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OPINION

Germany Shut Down Its Nuclear Plants. Now It's One of Europe's Biggest CO2 Emitters.



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High Energy Costs Are Strangling Companies in Germany

For decades, BASF was not only Germany's largest chemical company, but at times also the largest chemical group in the world. Beginning in 2022, and especially in 2023 and 2024, the company announced massive cost-cutting programs and job cuts in Germany, while at the same time investing billions in new plants in China. BASF justified this by pointing to high energy prices in Germany and Europe's declining competitiveness. In February 2024, BASF stated that it would have to save an additional one billion euros per year at its Ludwigshafen site alone by the end of 2026; high energy costs, weak demand, and excessive production costs in Germany were explicitly cited. At the same time, BASF is investing up to 10 billion euros in its new integrated production site in Zhanjiang, China. Today, many see the BASF case as a symbol of how high energy costs and growing bureaucracy are weakening Germany as an industrial location and prompting major companies to shift growth and investment to Asia.

Many Companies Want to Leave

Germany's economic output has been stagnating for seven years, and one of the causes is the massive rise in energy prices. In his book "Absturz. So retten wir Deutschland" ("Crash: How We Can Save Germany"), economist Daniel Stelter writes that, according to a survey, 63 percent of industrial companies

see their competitiveness at risk. Among energy-intensive industrial companies, the figure is even higher. Among large energy-intensive companies with more than 500 employees, two-thirds are now planning to relocate.

Russia's war against Ukraine plays a role. But the crisis began long before that, triggered by the so-called "Energiewende," which began under Angela Merkel and was continued by Robert Habeck, who at the time served as Economy Minister for the Green Party. At its core, this is about transforming Germany's energy sector from a market economy into a planned economy controlled by political ideology.

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The "Energiewende" Is Expected to Cost 5 Trillion Euros

"The German Energiewende is being implemented without regard to costs," writes economist Stelter. When asked at the time, the Economics Ministry led by Robert Habeck stated that it was neither sensible nor necessary to quantify the costs of the Energiewende so far.

Stelter estimates that around 500 billion euros have already been spent on the “Energiewende.” Once the transformation is completed, calculations suggest the total will be between 4.8 and 5.4 trillion euros. “I dare to make the firm prediction,” Stelter writes, “that this transformation will not happen — for the simple reason that the German economy will not survive it.”

When critics object that Germany is responsible for only 1.6 percent of global CO² emissions (China: 30 percent!), supporters of the Energiewende always reply that Germany serves as a role model and that other countries will follow our example. Katharina Dröge, chairwoman of the Green Party parliamentary group in the Bundestag, described German energy policy in an interview as an international success model. “Our Energiewende here in Germany is being copied all over the world,” Dröge said.

This claim is absurd. Stelter counters: “With our Energiewende, we are not a role model for the world. Politicians should finally admit that they have led us down the wrong path over the past 25 years, and they must initiate a fundamental change of course.”

Yet this is not happening under the Merz government either. The government is sticking to the Energiewende. The disagreement between the CDU on the one hand and the Greens on the other is merely whether this path should be taken somewhat more slowly, as the CDU wants, or even faster, as the Greens want.

Immense Costs, Little Benefit

Has the Energiewende at least achieved what it was supposed to achieve? It has not. According to Stelter, Germany is now the third-highest per capita CO² emitter among Europe’s more populous countries, after Poland and the Czech Republic. In 2000, Germany was still in seventh place. One reason is that nuclear power still played an important role back then. Today, all nuclear power plants have been shut down; some have even been destroyed so that no one will get the idea of restarting them at some point.

Instead of nuclear power, politicians are relying on the so-called “hydrogen economy.” Gas is to be replaced by “green hydrogen,” for example, in steel production. “Green steel” means that steel is no longer produced using coking coal, but with hydrogen, in order to avoid CO² emissions. In Germany, this is a gigantic subsidy project with no realistic economic basis, because it would require huge amounts of cheap electricity — electricity that does not exist precisely because of the Energiewende and high energy prices. The result is extremely expensive steel that cannot compete on the world market and has to be subsidized by the state with billions of euros.

Economist Stelter sees such plans as evidence of an ideological dead end: “The fact that German politicians are clinging to these illusions despite the enormous costs, the considerable technical difficulties, and the fact that the economy is already in decline underscores their unconditional will to stick to the chosen path regardless of its questionable usefulness... In energy policy, there is imminent danger, and without an emergency brake combined with a change of direction, Germany’s crash cannot be prevented.” Other renowned economists, such as former ifo Institute president Professor Hans-Werner Sinn and Professor Stefan Kooths of the Kiel Institute for the World Economy, take a similar view.

“The End of Capitalism”

Germany’s mental confusion is evident in the fact that voices such as Stelter, Sinn, and Kooths are heard far less often on public broadcasting than ideologues such as Ulrike Herrmann, author of the bestseller “Das Ende des Kapitalismus” (“The End of Capitalism”). In her book, she calls for capitalism to be replaced by a planned economy.

Herrmann’s anti-capitalist vision: There would be no more flights, and no private cars. The government would decide how people are allowed to live — for example, there would be no single-family homes and no second homes.

New construction would be banned because it harms the climate; instead, existing living space would be “fairly” re-distributed. The state would decide how much space each person may occupy. Meat consumption, Herrmann says, would be allowed only as an exception because meat production harms the climate. More generally, people would no longer be allowed to eat as much. 2,500 calories a day would be enough, Herrmann argues: 500 grams of fruit and vegetables, 232 grams of whole-grain cereals or rice, 13 grams of eggs, 7 grams of pork, and so on. “At first glance, this menu may seem a little meager, but Germans would be much healthier if they changed their eating habits,” the critic of capitalism reassures us. And since people would be equal, they would also be happy: “Rationing sounds unpleasant. But perhaps life would even be more pleasant than today, because justice makes people happy.”

[Editor's note: This is part three of a four-part series]