

Energy economic situation in Germany

5.5.2022 | Dr. Johannes Henkel

Recap: On Nov, 24th the three parties finalized the coalition agreement



"Daring more progress - Alliance for Freedom, Justice and Sustainability".

The Ministry of economics and climate protection announced two large legal initiatives to address existing flaws in energy legislation

“Easter Package” – Draft acts currently being reviewed

Several fundamental amendments to the following acts:

- “**EnWG**” – Energy Industry Act
- “**WindSeeG**” – Offshore Wind Act
- “**EEG**” – Renewable Energy Act
- “**EEG Entlastung**” – Renewable Energy Relief Act

“Summer Package” – Expected for Jun/Jul 2022 (tbd)

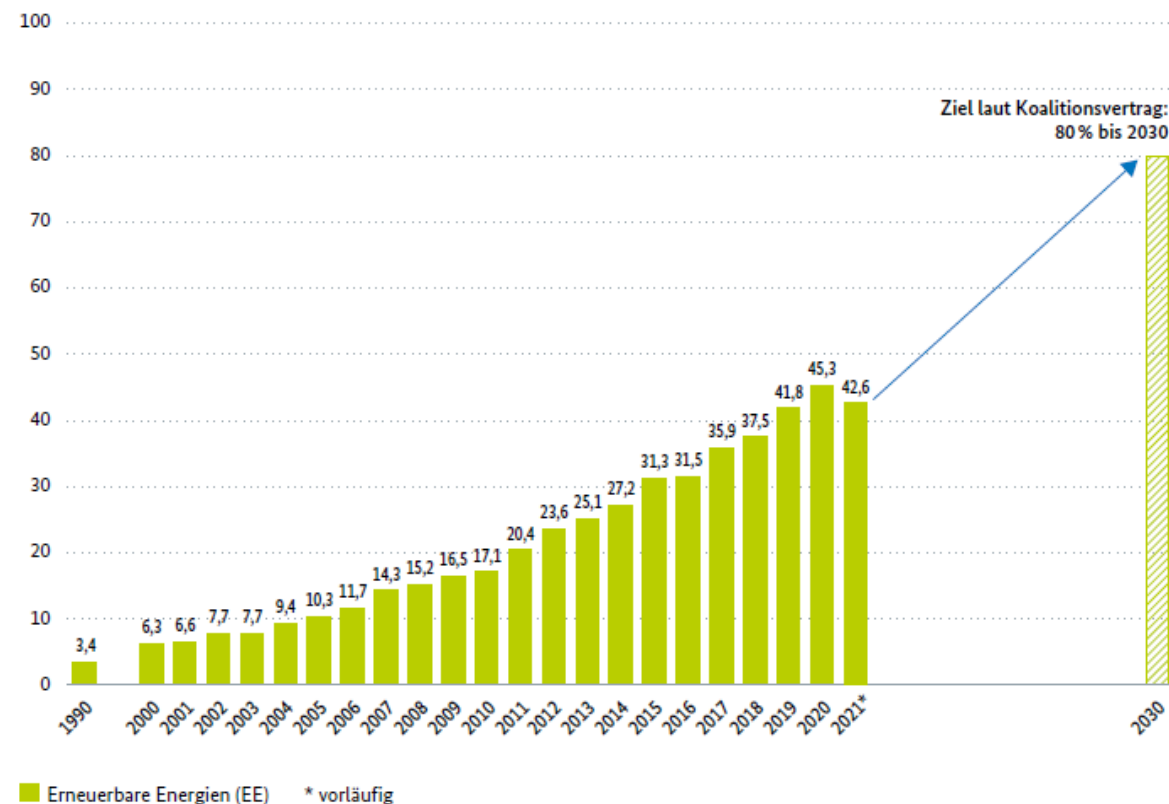
Several amendments expected regarding:

- Regulations on land use designation for RES
- Permitting
- Species protection

Amendment of the Renewable Energy Act sets a very ambitious target for RES installation

