

Setting the national frame for ambitious cities

Professor Dr. Günther Bachmann
General Secretary of the Council for Sustainable Development, Berlin

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Excellences, dear all,

I thank you for having me, and for asking me to talk to such a thrilling topic in front of an extraordinary audience I will say something on the national frame, secondly on ambitions, and thirdly on framing ambition. At last I will try and translate the aforementioned on the state of the art of the German energy transition.

I

The German national frame, ambitious cities are working in, must be seen through the lense of local planning authority, federalism and subsidiarity. The cities, constitution-wise, „belong“ to the administrative responsibility of the provinces, the Länder. That means for policy making that there is no direct line between the federal level and city level. All the more important is the frame voluntary action may use as a benchmark or as a reference. That is exactly what the national Sustainable Development Strategy (SDS) in Germany is all about. As is the case for Denmark and for lots of other countries as well the German SDS establishes the policy frame for sustainable development and introduces the federal level goals and targets, and makes them measurable through indicators and an independent reporting scheme. Since 2002, the German strategy has been subject to public scrutiny, international Peer Reviews and repeated relaunches. With the most recent relaunch, as of January 2017, the SDS is now mapping on the universal Sustainable Development Goals and the Agenda 2030. The Council I am working for is supporting this strategy by advising the Federal Government on critical issues and it is pushing the transformation by conducting projects and initiatives.

The view points of the municipalities are formally represented in the SDS. However, more important is the fact that leading Lord Majors are meeting regularly in the office of the Council in

order to exchange personal views and to make commonly shared recommendations that would reach the federal Government. The German Sustainability Awards, the German Oscars for Sustainability, are extended not only for enterprises but also for large, medium and small cities. So, competitiveness and benchmarking is something that is awfully needed because showcasing „best practise“ does not do the trick alone.

In Germany, based on polls, we see a solid majority of quite informed people who know the term sustainability. The continuation of the SDS seems to be an inter-party consensus. This is good news, and at least in parts it may be a result of our sustainability framework. On the other hand there is a strong BUT. The result of the federal election we had two weeks ago is a deep cut in the self-understanding of the political class and the public conversation. The least one may say is that the identification with state and politics as we know and value them is at threat. The classic European values of the open, transparent and inclusive society are under threat of getting delegitimized. I am nowhere near to fully explain this phenomenon, and I guess nobody is at that moment in time. But it seems to me that some societal and economic megatrends are mixed into the domestic backdrop of this. And we might still underestimate their relevance in our field of action, too.

The increasing individualization of what once were collective routines does not particularly help. The rule of money overlays the rule of law, or so it appears to many people, and this does not help either. What needs to be done, what perspective our society has, what's in for the people - the answer to those questions is often given by asking what does it cost - instead by some deep and value-driven thinking. Mistrust is another strong notion that one has to factor in. To a significant part it may result from the loss of control in law enforcement Germany went through in 2015, and from that people saw as failing or missed communication.

What does this tell us? It tells us that we need to listen. It tells us that we need to stay away from using a too technical jargon. It tells us that in terms of the open, transparent and inclusive society we seem to be off track.

What could be more important when you are advocating high ambition policies?

II

My second point is on ambitious cities. Clearly, thriving towards 100% Renewables is a great ambition. I could not be more in favor.

In the German context there are quite a few other fields of city policies that need ambition and dedication. Housing is one of them. The migration into bigger cities is a major trend. People just walk in, be it they are following jobs or they are following life styles and chances. Now, providing not only housing, but affordable housing, avoiding social erosion and meeting environmental standards is a challenge. For building grounds the SDS frame asks to use urban brownfield areas rather than consuming pristine green meadows or woodland.

Integration of ethnic minorities and setting aside capacity for education for sustainable development is another area where you can see German cities developing ambitious approaches.

The same is true for fair cities that walk the talk in terms of public procurement and consumer initiatives.

