

Gloom of Germany as Great European Power

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In Germany, a key great power as the core of Europe or the European Union, various challenges involving politics, economics, energy and environment have loomed, with their future courses and effects attracting global attentions. Among European issues, the United Kingdom's withdrawal from the European Union, known as Brexit, has been covered dominantly by mass media, attracting global attentions with its future course remaining a matter of great concern. While the Brexit issue is undoubtedly important, challenges facing Germany are similarly important, exerting great influence on Europe and the world.

I would like to begin with Germany's economic problems. Germany is the world's fourth largest economic power, with its GDP standing at about \$3.9 trillion, accounting for 5% of global GDP in 2017. Within the European Union, Germany is a dominant economic power commanding 21% of EU GDP. The German economy has driven European growth, sustaining robust expansion. Though posting negative growth in 2009 after the global financial crisis, German economy has later continued expansion, with its annual economic growth averaging around 2% from 2014 to 2018. Germany's economic growth has contributed much to overall European growth. Germany has boasted excellent industrial competitiveness and benefited from the euro's relative weakness against the former German mark reflecting weaker economies in southern Europe. As the world economy has continued to expand, the weaker euro than indicated by Germany's competitiveness has contributed to increasing its competitiveness to expand its economy further.

At present, however, the German economy is stalling, with economic growth in 2019 projected at 0.5%, far less than the average for the past several years. It grew 0.1% in the third quarter of this year after contracting 0.1% in the second, managing to avoid a recession defined as two straight quarters of contraction. Anyway, its growth has recently been close to zero. Recent factors are cited behind the powerful German economy's stagnation, including an export slump caused by a global economic slowdown and China's economic deceleration under the U.S.-China trade war. Structural factors are also pointed out, including Germany's traditional industrial structure in which the economy depends heavily on exports by automakers and other manufacturers, as well as cost-boosting factors like labor cost hikes. As the future course of the world economy grows more uncertain, no optimism can be warranted for the future German economy.

Second, Germany also sees various political challenges. Since 2005 when Angela Merkel became chancellor, she had maintained her stable government management and political base and her leadership in Europe even in the face of various developments until recently. Merkel had demonstrated her strong presence among the Group of Eight (or Seven) leaders, securing Germany's influence on the international community and its political stability. While having sustained her position as leader of a major power, Chancellor Merkel has recently faced signs of decline or vacillation in her political base and power. Through the general Bundestag elections in September

2017, her Christian Democratic Union (CDU) remained the largest German political party but lost seats, leading to difficult coalition negotiations. Merkel managed to launch her fourth term as German chancellor in March 2018. In October 2018 after the CDU's consecutive defeats in local elections, however, she offered to give up on running in the CDU leader election in December. The offer triggered post-Merkel politics in Germany, while she was set to remain chancellor until her term expires in 2021. Later, German local and European Parliament elections, as well as a leader election for the CDU's coalition partner, the Social Democratic Party, indicated the Merkel regime's declining leadership. The political situation has grown fluid in Germany that has led Europe and the European Union, with the future course of German politics attracting global attentions.

In such situation, various challenges and uncertainties have loomed in regard to Germany's energy and environment issues. According to the BP Statistical Review of World Energy, German primary energy consumption stood at 324 million tons of oil equivalent in 2018, indicating Germany as the sixth largest energy consumer in the world and the first largest in the European Union. Oil accounted for the largest share of the primary energy consumption at 35%, followed by 23% for gas, 21% for coal, 15% for renewable energy and 5% for nuclear. Coal commanded the largest share of the power mix at 35%, followed by 32% for renewable energy, 13% for gas and 12% for nuclear.

Germany has adopted a nuclear phase-out policy in response to the 2011 Fukushima nuclear power plant accident, promoting the so-called Energiewende initiative for energy transition featuring renewable energy expansion and energy efficiency improvement. At the same time, Germany has taken proactive measures to reduce greenhouse gas emissions in a manner to lead the European Union and the world. German energy initiatives have attracted attention from energy policy and industry stakeholders in the world as a model.

As a result, renewable energy including wind power has expanded to the extent where it is about to become the largest electricity source in Germany. The expansion has been supported by the feed-in tariff system, which has basically passed cost-up in feed-in tariff surcharges on to the residential sector with consideration given to the adverse effect on industrial competitiveness. Consequently, German residential sector electricity bills have greatly increased up to one of the highest levels in Europe. As a matter of course, German people are conscious of environmental conservation and support renewable energy expansion, having the potential to accept electricity bill hikes to some extent. As the nuclear phase-out is completed in 2022 and followed by the new coal phase-out policy as explained below, however, attention will be paid to how German electricity costs would change and how the change would affect German society.

In addition to the electricity bill issue, Germany has an attention-attracting issue that involves CO₂ emissions. Since Germany shut down eight nuclear power plants in response to the Fukushima accident, thermal power generation using abundant domestic lignite resources, as well as renewable power generation, has played a key role in meeting electricity demand. As a result, the pace of CO₂ emission reduction has changed remarkably. German CO₂ emissions declined particularly in the 1990s, falling from 1 billion tons in 1990, the standard year for emission cuts, to less than 0.8 billion tons in 2009. In the 2010s, however, the decline decelerated, and CO₂ emissions effectively leveled off, while indicating a 5% fall in 2018 from the previous year. In such situation, a German government report released in June 2019 noted that Germany could fail to attain the GHG emission reduction targets of 40% for 2020 and 55% for 2030. The failure is a serious problem for Germany that has taken leadership in cutting GHG emissions in the European Union and in the world. Therefore, the German government has decided at last to develop a plan for phasing out coal

by 2038 and to provide the domestic coal industry with massive support including employment related measures.

As the German economy stagnates with uncertainties growing about its future course, various energy and environment challenges including the abovementioned two are looming simultaneously. Germany's Energiewende path may be bumpy amid calls for enhancing decarbonization initiatives. The fate of the German energy transition will attract attention from energy stakeholders throughout the world.

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