Anteil Erneuerbarer Energien am Bruttostromverbrauch

Anteil in Prozent

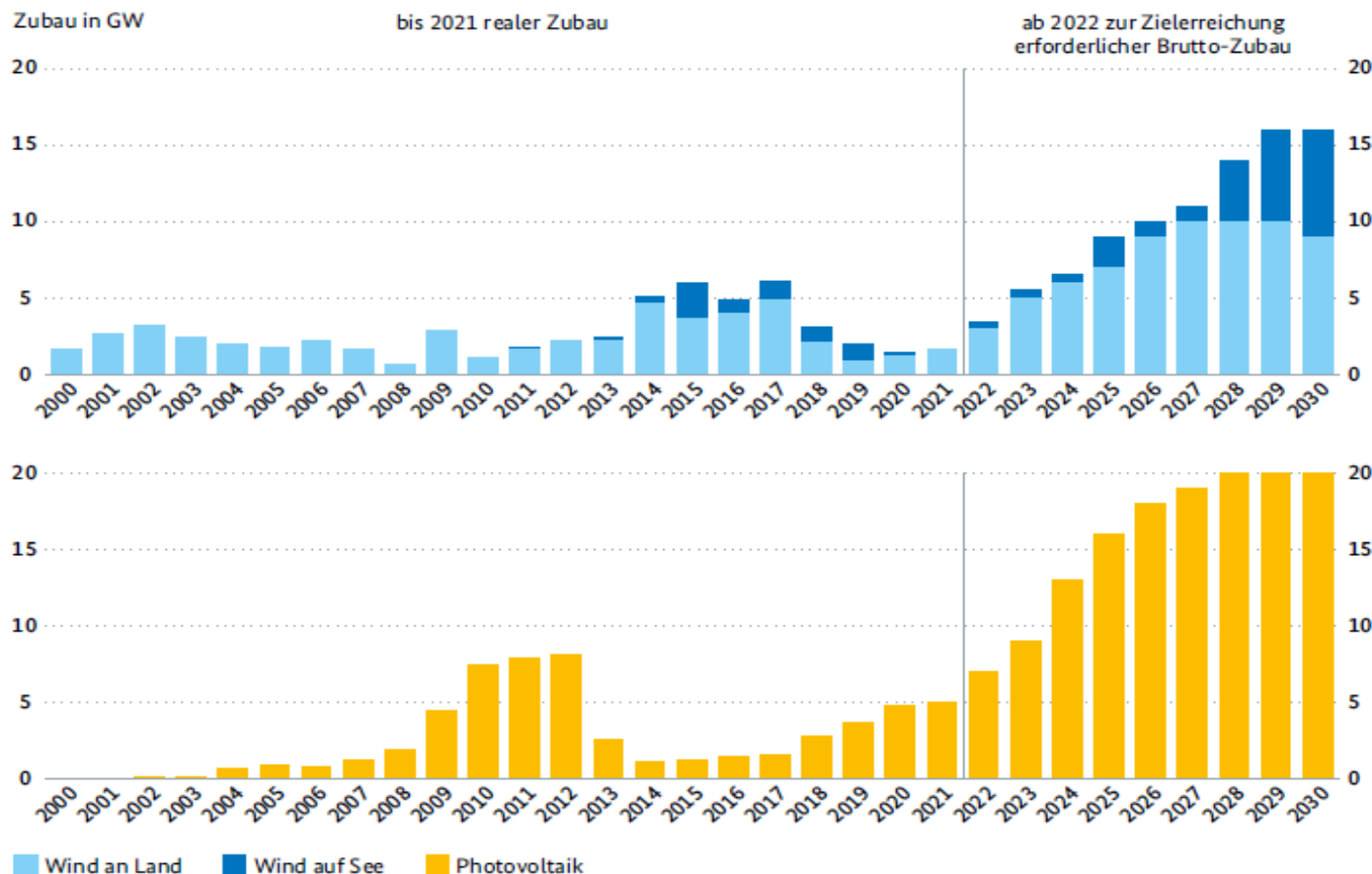


Quelle: Arbeitsgruppe Erneuerbare Energien-Statistik (AGEE-Stat)

Although decreasing last year (2021), RES share in the electricity mix is to be doubled within the next 8 years to reach 80% by 2030 according to the new law.

To reach the 80% target, annual installation rates have to be boosted – Exceeding historical installation rates by far

Ausbau Wind und Photovoltaik



Several legal and regulatory measures will be needed to achieve this boost , e.g.:

- Additional land designated for RES
- Changes in permitting procedures
- Priority for RES in conflicting interests
- Solar rooftop obligation

However, only part of the measures are already covered in the Easter package.

Some of the proposed amendments in the “Easter package” reflect some break-throughs in German energy legislation (a selection)

Selection

Contracts for Difference

First-time introduction of Contracts for Difference (CfDs) for offshore areas:

Partial tendering of specific areas via twenty-year contracts-for-difference (CfD)

Reduction of EEG surcharge

After 22 years the EEG surcharge (currently 3,7ct/kWh) will be reduced to 0ct/kWh as of July, 1st 2022 (reflecting ~10% of electricity tariff).

