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The EU Summit on Energy: Europe must show the way to a sustainable global energy policy – who else?

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The EU Summit on Energy: Europe must show the way to a sustainable global energy policy – who else?

Bonn, 31 January 2011. In preparation for the EU Summit on Energy of the European Heads of State and Government on 4 February 2011, German Federal Chancellor Merkel recently invited the CEOs of the four major German energy corporations and other industry bosses to the Chancellery. Freed from the fetters of the Grand Coalition, the Chancellor no longer thought it necessary to invite the bosses of the green electricity sector – as she had done before the energy summits in 2006 – 2007. This is remarkable inasmuch as the “green power” producers announced at the first energy summit in 2006 that they would be investing EUR 40 billion by 2012, compared to their conventional competitors’ EUR 30 billion.

The Federal Chancellor hosts a dinner

The Chancellor’s exclusive party focused on the proposals put forward by EU Energy Commissioner Oettinger for the form that the European energy and innovation policy should take in the future. As the highly disparate national instruments for increasing the use of renewable energy sources (RES) are a thorn in Oettinger’s side, his goal is Europe-wide harmonisation. While Prime Minister of the German *Land* of Baden-Württemberg, he was a vociferous champion of the subsidiarity principle, but once an EU Commissioner, he was quick to learn the Brussels rhetoric of harmonisation. If Oettinger has his way, the world’s most successful tool for making the transition to a renewables-based electricity supply – Germany’s Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz*, EEG) – could be repealed.

This would be remarkable in two respects. First, the ENER-IURE study carried out for the European Commission in the early 2000s demonstrated that instruments based on electricity feed-in tariffs are the most effective incentive for a dynamic expansion of green electricity generation. The principles of the German EEG – priority for the feed-in of green electricity and degressive feed-in payments – have proved to be an export hit, having been adopted in over 50 other countries. The same study showed that, firstly, the competitive bidding model then applied in the United Kingdom, whereby the operators of RES plants offer to build

and operate them at the lowest possible rates of compensation and, secondly, restricting the addition of individual RES technologies are counter-productive and do not contribute to the development of an innovative domestic RES sector. In the special report it presented last week the German Advisory Council on the Environment (*Sachverständigenrat für Umweltfragen* - SRU) is, then, on the wrong track when it calls for competitive bidding models and an overall cap on the addition of certain RES technologies.

The grid operators have been remiss, not the renewable energy sector

It is not the RES sector that is to blame for the omissions of recent years, but the European grid operators, who have neglected to expand the main power grids. Germany alone, according to the second Grid Study conducted by the German Energy Agency (*Deutsche Energie-Agentur* - Dena), lacks 3,600 km of extra high voltage transmission lines, not even 100 km of which has yet been completed. Europe as a whole, Energy Commissioner Oettinger claims, will be needing some 45,000 km of new or modernised power lines over the next ten years. And this against the background of plans to import electricity from Northern Europe and North Africa – the keywords here being *Seatec* and *Desertec* – and an incomplete internal European energy market, in which such countries as France, with its state-owned energy companies, oppose any liberalisation of their energy sector. Nor is any comfort to be found in the Mediterranean Solar Plan drawn up by the Union for the Mediterranean, dominated by the French, or in the private-sector *MedGrid* initiative for the construction of power lines between North Africa and Europe.

For innovations someone needs to show the way

The second main item on the agenda for the meeting on 4 February, after the future of European energy supply, is “Innovation”. While the EU has abandoned its “Lisbon goal” of becoming the world’s most competitive and most innovative region, the European renewable energy sector at

least is still in the lead, even if such countries as China and India, and the USA, too, are rapidly catching up. In his State of the Union Address last week US President Obama called on his country to see leadership in RE technologies as the present generation's "Sputnik moment" and announced an increase in assistance for energy research.

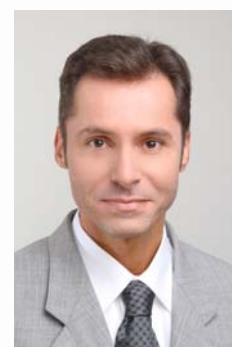
And what are Germany and the European Union doing? The present German government changed the relative importance of the items in its energy research budget shortly after entering office in 2009. For example, it raised the funds for nuclear energy research from EUR 186 million to EUR 233.2 million and those for nuclear fusion research from EUR 119.4 million to EUR 143 million in 2010. In addition, Germany and Europe are participating in the construction of the ITER experimental fusion reactor in France, the cost of which tripled to EUR 15 billion even before construction began.

Nuclear fusion research is an aberration

The question, then, is whether Germany and Europe can afford to spend billions more in government research funds on the aberration of nuclear fusion even though, despite decades of research, it has yet to produce a single kilowatt hour of electricity and is not expected to be available for at least another 30 to 40 years. At the same time, putting a cap on RES expansion is now being considered.

The opponents of the expansion of green electricity regularly insist that the subsidisation of renewable energy sources should stop. Hence the unambiguous observation that the EEG feed-in payment is not a subsidy, since the levy is paid by the consumers. Those who disagree should consult the 2001 judgment of the European Court of Justice on this subject. As no direct or indirect payments are made by the state, the European Court sees no reason to rule that subsidies have been paid (Case C-379/98). For the time being renewables depend on the support of such instruments as the EEG. Yet in early January 2011 a study by the Fraunhofer Institute for Solar Energy Systems showed that, with green electricity becoming increasingly economical, grid parity would be achieved in a few years.

If Europe intends to remain a credible force in the fields of climate protection and renewable energy sources and to continue to be the role model for developing and newly industrialising countries when it comes to building a low-carbon society, it will need more than the Mediterranean Solar Plan and the *Desertec* initiative. European energy policy must not be confined to achieving the EU climate protection objectives by importing green electricity: it must continue to pursue the goal of a massive expansion in the use of renewable energy sources.



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