

The mining curse that haunts lignite towns

Lignite is no longer the cash cow it used to be. Local communities in Germany are now struggling with fewer jobs, lost tax revenues and environmentally degraded land.

Lignite mining output in Germany has declined by almost two-thirds since 1990. However, most remaining generation plants will still be needed until nuclear power has been finally phased out in 2022. Renewable technologies are dedicated to filling this supply gap. For the time being, therefore, lignite will continue to provide nearly one-quarter of grid electricity.

Once nuclear generation has been fully superseded, however, lignite power stations can be successively retired to meet greenhouse gas reduction goals. That should not be difficult, because many plants are already unprofitable.

Germany's largest lignite producer, RWE AG in the Rhine Valley, has terminated 10,000 employees (14% of the total workforce) over the last three years in order to reduce costs. Regular dividends to local cities and banks that own nearly one-fourth of corporate stock have been fully eliminated. RWE's municipal shareholders are legally required to write down losses below the original purchase price. For this reason, the city of Essen lost €680 million of stock valuation in 2013 alone. Bochum recently divested its 6.6 million RWE shares at a unit price below €15, compared with €100 a decade ago. Most recently, RWE posted a loss of €5.7 billion for the year 2016.

Lignite mines and power plants therefore no longer insure regional prosperity. The situation in eastern Germany is particularly dramatic.

The town of Neukieritzsch, with less than 7,000 residents, formerly benefited from the highest corporate tax proceeds in western Saxony. When Vattenfall put its 934 MW Lippendorf power plant up for sale in 2015, however, it simultaneously reclaimed trade taxes paid as early as 2006. Revenues of over €1,600 per inhabitant have since been returned by Neukieritzsch to the Swedish corporation.

Vattenfall sold three additional power stations and four mines in Lusatia in 2016, where widespread communal insolvency was already emerging. Boxberg, once Saxony's most prosperous town per capita, with 4,675 residents, has been obliged to refund millions of euros previously received for its 2,575 MW power station.

State and local taxes of €40 million have also been defaulted in Brandenburg for the 2 x 800 MW Schwarze Pumpe CHP plant along with the local Welzow South surface mine. At the 3,000 MW Jänschwalde power station near the Polish border, trade taxes totalling more than €29 million have been refunded by the communities of Teichland, Peitz, and the corporate headquarter city of Cottbus.

In 2013, Vattenfall affirmed that its profits were sufficient to avoid selling its lignite assets. By the time the new successor corporation LEAG had been announced in 2016, however, many communities had already been issued revised tax notifications with increased

refund obligations. While government secrecy regulations preclude public information on the actual figures, retroactive payments of well over €100 million have been reported by local newspapers. The total trade taxes returned to Vattenfall are likely much greater.

With non-transparent taxation practices and the uncertain profitability of individual lignite operations, cities and towns continue to provide potential opportunities for energy corporations to multiply their capital assets. The state interest rate of six per cent applies to all tax debt repayments, amounting to high-yield lignite industry loans financed at public expense.

The communities are simultaneously confronted with environmentally detrimental mining legacies. Reclaimed land is agriculturally less productive than native soil. Buildings cannot be erected before the ground has firmly settled. Subsurface water rising in former mining sites can contaminate local rivers and endanger drinking water supplies.

In overcoming these obstacles, the lignite regions have begun developing their own post-carbon strategies. A great number of renewable power installations have already been located on the same plots formerly used by the lignite industry.

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Lignite regions need to take the leap to a post-carbon society.

