

The European dimension of the German energy transition process

How much Europe does the German energy transition need?

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The second conference day was dedicated to the European dimension of the German energy transition. To begin with, the interrelations of member states' and European energy objectives, climate goals and policy instruments have been discussed. In addition, alternative horizontal coordination mechanisms among member states and other neighboring countries have been discussed in view of their strategic value to trigger a European energy transition process on the one hand, and to support the ambitious goals of the German "Energiewende" on the other.

The first plenary session put different approaches of European energy politics and its impact on Germany's energy transition in the center: The first two speakers, Julia Eichhorst (Eurelectric) and DirProf. Dr. Christian Hey (German Advisory Council on the Environment, SRU) [presented](#) rather different interpretations of unilateral action and regulatory diversity in member states' energy policies:

Julia Eichhorst characterized the current situation as problematic. The diversity of renewable electricity support schemes both, over time and between countries and the more recent discussion on capacity remuneration mechanisms are examples for the fragmentation of regulatory approaches and the absence of an internal market and bear the risk of further moving away from integration. First, she claims that the fragmentation of renewable support instruments and the lack of progress in achieving an EU-wide internal energy market endanger a cost-efficient way to decarbonize European energy supply. Second, she expressed worries about a hampering investment climate due to conflicting and ever-changing national regulations.

Ms. Eichhorst therefore especially emphasized the advantages of the European Emissions Trading Scheme and asked for a strengthened ETS in order to incentivize investments into renewable capacity and other low carbon technologies. According to her, only non-mature renewables should be supported with the help of an innovation support mechanism. She further advocates for regional capacity markets instead of national approaches, the implementation of the 3rd integration package and additional interconnections and grid infrastructure.

DirProf. Dr. Christian Hey proposed a different interpretation of the economic, institutional and political reality in Europe. First he is skeptical that even a reformed ETS will deliver, as the energy only market is unable to refinance capital cost for sources with close to zero variable cost. He furthermore argues that there is only a case for Europeanization of renewables support if some economic and political conditions are given. Otherwise Member States must be able to pursue their own policies and goals. Welfare effects of trade are biggest, if there are different costs and

if there are no trade-barriers. However production costs for PV in Spain and Germany are not so different in practice. Furthermore for a transition towards a renewables based energy system also less favourable sites have to be utilized, hence reducing specialization advantages of the best sites. Furthermore as long as infrastructure bottlenecks exist, even specialization advantages will not materialize. So there are some decades to go, before welfare wins by renewables trade could materialize.

With relatively stable European institutions and the need for a strong consensus for changing the rules of the Treaty, he considers major changes towards deepening EU integration in areas that are still dominated by member states (such as the choice of electricity mix, tax and efficiency policies) as very unlikely: Dr. Hey draws attention to the multiple division lines between the countries, in particular with respect to the attitudes towards nuclear energy, fossil fuels and different regulatory traditions ranging from market-oriented to more interventionist regulations, which he considers difficult to overcome.

In his final statement, he emphasized that the carbon price will remain very low even under a reformed ETS. Instead of a Grand Design, he assumes the prevalence of both, bottom-up and top-down approaches. In addition, many policy undertakings on the EU and at national level are still in an experimental stage. Under these uncertain conditions, any harmonization approach at the European level will probably lead to mistakes.

The third speaker, **Severin Fischer** from the German Institute for International and Security Affairs (SWP) stressed in his [presentation](#) that there was no silver bullet solution to deal with energy issues at the European level. On the one hand, differences are prevailing regarding priorities, speed, and rules for (formal and informal) policy-making. On the other hand, the policies are increasingly interdependent (harmonized sub-policy fields such as internal electricity and gas markets, EU ETS).

He drew attention to various kinds of targets in the energy transition process and called for a differentiation between those targets that are merely symbolic and those really meant for practical implementation. According to Mr. Fischer, an active or passive promotion of EU harmonization may also serve as an excuse for a lack of ambition at the national level. He introduced three stereotypical ways of dealing with the European dimension of the German Energiewende: First, he identified the leadership approach which he considers strategically interesting for the respective national government since it is based on the idea that national efforts are rewarded when diffusing to the European level. However, Severin Fischer argues that the leadership approach is an idealistic approach since it would not allow for differences among member states and between member states and the EU level anymore which he considers not very likely under current political conditions. He sees a second more passive way of adjusting to European approaches by escalating conflicts with the European Commission in areas around competition policy. Thereby, member states provoke to get a supranational decision that could have been prevented if they had negotiated it beforehand (see e.g. ETS backloading debate). Third, he identified a muddling-

through approach to minimize EU interference with decisions being negotiated on a case-by-case basis. As a consequence, Mr. Fischer foresees an increasing discursive isolation and accordingly re-nationalization of energy policy.

The following debate focused on especially four issues: the role of the EU ETS, the significance of climate change targets (mere symbolic politics?), the question of whether or not Germany can be considered as a leader in climate protection and the future of European energy governance.

The speakers had different views on the role of the EU ETS. While the panelists were all agreeing that the current scheme does not incentivize investments into renewable capacity, Julia Eichhorst pleads for an ongoing reform process to strengthen the scheme to overcome current deficits. Christian Hey was less optimistic and stated that there was neither dynamic efficiency in the EU ETS nor attempts to speed up reforms. Instead, he sees the necessity for an ongoing separate support mechanism for renewable electricity due to the renewables' comparatively high upfront costs. The discussants widely agreed on a skeptical position towards EU ETS with Josche Muth from GIZ emphasizing that only a price of 60€ per ton CO₂ would have significant steering effects. The panelists and discussants were also skeptical with regard to the seriousness of both, the national 40% CO₂-reduction target and the leadership role of Germany in climate policy.

Further, a possible future European governance scheme was discussed in the light of the expected proposal by the European Commission to support the energy targets for 2030. All panel members observed a tendency towards re-nationalization of energy policy and did not expect any important reform proposal from the European Commission that could possibly be consensual among European institutions and between the EU and its member states.