What I want to get across it that there are different objectives with different sets of ambitious goals. They not automatically add up. Not seldom, objectives are conflicting. So, not the single outstanding ambition is what counts at the end of the day. Really ambitious cities have to make ends meet.

That is even true for a 100% renewable city. Renewables, in terms of machinery and products consume precious resources. Copper and conflict minerals are an issue. The renewable industries have not yet proven that they are fit for circular economies. The total of companies participating in the German Sustainability Awards and the total of companies implementing the German Sustainability Code (for publicly reporting on non-financial, ecologic and social aspects of their business) show no significant representation of the renewables sector. So, there is much to be done.

III

That lets me to some general remarks on the art of framing ambitious goals.

People in the private sector are often referring to the BHAGs, the Big Hairy Audacious Goals. They refer to legitimized goals; goals that attracting the fantasy and curiosity of people, but goals that are beyond easy reach. It is in the BHAG's character that the way to achieve it is not yet clear.

Any transformation needs a BHAG, but the BHAG alone is not the transformation.

Any transformation, be it disruptive or incremental, is in some way breaking with the past if the past provides no GPS into the future. That might create fear for the future. Take the example of Thyssenkrupp, a German company known for its manufacturing steel. It is now selling off major parts of the steel business. Steel workers and people in the affected region of Northrhine-Westfalia are saying: Wait a minute, there is something going wrong. For them, the Ruhr area without steel is like a living room without a couch. Success is what you see it when looking back. Than the past prevails over the future.

It looks trivial, but it is serious when you are trying to establish the right framing for ambitious goals. How to factoring in success? How to deal with the past, how to address the future? My point is: You can commit yourself to a level of ambition and engagement, but not a level of success. Success is not suitable for planning. You do not simply design a success and then stick to it. Real success does not function by simply achieving numbers, but by stories told, by empathy and leadership. The closest you can come to preparing for success is to take care for an enabling environment. That is the story behind the story of the German Sustainability „Oscars“. I can only recommend for you to take a look at the internet.

I can't put it any better than Winston Churchill. He once said "plans are of little importance, but planning is essential". Transferred it would read, strategies are of little importance, but the exercise of putting strategies together, of struggling with coherence and consistency in a meaningful and transparent way, is essential. That frames the ambition of an effective SDS.

IV

Now, what is this all about when you look at the Energiewende?

To be very clear: The energy transition is successful. We increase the share of renewables. We do not compromise climate goals. There was no blackout. Spending for research and innovation is up and counting. This all is good news. But I have to admit, frankly, the energy transition is appallingly ineffective. We could be so much more effective. We could extend so much more fairness in distributing costs. We could be so much more empowering young people and those who feel left behind.

I will make only a few points, and I apologize for being brief and sharp and maybe loading you up with questions.

The French President in his most recent speech on European futures has brought the carbon taxation on the agenda of the European Council. I think Mr. Macron is right and it is urgent to re-establish a serious conversation about this.

The Emission Trading Scheme is poorly performing. The total of licenses is simply too high to trigger the needed self-steering of the market. That is why the old cash cows are still around. This why the market allows for old technology, speak coal, to run 24/7 and basically print money. Cumbersome, also, is the restrictive scope of the Trading Scheme. It does not cover mobility, agriculture, and most important the housing sector. A fixed bottom price limit of 25 to 30 Euro per ton carbon emissions either way via taxation or licensing would serve the case. Wind and solar would be competitive beyond doubts. Nothing new here, we knew this for years. The question is whether there now is the political cloud to run this idea thru the political decision making process in Denmark, Germany and the EU.

We do have structural issues with the feed-in-tariff that have to be tackled by any new government. The feed-in-tariff is an extraordinarily successful legislation. It developed the renewable industries from garage-style into the mainstream. The feed-in concept knows how to phase in renewables, but has no idea how to phase out itself when renewables take over the bulk of energy supply. It is a concept for kicking off the renewables, but not for ending subsidizing.

