisation with developing countries.**

Exactly - or we can distribute the emission rights per capita. Then the populous countries are favoured. There are various options. And then I'm pretty sure that big players like China and India will also go along with this idea. Why? Because they have a vital interest in stopping climate change. Look at what's going on in India. Temperatures of up to 50 degrees. That's nothing to be happy about. And the prospects are not rosy if you look at global CO<sub>2</sub> emissions.

**Does the global expansion of the emissions trading system have anything to do with a cap-and-trade system?**

It is a cap-and-trade system. Two steps: cap, that is, limit the emissions. And then trade the emission rights, that's the trade. Cap and trade is the winning formula for climate protection. It works nationally. But above all it applies globally. You don't have to explain it to the Americans. After all, they invented it. Emissions trading systems have been around since the 1970s, not for CO<sub>2</sub>. The Americans had the Clean Air Act, which they introduced for sulphur dioxide emissions, with resounding success. They got the problem of acid rain under control in record time at minimal cost.

**But you have to take everyone with you.**

You have to take everyone with you. That is the problem. And that requires skilful diplomacy. You need a real example. You have to set an example that it works. I mean, the idea of anyone copying the German energy transition is truly adventurous. Who would do that? Who would be so stupid? But a European system like this that you can show: Look here, we have reduced emissions in this way. Just one figure: when emissions trading was introduced, an emissions target was set for 2030, which was 40 per cent lower than in 1990. We already achieved this target in the emissions trading sector in 2022, i.e. eight years before 2030, and at a cost per tonne of less than ten euros in some cases. German per capita emissions are currently just under ten tonnes per year. At a price of ten euros, that's 100 euros, 8.30 euros a month. That's nothing. In other words, if we could avoid CO<sub>2</sub> at this cost, then the burden of climate policy would not be worth mentioning. Nobody would say a word about it. Yes, it's the ideal solution. I did the maths and put the Renewable Energy Sources Act and emissions trading systems side by side. The



results are clear. There is only one winner. That is the emissions trading systems.

**But you say yourself that the political arena is not open to this. What consequences do you personally draw from this?**

You can only draw two conclusions from this. Either you say, I'll just leave it alone. Then let them do what they want and it will go down the drain. I'm not like that. I don't draw that conclusion, but I try to imagine what the future will look like. And in the future, this climate policy that we are currently pursuing will completely overwhelm us. I think the goal of our climate policy, our national climate policy, is decarbonisation, complete decarbonisation. Has anyone ever bothered to consider what that will cost? You know the Pareto principle. 80 per cent of the costs for the last 20 per cent of emissions. If you do the maths, how much it costs. Depending on which costs you include, you end up with a figure of between 10 and 20 trillion euros. You can't finance that, it's not possible. The Greens and Chancellor Scholz have promised a green economic miracle. But what we are doing is tearing down our fossil capital stock and trying to replace it with a non-fossil capital stock that is much more expensive, much less efficient and much more vulnerable.

**What does that mean?**

This means that even if we managed to do all this, we would only have exchanged the capital stocks. Does that make you richer? No, not a bit. So this idea that if we build new power plants now, it will lead to prosperity, to growth - that's all rubbish. The decommissioning of nuclear power plants has made us poorer, quite simply. The decommissioning of coal-fired power stations has made us poorer. And now we have to replace all that and that will make us even poorer. At some point, a situation will arise in which everyone has to realise that this is not possible. Just think about what it would cost to replace all the heating systems, replace all the cars, electrify everything and only run on wind and solar power.

**When do you think something will change?**

I believe this will happen relatively soon. In the meantime, the federal government is thinking about cutting the federal subsidy for pension

insurance because the high level of climate investment is already causing them financial hardship. Everyone knows that this subsidy will have to increase massively over the next few years because otherwise the baby boomers will not be able to receive a pension. The hardship must already be very great. I think that from 2027 or 2028 we will perhaps be discussing renewable energies in a completely different way. Because it will become clear that we can no longer afford it.