

The European Commission's winter package: the view from Germany

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On 30th November the European Commission published its winter package – a series of legislative proposals regarding the EU energy and climate policies for 2020-2030. The package includes proposals for reforming the system of managing the EU Energy Union, an amendment to the energy efficiency directive and the renewable sources of energy directive, as well as a plan to complete the establishment of the EU energy market (that is, the integration of national and regional markets in order to facilitate free electricity trading). The German Federal Ministry for Economic Affairs and Energy has expressed its satisfaction with plans to increase the coordination of policies among the EU member states, to strengthen the internal market and to reduce energy consumption by 30% by 2030. The minister of this department, Sigmar Gabriel, emphasised that the commission has adopted the German path of reforms of the energy market (Germany adopted a related new law in June 2015) and the German proposal to establish regional capacity markets (a system of reserve electricity power plants, where producers receive payments based on their readiness to produce energy). However, he criticised the commission's proposal to reform the renewable energy sector, the drawn-out implementation of the EU Energy Union and integration of national energy markets. German energy companies and large industry have responded positively to the commission's proposals. The Cologne Institute for Economic Research, a think tank funded by German energy companies, which for years has been criticising the generous system of support for renewable sources of energy in Germany, has welcomed the proposal to reduce subsidies for the system. The German Association of Energy and Water Industries (BDEW) praised the EC for its efforts to integrate energy markets and to harmonise the support system for renewable energy and electricity markets.

Commentary

The winter package includes many elements which Germany has been championing for years: increasing the energy efficiency target to 30% (previously the EC adopted a 27% target) and completing the internal market for electricity. The EC's proposal to set up regional (instead of national) capacity markets is also compatible with Berlin's earlier recommendations. While working on this year's reform of the German energy market, the German government rejected the proposal submitted by energy companies to establish a national power market. The completion of the establishment of an EU-wide electricity market has advantages for Berlin since electricity trading on a large scale lowers costs of

the functioning of the German energy system.

Maintaining the largest possible privileges for renewable energy sources is a priority for Berlin in order to guarantee stable investments both in the country and across the EU. Berlin will therefore oppose proposals to reform the present system since they will lead to a reduction in subsidies for renewable sources of energy and to the present privileges being scrapped, including priority over conventional sources of energy in accessing grids.

Further on in the legislative process regarding the winter package, Germany will push for the integration of energy markets and for a single price zone to remain in place in the country. The establishment of two price zones in Germany – the northern and the southern one – would trigger increases in energy prices in the south. The European Commission has been considering splitting the German and Austrian price zone for years; proposals to set up two such zones in Germany have been put forward. The present structure of the market has led to technically unscheduled flows of electricity (loop flows) in Poland and the Czech Republic where electricity from northern Germany goes to the south. This leads to overloaded grids, and to higher operating costs both in Germany and the neighbouring countries.