The framework is changing while we speak. This is my thesis. What do we know about how fast a transformation can or must be?, What drives us, what is the benchmark for „our“ transformation? Is it people or profits, is it technology, progress, social, opportunities, materiality, planetary boundaries?

- Driver and pace:

It is highly recognized that our Governments passed the Agenda 2030 as a universe agenda in the UN General Assembly 2015. The diplomatic link to the Paris Agreement on climate change is significant. The 2030 agenda is a real driver, no doubts. Does that mean the Agenda is strong and organized enough to determine the pace of the movement? No, I doubt this. Robots and digits are making the pace. The number of deployed industrial robots is breaking

all limits. 70 percent are currently in the automotive, electrical / electronics and metal and machinery industry. The European Union is quite well on course, while China is rapidly making up ground. My point is: There is yet no deep link to sustainability that is so awfully needed. Even where there are some obvious interrelations, e.g. in the field of circular economy, those links are underperformed.

- Blockades

Sufficiency and efficiency are opponents, not brothers in arms. How to merge the two side of the coin into one currency? Imagine two people here on stage, one person advocating sufficiency and one person advocating efficiency. One would be all over reducing the material throughput and ethical change, and against techno fixes. The other would be all in favor of a growing a green economy with all kind of technical innovation adding to the welfare of people. How many people would be sitting here? Not two, but six: The two persons of course. Plus another two impersonations of what they respectively think of the each other, plus what they expect the other person to display as prejudice against his or her position. As you can see, the debate gets tricky.

We are going to have to change this. In order to allow for change. The impact of sustainability should exactly be this: Making people partners, extending respect and trying to understand without easy surrendering, bridging what appears two different continents, assuming competences and parts of the solution even when you not convinced the other side in the first place.

- Distance-to-target

Germany is committed to achieving a 40% reduction of carbon emissions by 2020. As of now, we are a bit off track. Minus 40% is worth going down from 1251 to 751 mil carbon tons per annum. This year we hit 906. Until 2020, we have to go for another minus 154 mil tons. Business as usual is not be the answer to this. Failing to meet the goals is no answer, either.

- Unfair distribution of costs.

The total of households paying the feed-in tariff of around 25 billion Euros annually is shrinking. This raises the issue of social fairness. The financial burden piled up so far is significant. It should better be dealt with by the total of taxpayers rather than by selected electricity bills. This issue was first raised by Klaus Töpfer and myself a couple of years ago. Experts are now suggesting dropping the electricity taxation, putting the federal budget in the position of an energy transition donor, sector coupling in terms of mobility, carbon taxation. Other ideas would strengthening public spending into research and innovation, and so incentivizing the reduction of emissions in not trading sectors. In one way or the other, a new German Government will have to deal with this, I assume. Redistribution must cure symptoms. Another issue are the financial implications of what will come in the future.

- Underrated financial risk
Goals translate into investments costs, benefits, returns and a number of other economic benchmarks. Obviously, investments into new structures are crucial, as are system maintenance costs are financial (insurance) risks through impacts of climate change. However, another type of financial implications might be of even greater political importance, and is often underrated. I am speaking of stranded assets and of the decrease in assets companies with fossil resources will have to face in times of decarbonisation.
- In terms of terawatt hours renewables are good for 188 TWh today. This is a third of today's demand. How much more total energy will a 100% renewable Germany need by 2050. Nobody knows yet. It is a fair guess that demand will increase in a society that might sell electricity in a flat rate mode. The social, ecological and economic implications are of utmost importance. They determine the national frame for ambitious cities (and others). The subsidizing schemes must connect more effectively with competitiveness. A high performance energy transition must put the first priority on the grid and put production second. A stepping stone we will continue to need a double structure of renewables and backup plants run by gas or hydrogen.

These are great challenges. I am not meaning to scare you. What I want to get across is that we all have to make sure we have a science – based understanding of the great opportunities they provide. We must not hesitate to begin with even small steps. Modifying a well-known saying: Think small, and end big.