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# Incentivizing and Regulating Renewable Energy: The case of the “Energiewende”

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# The Economic Council of the CDU



- Business association representing the interests of more than 11,000 companies
- Three tiers: state, federal, European level
- Engages with leading decision makers in Germany and Europe
- Seeks to apply, renew and update Germany's guiding model of social market economy
- Legacy of Ludwig Erhard: co-founder of the Council and father of the German "Wirtschaftswunder"



# The Council's Federal Committee on Energy Policy



- Composed of CEOs and board members from the energy sector and industry, leading CDU politicians and experts
- Chair: Dr. J. Lambertz (RWE), Dr. I. Luge (E.ON), M. Schmidt (BP Europe), Dr. M. Grundmann (Arge-Netz)
- Promotes market-oriented energy policies and framework conditions for Germany as business location



# The “Energiewende orchestra”



# German Energy Transition: Taking the lead?

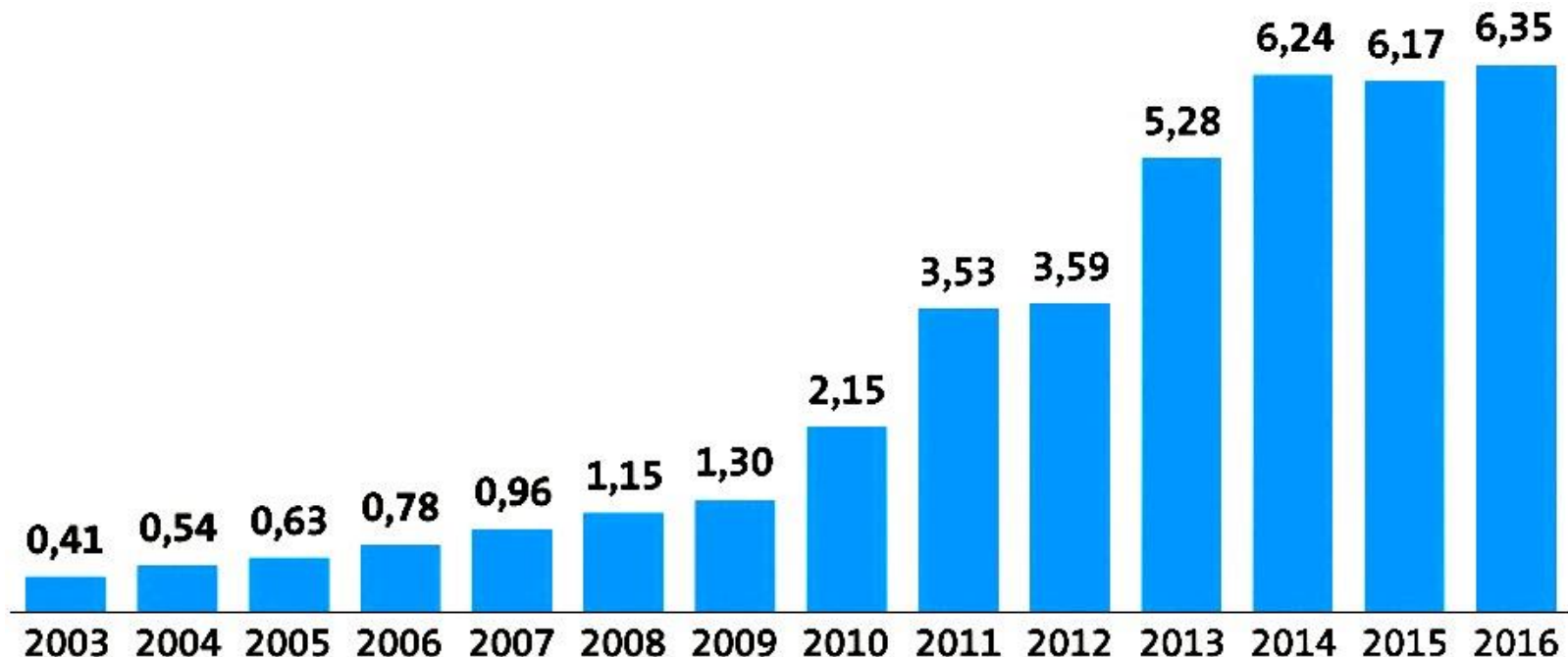
- In 2015 RES accounted for one third of electricity generation in Germany (in France less than one fourth, UK less than one fifth)
- Massive participation of citizens and farmers in RES electricity generation (46 per cent)
- Ambitious goals to increase RES-share in electricity consumption to 50 per cent in 2030, 65 per cent in 2040, 80 per cent in 2050

## German Energy Transition: Leading to a dead end?

- Since the introduction of the “EEG“ fixed feed-in tariff Germany spent more than 260 billion EUR on subsidies for RES
- In 2015 alone more than 714 EUR/sec
- Costs for redispatch alone 1 billion EUR/a due to lacking electricity lines from RES production to industrial consumption centres
- 2016 total costs of 30 billion EUR/a

# German Energy Transition: Leading to a dead end?

EEG levy for households in ct/kWh





## German Energy Transition: Leading to a dead end?

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## German Energy Transition: Leading to a dead end?

- Half of CEOs in the industry sector perceive German energy policy negatively
- One fourth of industrial companies is considering relocation due to energy policy
- Energy-intensive industry is already disinvesting
- Growing resistance of residents towards wind turbines and necessary grid expansion

## The challenge of ensuring competitiveness

- German retail prices among the highest, but wholesale prices among the lowest in the EU
  - Retail prices households: 29.6 ct/KWh  
(EU average 20, ct/kWh incl. taxes)
  - Retail prices industrial consumers: 15.00 ct/KWh  
(EU average 11.8 ct/kWh, excl. VAT and taxes)
  - Wholesale prices 3.28 ct/KWh  
(EU average 4.34 ct/KWh)
- State share in electricity prices is 54 per cent

# The challenge of ensuring competitiveness

## Overarching objectives:

- Reduce retail prices for electricity
- Maximise cost-efficiency of RES built-up
- Replace state interventions by reliable market oriented framework conditions

## More system and market responsibility of RES

- Replace fixed feed-in tariff with tenders without negligibility limits and regionalisation
- Establish technology neutral tenders for most advanced and competitive RES technologies wind-onshore and PV
- Synchronize RES built-up with grid expansion

## Increase flexibility of the electricity market

- Use RES electricity instead of throwing it away (Power-to-x etc, but without subsidies)
- Enable for sector coupling
- Seize the potential of digitalisation to increase efficiency in the energy system

## Europeanisation instead of re-nationalisation

- Complete Internal Energy Market with cross-border interconnectors between Germany and its neighbours
- Harmonise RES promotion schemes
- One EU CO<sub>2</sub> goal, one EU instrument – the EU Emission Trading System (EU ETS)

Conclusion:  
Realign the “Energiewende” –  
more market and more Europe





# Thank you for your attention!



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