

Germany seeks to trim subsidies for renewable energy

January 21 2014, by Mathilde Richter



Sun rays over a wind and a solar hybrid park on Pellworm island, northern Germany on August 9, 2013

Germany's economy and energy minister laid out Tuesday proposals to curb renewable energy subsidies and cap electricity prices but opponents fear they could jeopardise the country's much vaunted green energy transition.

Just weeks after taking over as Economy and Energy Minister in Chancellor Angela Merkel's left-right "grand coalition", Social Democrat Sigmar Gabriel presented a blueprint to meet what he described as "the biggest challenge currently facing our country."

He wants to start by trimming subsidies for renewable sources of [energy](#), a keystone in the so-called [energy transition](#) that Europe's top economy embarked on 15 years ago under its then Social Democrat chancellor Gerhard Schroeder.

The strategy has been pursued with even greater intensity by his conservative successor Merkel after the 2011 Fukushima disaster in Japan persuaded her to gradually abandon nuclear energy completely.

Generous subsidies—financed via an energy tax—have meant that renewables now account for around a quarter of energy production and consumption in Germany. And the aim is for renewables to meet as much as 80 percent of the country's energy needs by 2050.

But the tax has caused energy prices to shoot up, adding as much as 24 billion euros (\$32 billion) to industry's power bills, according to Gabriel.

"We must be careful not to bite off more than we can chew," he argued, pointing out that the manufacturing industry remains the backbone of the German economy.

By the summer, the subsidy system has to be revamped to target "the most promising technologies," namely wind and solar power. And the pace of development in those sectors should be monitored more closely.



German Economy and Energy Minister Sigmar Gabriel speaks at a symposium of German business paper "Handelsblatt" in Berlin on January 21, 2014

In the medium term, the Social Democrat minister hopes to introduce market mechanisms to the subsidy system.

That will help keep a lid on price rises but will not force prices down, Gabriel insisted.

Industry is satisfied

"It's a big step in the right direction," said the BDEW industry federation for the energy sector.

And Leonard Birnbaum, board member at Germany's biggest power supplier E.ON, said the proposals were "clearly positive."

The powerful BDI industry federation, which has been highly critical of the current system, also hailed "the first sensible steps."

It welcomed in particular the government's commitment to exempting high-consuming industries from all or part of the energy tax.

But such exemptions have come under fire from the EU Commission in Brussels and Berlin has been ordered to take action to appease the EU's competition authorities.

EU Energy Commissioner, Guenther Oettinger, gave Gabriel's plans the thumbs up.

"I fully back the plans of Mr Gabriel. They're important and are the right ones," Oettinger said.

By contrast, the head of the opposition Green party, Simone Peter, claimed that "Gabriel's proposals ... are putting the energy transition in jeopardy."



Cooling towers of E.ON's coal-fired power plant at Scholven in Gelsenkirchen, western Germany, on January 16, 2012

Fossil fuel is still the biggest energy source for Germany, and Gabriel's proposals will mean that the country will not meet its goals in reducing carbon emissions, warned Hermann Falk of the BEE industry federation for renewables.

"The planned measures are so radical that they resemble open heart surgery," the left-leaning Frankfurter Rundschau wrote in an editorial, expressing concern about the development of wind power.

Nevertheless, a revamp of the system of subsidies for renewables is just the first of many steps that Gabriel will have to take.

The minister must find a solution that allows fossil-fuel fired power

stations to remain profitable. Many of them cannot compete with subsidised [renewable energy sources](#). But Germany needs a guaranteed power supply on days when there is no sun or wind.

Peter Terium, head of Germany's number two power supplier RWE, urged the minister to tackle the problem.

"The situation for industry is catastrophic," he said.

RWE is planning to axe 7,000 jobs by 2016 as competition from renewables pushes the group into heavy loss.

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