

The European Commission will scrutinise the German system of renewable energy subsidies

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On 22 January, the EU commissioner for energy, Guenther Oettinger, announced that the European Commission would be looking into the German system for supporting the use of renewable energy sources (RES). This task will be entrusted to the Directorate General for Competition. This move was made in response to complaints from Dutch firms, which are claiming that the electricity from RES subsidised by Germany is causing a reduction in electricity prices on the strongly integrated Western European energy market and, as a consequence, is leading to gas power plants being decommissioned in Holland due to a drop in their profitability. Oettinger has announced that the European Commission will make attempts to standardise the system of subsidies for RES in all EU member states. This has been criticised by German politicians, including the former minister for the environment, Norbert Rottgen, and business circles involved in RES.

Following the Fukushima nuclear power plant failure in 2011, Germany decided to immediately decommission eight nuclear power plants and to close all other plants of this type by 2023, and to compensate for the energy production shortages this would create through the production of electricity using RES, which is heavily subsidised in Germany.

Commentary

- High RES subsidies have led to an uncontrolled increase in the production of ecological power and a significant growth in German exports to neighbouring countries. Last year Germany exported 23 billion KWh, four times more than a year before and the largest amount in its history. According to German experts, part of these exports bring no profit to Germany, since – due to physical phenomena and a high degree of network integration – German power surpluses are self-actively transported to Holland, even if there is no demand for them there. In effect, distributors must bear these costs, and despite the lack of buyers, they must pay out to electricity producers in Germany.
- The accusations from Holland come as another complaint from Germany's neighbours due to the energy transformation which was introduced without them being consulted. Before that, Poland and the Czech Republic were raising concerns that the introduction of the *Energiewende* would cause a destabilisation of their energy networks since part of

German electricity was transported from the north to the south of Germany using Czech and Polish transmission networks. For the time being, a representative of the European Commission has announced that the impact of the German system of subsidies on the European energy market will be examined. Before that, the European Commission was merely to launch proceedings into unreasonable public aid in connection with exempting German firms with heavy energy consumption levels from RES duty, which are imposed on all electricity consumers in Germany.

- According to the German Association of Energy and Water Industries, Holland also receives electricity from German coal power plants and this drives electricity from local gas power plants out of the market. In effect, cleaner electricity from gas power plants is being replaced with cheaper electricity produced by German coal power plants.