DIHK Deutscher Industrie- und Handelskammertag

Resolution on the energy crisis

Resolution of the General Assembly of 21 September 2022

Introduction: The worst energy crisis in decades now poses an acute threat to a daily-growing number of companies across all industries and therefore to a large number of jobs. Likely consequences include manufacturing shutdowns, a loss in value creation and the off-shoring of production abroad, with corresponding dangers to our economy and our prosperity in Germany. Of particular concern is the fact that these extreme price rises are hitting the economy across the board and thereby jeopardising the international competitiveness of entire sectors of the German economy, not least as a result of supply-chain shocks. In addition, a rapidly growing number of companies are unable to secure contracts for the supply of electricity and gas or can only do so at extremely elevated prices. There is, unfortunately, a real risk of shutdowns in the coming winter due to lack of electricity or gas. A rapid increase in energy supply is urgently required, along with the provision of immediate relief for businesses. At the same time, however, we must not forget that the rapid roll-out of additional sources of renewable energy will boost the German economy in the medium to long term. The key task for policymakers right now is therefore to quickly create a framework that will guide us through the energy crisis while avoiding any lasting damage to the German economy.

In the short term, the German chambers of commerce and industry (CCI-Organisation) recommend the following ten immediate measures in order to boost security of supply and reduce the burden of energy costs for businesses:

1. Returning all available coal- and oil-fired power plants to the electricity market

All available coal-, lignite- and oil-fired power plants should be brought back to the power market as quickly as possible. This will increase the supply of electricity and help replace gas-fired power plants, thereby curbing electricity prices. With the Maintenance of Substitute Power Stations Act, federal government has already introduced legislation to make additional capacity from coal- and oil-fired generation available to the electricity market. Yet any increase in actual capacity has been very limited so far due to restrictive provisions and a lack of planning certainty. In actual fact, 5.5 GW from the grid reserve and a further 1.9 GW from the supply reserve could be made available at short notice. What is required now is rapid and unbureaucratic implementation of a process for delivering additional capacity throughout the crisis period.[1]

2. Keeping all available nuclear power plants in operation until the end of the crisis

The use of nuclear power to generate electricity remains a contentious issue in the business community. The decision of federal government in 2011 to shut down all nuclear plants appeared to have settled the matter. Indeed, without the current crisis, the remaining three power plants would have been taken offline by 31 December 2022. In the light of the current emergency, however, the majority of companies support a continued use of nuclear power in the short term. The CCI-Organisation therefore advocates the continued use, for the duration of the crisis, of those nuclear power plants currently on the grid. This will curb electricity prices, reduce electricity generation from gas-fired power plants and ensure security of supply and system stability in Germany. Moreover, any legal, technical or financial hurdles in the way of a renewed operation of those nuclear power plants taken offline in 2021 should, if possible and for the duration of the crisis, be removed by the winter of 2023/24.

3. Introducing a price brake for business

Alongside the reduction in gas supplies from Russia, the ongoing drought, the obligation to build up gas reserves and technical issues at French nuclear power plants have all led to extreme prices on gas and electricity markets. Large parts of the German economy are therefore struggling to remain competitive. Short-term intervention at the European level would therefore appear justified as long as it remains limited to the duration of the crisis and does not impair the functioning of the futures market. Unilateral action on the national level, however, is not appropriate. This would jeopardize the security of supply, as suppliers from other European countries would then be able to obtain cheap electricity and gas subsidized by the German state, which would in turn lead to shortages here. The situation is different with regard to the recovery of so-called windfall profits. Here, too, a European solution would make sense, although implementation should be the responsibility of member states.

[1] There are isolated voices in the business community against bringing back coal-fired power plants.

The CCI-Organisation therefore proposes that operators of plants with marginal costs well below current market prices should pay a moderate solidarity levy for the duration of the energy crisis. At the same time, it is important to maintain incentives to continue investing in these technologies and to ensure that current futures contracts are not adversely impacted . The revenue generated from such a levy should be used to relieve the burden on the economy as a whole.

A price cap offering effective relief to those companies affected might be implemented along the lines of the financial aid provided during the Covid-19 pandemic or in the form of a basic quota of electricity and gas supplied at a reduced rate. Whatever the means, such assistance should reach companies directly and be made available for the duration of the energy crisis. Furthermore, it should be more than a symbolic amount. If not, many German companies may fail. The current program to curb energy prices remains inadequate in every respect. Similarly, the costs for process energy (steam, cooling water, compressed air) should also be recognized.

In addition to the solidarity levy paid by operators of power plants with low marginal costs, the proposed measures could also be financed from the Climate and Transformation fund, from reserves in the EEG (Renewable Energy Sources Act) account and, if necessary, from budgetary funds.

At the same time, federal government must do all it can to offset Germany's competitive disadvantages in terms of energy costs – because of, for example, the electricity prices charged to French industry – and continue to do so in the medium to long term.