Remuneration of guaranteed RES feed-in tariffs federally covered with tax income

Split- tariffs for end consumers

Splitted tariffs for existing and new end consumers (as observed in Q1/22) will no longer be allowed according to suggested amendment

Capacity mechanisms

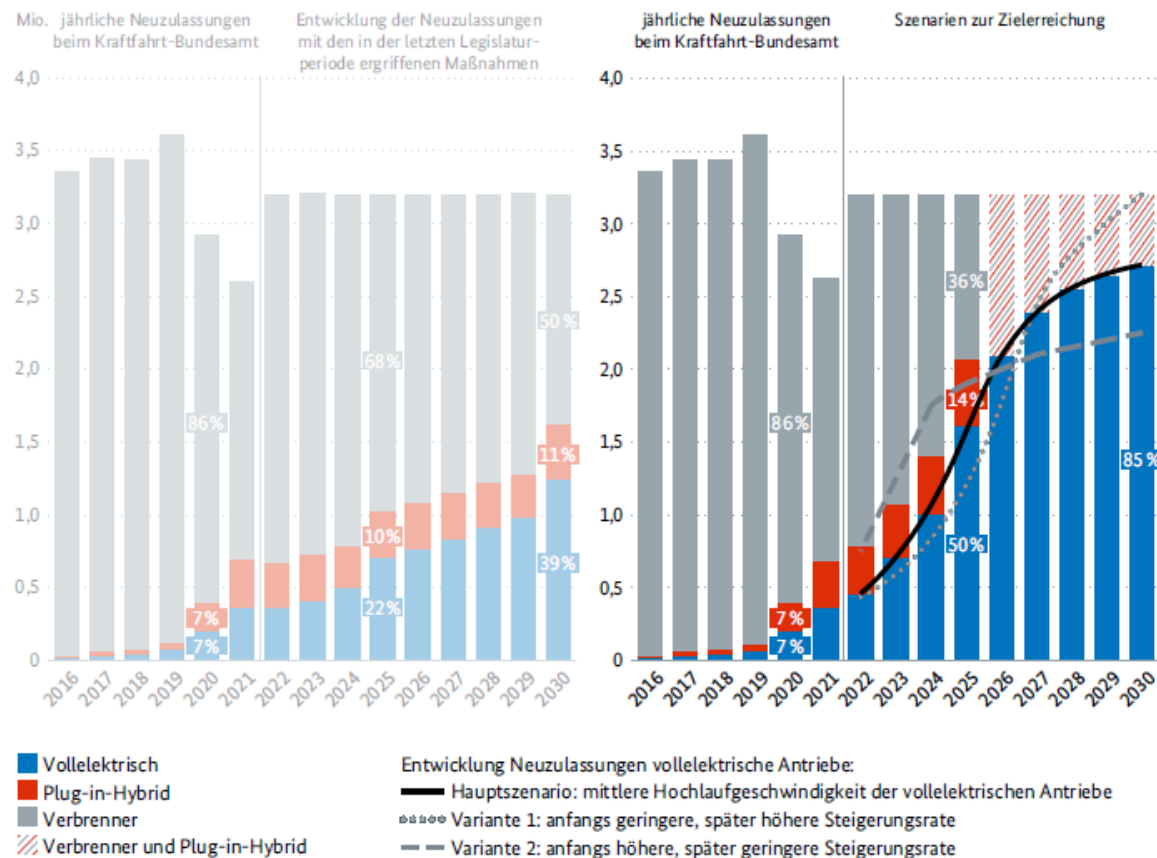
Most probably part of a larger debate on further development of energy market design in order to future-proof market design for 2030



In addition to the objectives in the energy sector, electro mobility targets are also ambitious

Anzahl Neuzulassungen nach Antriebsart

Ziel ist ein Bestand von 15 Millionen vollelektrischen Pkw im Jahr 2030



By 2030 Germany aims at 15m EV's, representing 40% of the overall car fleet in Germany



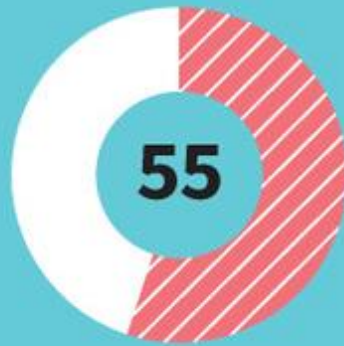
The Russian invasion in Ukraine affects the political agendas
and drives a very dynamic debate in Germany

→ A selection of recent energy-related
initiatives

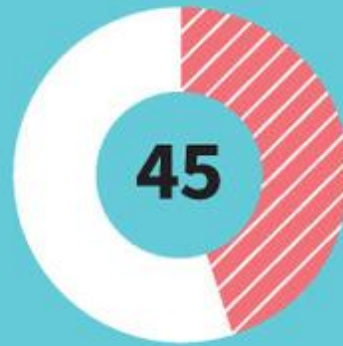
Germany is depending on Russian energy imports



