

Closing of Coal-fired plants expensive and counterproductive...

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According to the climate conscious backbone of Dutch political parties VVD, GroenLinks, D66 and CDA – parties that as we speak are conferring about forming a coalition-government – coal-fired electricity plants have to close as soon as possible. According to Cyriel de Jong, this is harmful populism.

Greenpeace and other environmental organizations have been pleading for years to close coal-fired power stations. Political parties with green aspirations, like Groenlinks, PvdA and D66, included this in their election program; now it is being made subject of the formation of the cabinet. The proponents of coal plant closure are fully convinced that this will delay global warming. And certainly this is something the voters understand easily: coal is dirty and we need to get rid of it. Unfortunately, by closing down coal-fired electricity plants, there will not be any reduction of CO₂ emissions. To the contrary, it is an expensive measure and counterproductive in looking for real solutions to the problem.

Populist statement

Why is this? The EU countries have agreed to cap CO₂ emissions of all their large industries, including power plants. Each company within this scheme is granted emission rights (a quota for CO₂ emission) or can buy such rights in an auction. Their surplus or shortage of emission rights can be traded freely on the market. The price per tonne CO₂ emission currently floats around 5 euro, much lower than originally anticipated.

The system works similarly to communicating vessels: lower emissions in the Netherlands lead to higher CO₂ emissions in another part of Europe, now or in the future. The emissions are very likely to be transferred to the energy sector of another European country, or to other industries that are also part of the emissions trading scheme, such as industries producing concrete, paper, metal, chemicals and petrochemical production.

European governments spend billions to stimulate the move towards sustainable energy. Take for example Germany, where the costs have risen to more than 27 billion Euro per year. At the same time, CO₂ emissions have only been reduced marginally – the relatively clean gas-fired electricity plants are producing less profitably than expected. Moreover, the emissions in other countries, notably those in Eastern Europe, have increased.

In both Germany and the Netherlands, the political answer is to force closure of coal-fired power plants. It is however expensive and counterproductive: the owners of these plants will need to be compensated with billions of Euros. Moreover, the surplus emission rights of the coal-fired plant will lead to an even lower emissions price and to higher emissions in other countries. This is not benefiting the climate..

“ *Europe’s main goal should be: reduction of CO₂ emissions. Other goals, such as an increased share of renewable energy sources, should get much lower priority.* ”

The argument to close coal-fired electricity plants is a result from the goal that in 2020, 16% of Dutch energy consumption should come from sustainable sources. This target is based on European agreements. Like Germany, this goal will only lead to large compensation expenses, but not to a reduction of European CO₂ emissions. Even the Dutch Central Bank has expressed its concerns several times: Europe’s main should be the reduction of CO₂ emissions. Other goals are often derived from this, such as increasing the share of renewable energy sources, and should get much lower priority.

Reduction of emission rights

The government pulls wool over the eyes of the general public with these so-called green initiatives. The alternative is simple: reduce the number of emission rights. The most effective way to achieve this is a European agreement to lower the cap at an accelerated pace. Earlier this year, The European Commission attempted to do so, but encountered fierce resistance of Eastern European countries, especially Poland.

The reduction that was agreed upon in the end was only 2.2%, which is unlikely to be sufficient to comply with targets set by the Paris Agreement. But what prevents the Netherlands – ideally together with a peer group of other European countries – to offer a reduced number of emissions rights? With a CO₂ price at rock-bottom it is a very affordable instrument.

Let’s make a small calculation. The CO₂ emissions of the Dutch electricity sector equal around 50 million tonnes. The Dutch government can fully compensate these emissions for a total of 250 million Euro a year - cheap and climate friendly. Compare this with the billions needed for closing coal-fired plants and it is clear that in the long run that is a misleading decision which undermines the trust in climate protection measures.

We do not have to wait for politicians to take action. Through an organization such as TheCompensators.org, every individual and every company can buy emission rights and let these then be cancelled. For every 5 euro, the CO₂ emissions are reduced by one tonne. Where or how is not important; the negative impact of CO₂ is the same everywhere. What can be a more effective climate measure than this?

Strange but true: by closing coal-fired plants we only ease our conscience. It is a symbolic gesture that may eventually harm the climate. By reducing the number of emission rights we truly support the climate.