In addition, to ease the pressure on prices, it should be examined whether all energy transportation options are already being exploited to the full and whether alternatives can be created to ease the situation. In particular, it is vital that LNG terminals should be built as quickly as possible. Additional gas could also be obtained via the fully operational Yamal and Transgas pipelines.[2]

4. Using the federal budget to defray electricity and gas price levies and introducing subsidies for network charges

Defraying electricity price levies (§19 StromNEV, Offshore-Netz, AblaV and KWK-Umlage) via the federal budget would relieve the economy and reduce bureaucracy. As part of the agreement on the phase-out of coal-fired power generation, a subsidy for network charges was agreed for the period from 2023. This is designed to offset price effects and should be rapidly implemented. The same applies to the compensatory measures for energy-intensive industry that were agreed as part of the compromise achieved on the coal industry. Companies will also be impacted by the newly introduced levies for gas storage and gas procurement and by the increase in the levy for the balancing reserve. In all, this increases the price of gas by over 3 ct/kWh. Furthermore, there is provision to adjust the gas-procurement and gas-storage levies every three months, which makes financial planning less certain. These levies should therefore also be paid from the federal budget.[3]

5. Reducing electricity tax and the energy tax on gas in line with European minimum rates

The European Energy Taxation Directive merely sets minimum tax rates for the various energy carriers. In line with European guidelines, therefore, the electricity tax in Germany could be reduced from 2.05 to 0.05 ct/kWh. This would reduce the burden on business by around 3 billion euros. It would also reduce bureaucracy for companies eligible for energy tax relief. The energy tax on gas should also be reduced to the European minimum. This is based on the type of usage and ranges nationally between 0.15 and 0.55 ct/kWh. A reduction to 0.054 ct/kWh for operational use as heating fuel and 0.108 ct/kWh for commercial and industrial use should be implemented.

6. Easing the impact of carbon-trading systems

National and European emissions trading remains a key instrument for meeting the targets for a reduction in greenhouse gases.

Yet an extraordinary situation demands extraordinary measures. The national emissions-trading system, implemented by the Fuel Emissions Trading Act (BEHG), should therefore be suspended until at least the end of 2024, and the incorporation of coal and waste in the national carbon-pricing mechanism should also be postponed until that time. Procurement prices are currently so high that any further incentivisation is superfluous. Moreover, the BEHG should be replaced as soon as possible by a European system so as to remove any competitive disadvantages for German companies within the European single market.

[2] A few voices also propose examining whether, under certain conditions, the Nord Stream 2 pipeline might be used temporarily to supply gas contracted for delivery via the Nord Stream 1 pipeline. In view of the overall situation, however, a clear majority continues to reject this option.

[3] In the case of the gas-procurement levy, there are also those in the business community who believe that a levy remains the preferable option.

Europe currently needs all available generation capacity in order to ensure a stable supply. However, this will drive demand for emissions certificates and therefore raise costs for European power generators, thereby placing an additional burden on the economy as a whole. It should therefore be avoided. Instead, the quantity of certificates should be increased in order to combat the currently elevated prices. These additional certificates could be brought into circulation from the market stability reserve. In that way, emissions trading would remain a key instrument for the reduction of greenhouse gases but without further fuelling the current energy price crisis.

7. Expanding the right to a fallback supply of electricity and gas and ensuring the liquidity of energy suppliers

More and more companies are unable to secure contracts for the supply of electricity and gas. But without energy, production comes to a halt and goods or services cannot be sold. To prevent a rash of company closures, federal government should rapidly expand the right to a fallback supply of electricity and gas across all voltage and pressure levels. Similarly, the current situation demands a lasting solution that does not come to an end after three months. The fallback supply could, for example, involve the supply of energy at the current spot market price.

In order for energy suppliers to be in position once again to place offers on the futures market, the KfW programme for margining urgently requires simplification. In addition, further measures could well help reduce hedging costs – in particular, guarantees in the event that customers should default.

8. Introducing a hedging instrument for the electricity market

This winter may well see major electricity consumers experience interruptions to supply as a result of gas shortages, a lack of ready alternatives, limited grid capacity and problems with power generation in neighbouring countries. Federal government let a suitable hedging instrument expire in the summer – the ordinance on interruptible supply. In order to prevent unplanned interruptions to supply, federal government should urgently devise a follow-up regulation that accounts for the critical supply situation in southern parts of the country and provides legal certainty for grid operators and affected companies.

9. Introducing a supplementary gas auction mechanism

In the view of the CCI-Organisation, the gas auction mechanism designed by federal government is a sensible but inadequate measure. It is inadequate because it is only used when all other measures have proved insufficient and a gas shortage is imminent. For this reason, there is an immediate need for an additional mechanism designed to make gas available for storage. This will provide major gas consumers with further incentives to reduce consumption and thereby enable the continued replenishment of gas-storage facilities. Such incentives cannot be created via the market for balancing gas and should therefore be made directly available to consumers.

10. Making greater use of domestic resources

The expansion of renewable energy continues to be hindered by excessive bureaucracy and onerous regulation. As a result, insufficient or inefficient use is made of domestically generated power. For example, wind turbines have to be shut down too often, permits for geo-thermal energy are too costly, and electricity storage facilities that would contribute to grid stability remain unbuilt. At the same time, the shift from gas to other energy sources is still hampered by regulatory procedures. Legal exemptions must be extended – for example, for liquid-gas or heating-oil tanks – to enable a greater shift from gas to other fuels. Similarly, the approval process for new wind farms and power grids should be dramatically expedited. Wind parks awaiting approval should be brought online immediately. In addition, the installation of new ground-mounted photovoltaic systems should be prioritised until at least the end of 2026. Regulatory hurdles preventing a greater use of existing renewable-energy installations should also be removed as quickly as possible and the use of captive power generation increased.

In addition, a large portion of the business community believes that increased production of domestic gas, including shale gas, would make a significant contribution toward easing the current supply difficulties. Here, too, regulatory hurdles should be removed. Similarly, efforts should be made to ensure that the impact of the oil embargo, which will take effect in 2023, is kept to a minimum. This includes securing the supply of fuels, heating oil etc., and also safeguarding refinery sites.