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Germany: Higher taxes to be imposed on individual users to finance renewable energy

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On 15 November, the operators of Germany's four largest transmission networks (50 Hertz, Amprion, EnBW Transportnetze and Tennet) published a medium-term forecast for development of renewable energy sources (RES) in Germany. The government was hoping that renewable energy will compensate for the losses in energy production resulting from the decommissioning of nuclear power plants. Now, since eight reactors which produced 10% of the energy have been switched off, nuclear power plants are still producing approximately 13% of the energy, renewable sources are used for the production of 18% of the country's energy. The renewable energy act passed in July this year imposed the obligation to publish reports monitoring progress in the development of RES on network operators. The report published by the operators forecasts that it will be possible to raise power production using these sources up to 154 TWh by 2016, which will mean an increase in the share of renewable sources in power production up to approximately 26%. However, this will be possible on condition of imposing higher taxes on consumers, which may raise electricity prices by as much as approximately 4% until 2013.

Commentary

- The forecast for the development of RES presented by German network operators has shown that an acceleration in the development of 'green technologies' will entail higher costs for individual consumers than the government expected, since it underestimated for example the scale of electricity price rises. According to the forecast, taxes imposed on consumers to finance the development of renewable energy may increase even by 30% until 2013, which will mean higher electricity prices for individual users and may also adversely affect the competitiveness of German industry.

- The forecast for the development of the RES market presented by operators may turn out to be overly optimistic. As the government has been reducing of subsiding the solar energy sector, the situation of the firms operating in this sector has significantly deteriorated, and their financial stability is at risk. The lack of governmental support may also call into question the development of the solar energy sector, which according to the

German government's plans was to produce approximately 9% of electric energy in 2020.

- It seems very unlikely that nuclear energy will be completely replaced with renewable energy due to the lack of an adequate transmission network and energy storage facilities. Both the central and the local governments still have problems finding funds for infrastructural investments related to RES. Since it is impossible to ensure constant power supplies from renewable sources, only energy storage technologies will make it possible for RES to compete with conventional power plants. However, no cheap storage technologies are available at present.