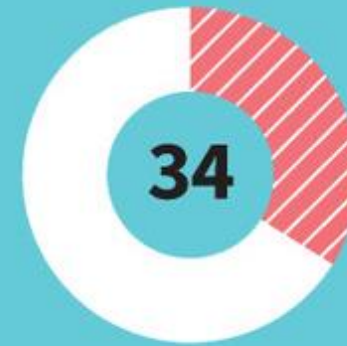
Erdgas



Steinkohle



Rohöl







Quellen: Bundesamt für Wirtschaft und Ausfuhrkontrolle,
Bundesministerium für Wirtschaft und Klimaschutz, BP
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Background: Natural gas in Germany

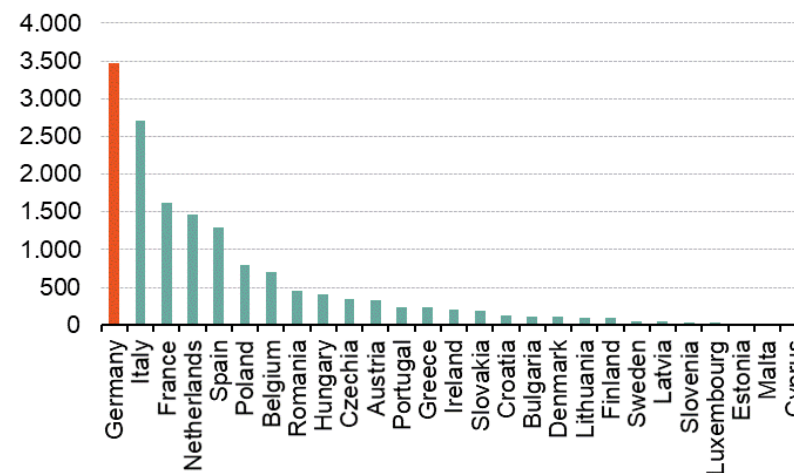
Germany will continue to be highly dependent on gas imports in the future

What is gas used for?

-  50% for heat supply
-  15% Power supply
-  35% Industry (mainly process heat supply)
-  Fuel in the mobility sector

How much gas is consumed?

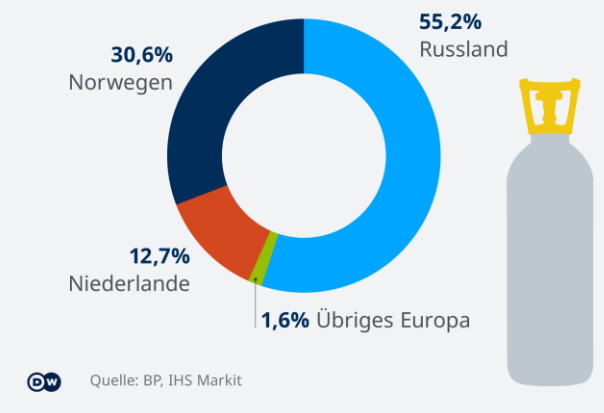
Gross inland consumption, by country, 2020
(thousand terajoules (Gross Calorific Value))



Source: Eurostat (online data code: nrg_cb_gasm)

Where does the gas come from?

Erdgasbezugsquellen Deutschlands 2020



In order to address short-term security of gas supply, several measures are currently being implemented in sky-rocketing speed

Selection

LNG purchasing:

March 2022: Government invests €1.5bn in LNG for strategic short-term storing

Additionally, diversification of gas supply and emergency supply mechanisms being assessed

LNG terminals

March 2022: MoU signed with RWE and Gasunie for construction of a LNG terminal in Brunsbüttel

May 2022: Option for 4 floating LNG terminals secured, first could start operation end 2022

Gas storage:

New National Gas Reserve Act passed in March:

Obligation of minimum storage level of 80% by 1 October each year



Contribution of coal-fired power plants to security of supply currently being assessed

Coal phase-out

- Review of coal phase-out date brought forward from originally 2026 to 2022
- **Political goal:** phase out coal by 2030 (subject to change with Ukraine crisis?)

Lignite:

- However, lignite-fired power plants on standby (1.9GW) could (possibly) contribute to security of supply and reduction of gas consumption in winter 2022/23 → Supposedly low contribution to SoS

Hard coal:

- Global market for hard coal is liquid
- Diversification of supply chains is being driven forward together with power plant operators and regulator



Thank you.

