

Germans face hefty bill to end nuclear power (Update 2)

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In this photo taken Oct. 12, 2012, the sun rises behind electricity poles and wind turbines in Nauen, near Berlin, Germany. Germany's tax on households' electricity bills to finance the expansion of renewable energies will rise almost 50 percent on the year as the country pushes ahead with phasing out nuclear power within a decade. The country's four main grid operators say Monday Oct. 15, 2012 that the tax will rise from 3.6 euro cents to 5.3 euro cents (US \$6.7 cents) per kilowatt hour starting in January. (AP Photo/Ferdinand Ostrop)

There were cheers around Germany when Chancellor Angela Merkel

announced last year, in the wake of the Fukushima disaster in Japan, a swift end to nuclear power in favor of renewable energy sources like wind and solar.

But only 18 months into the plan, the cost of the switchover is beginning to sink in. Some politicians, fearful of losing popular support for the transition, are demanding an overhaul of the way it is financed.

The country's four main grid operators said Monday that households will from January see a nearly 50 percent rise in the tax they pay to finance the switchover—from €3.6 cents to €5.3 cents (\$6.7 cents) per kilowatt hour. A typical family of four will pay about €250 (\$324) per year under the tariff, including a sales tax.

"Electricity should not become a luxury item," warned Michael Fuchs, a leading lawmaker from Merkel's center-right coalition. "The energy switchover will at the end only be successful when met with broad public support."

Nuclear power has been controversial in Germany for decades and opposition swelled after the 1986 disaster at the Chernobyl plant in Ukraine sent a radioactive cloud over the country. Tens of thousands of people took to the streets after last year's Fukushima nuclear disaster urging the government to shut all reactors quickly.

Merkel's government decided to shut down the country's eight oldest reactors immediately and speed up the phase-out of the remaining reactors. Nuclear power's share of the German energy market has since declined from 23 percent to about 17 percent, with renewable energies shooting up from 20 percent to a quarter.

Now, however, complaints are growing about the rise in costs of electricity, particularly for lower-income families.

Germans already pay some of Europe's highest electricity prices, averaging about 24 euro cents (31 US cents) per kilowatt hour compared with about 13 euro cents in France or 14 euro cents in Britain, according to EU figures.

Germans have long been paying a surcharge on power bills, which guarantees producers of alternative energies a return on their investment above market rate. That's widely credited with boosting renewable energies and making Germany a leader on so-called green technologies.

Under the current system, however, the amount of surcharge is automatically linked to the amount of energy produced by renewable sources. As the alternative energies' production rises, so does the amount Germans must pay.

"The surcharge has more than quadrupled since 2009. It has crossed the tolerable level of pain," said Economy Minister Philipp Roesler. He urged a quick reform of the subsidy system, saying it has spiraled "out of control."



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The tax totaled €17 billion (\$22 billion) in 2011 and analysts expect it to top €25 billion next year—or about 1 percent of the country's economic output.

That is set to keep increasing as government plans call for generating 40 percent of electricity from renewable sources by 2020 and up to 80 percent by 2050. Reaching those ambitious targets will likely require investments of up to €300 billion (\$390) over the next decade, according to analysts' forecasts.

"The energy switchover won't lead to falling electricity prices. Here we should tell people the truth," said Felix Matthes of Germany's renowned Institute for Applied Ecology.

While polls consistently show that the majority of Germans is in favor of phasing out nuclear power, the increasing cost is likely to test their resolve.

In a poll released Sunday, two-thirds of people surveyed said they are not prepared to pay more than €50 to finance the switchover—far less than the increase coming next year.

About 79 percent of the 1,001 people surveyed last month by pollster Emnid—on behalf of pro-market lobby Initiative New Social Market Economy—said rising energy bills were an important issue for them in determining whom they vote for in next year's national election. The poll did not specify a margin of error.

Changing the system won't be easy.

Last week Environment Minister Peter Altmaier presented a complex roadmap aimed at holding costs in check. But cutting renewable energy costs has proven difficult in the past, in part because the overall goal is popular and because so many groups—from families who bought solar panels at subsidized prices to big companies that have invested in technology development—profit from the system.

Altmaier acknowledged that it is unlikely changes to the system could be enacted by parliament before next year's elections.

"The electricity price goes up, and the population's support for phasing out nuclear power is declining," Germany's center-left opposition leader Sigmar Gabriel warned on Sunday.

His Social Democrats argue that the government is unfairly burdening households for the transition, especially hurting the nation's poorest.

An average household spends less than 2.5 percent of its monthly income on electricity, but that share now tops 4 percent for low-income households, according to the German Institute for Economic Research (DIW).

Some politicians, both on the left and right, have called for increasing welfare payments to the nation's poorest to offset rising electricity prices, which have shot up by about 44 percent since 2005.

"If we want to make sure that hundreds of thousands of families won't sit in the dark this winter, the government must act fast," said Ulrich Schneider, head of the Equal Welfare Association, an umbrella group of social organizations.

But Merkel's government also hopes that pushing through the energy switchover will give the country an upper hand when it comes to exporting green technologies as more nations seek to close down their nuclear power industries.

In Japan, the government has vowed to reduce and eventually phase out nuclear power, as has Switzerland. France this year also announced plans to promote renewable energies to reduce its dependence on nuclear power. In Lithuania on Sunday, voters rejected the idea of building a new nuclear power plant with a two-thirds majority.

Matthes of the Institute for Applied Ecology said that people are more likely to accept the increases when they realize that the energy sector's transformation is also a hedge against rising fossil fuel prices and a step toward energy independence.

"I think it's better to invest 1 percent of our GDP per year in expanding renewable energies at home than transferring increasingly high sums to people in Russia or the Middle East who are making a lot of money on fossil fuel reserves," he said.

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