

## NEWS

**European solutions versus national subsidies: CDU**

Chancellor Angela Merkel's CDU/CSU group is virtually assured of leading the next government, as Germany prepares for federal elections on 24 September. The big question is with which party it will govern. A coalition with the pro-business free market FDP, should it gain sufficient votes, would be the most straightforward, while Merkel is said to prefer a repeat of the current "grand" coalition with the expected runner-up in the elections, given that this would be the easiest way to manage the CDU/CSU's main rival. But this would plunge the SPD into an existential crisis. It is also suggested that Merkel, in her fourth and presumably last term of office, could afford to risk a more daring coalition, including the FDP and the Greens. And the FDP – with its strong focus on education and digitalisation, and relative lack of interest in energy matters – might concede some energy policy ground to the anti-coal, pro-renewable Greens. *Argus* recently spoke to the CDU/CSU economic and energy policy spokesman in the Bundestag lower house of parliament, Joachim Pfeiffer. It concluded the *Argus* interview series with key policymakers ahead of the elections. Edited highlights follow.

**Your party has called for the phase-out of Germany's renewable energies law (EEG). Why and how should it be replaced, if at all?**

The original aim of the EEG was to drive innovation, to help renewable power enter the market. I've been in the Bundestag for 15 years now. Back then, it was said "OK, in four-five years we'll abolish it". Obviously, nothing of the sort has happened. The EEG was at first certainly helpful for new energy sources, but very quickly this was undermined by the fact that technological progress, which led to cost reductions, was not reflected in subsidy levels. This has led to economic inefficiencies. We now have an accumulated €550bn of payment commitments under the EEG, of which only €150bn have been paid out.

The EEG, of course, has only ever focused on generation. It has never, for example, looked at the grid situation, or at storage and flexibility. This has made it counter-productive and hindered innovation. We switched to tenders in the last [outgoing] legislative period, and the results – for instance with offshore power at zero – have shown that there is huge reduction potential. In my opinion, it is absolutely necessary to further develop the EEG towards better market integration in a new market design. We recently had the first cross-technology tenders, for wind and PV [photo-voltaic]. The auctions have been a first important step, but must be developed further. The future market design has to efficiently combine more flexibilities, including switch-off loads and

renewables, as well as storage and conventional generation.

Besides, we won't save the world alone. For problems as complex as climate change we need European, or – even better – global solutions.

**Some question the wisdom of limiting the growth of renewable energies [through growth caps for subsidised renewable power set in the EEG] at a time when they have become cheaper. What do you think?**

Who is limiting the growth of renewable energies? Everyone is welcome to install as much as they like, as long as they don't ask for subsidies. Unfortunately a state-aid mentality has crept in here. The EEG has become the biggest subsidy mechanism in the history of the Federal Republic. And anyway, it makes no sense to support just the generation if you don't have the corresponding power lines.

**What about Germany's official target of a 40pc reduction in greenhouse gas (GHG) emissions in 2020 against 1990, which will obviously be missed?**

This target was decided at a time [2010] when the nuclear phase-out had just been revoked. But then the nuclear phase-out was re-implemented after Fukushima, and – surprise, surprise – it turned out that coal is replacing nuclear power. Originally, according to the energy programme of 2010, renewable energies should have replaced coal. But after the events in Fukushima in 2011, it became clear that with the phasing out, renewables would replace nuclear energy. The target has always been rather unrealistic.

But I don't think much of this targets fetishism anyway. Climate protection is only possible globally. Germany's contribution to climate protection lies much more in developing clean technologies necessary for climate change abatement worldwide than in reducing its own emissions, which account for only about 2pc of the worldwide total. There are EU agreements to which we are committed. We are committed to the Paris Agreement. The main instrument for reducing emissions within Europe should be the Emissions Trading System (ETS), which should be strengthened and extended, to include for example the heating and transport sectors.

**What about a national CO2 price, or some kind of minimum carbon price for the EU ETS?**

Obviously, a national CO2 price would make absolutely no sense. Nor would a minimum carbon price for the ETS. The best thing would be to replace all the contradictory instruments with just a strengthened and extended EU ETS.

**Sector-coupling is another much-debated issue. Should it be supported, and if so how?**

Sector-coupling has huge potential, especially if existing infrastructure can be used – for instance, Germany's

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extensive gas transport system, for both the heating and the transport sectors, and for power generation in combination with storage. But we have to be careful that it doesn't lead to new kinds of subsidies. Sector-coupling must prove its worth under the new market system, within a European framework. There is potential for more cost reductions, which must be addressed in a more intelligent way than we have done with the EEG.

**What about the different levies and tariffs on power, which have come under increased scrutiny for hampering the use of power in other sectors?**

This would be tantamount to tinkering with the symptoms, instead of addressing the underlying cause. The real problem, the real cost driver, is the uncontrolled production of renewable energies.

**And what about a mandated coal phase-out, as is being demanded by the Green Party and environmentalists?**

Demands for a coal phase-out are premature and utterly reckless. Coal and lignite now account for about 40pc of our power generation. If you take up our ideas on a market design, and you take them further, then a coal phase-out will be an automatic result – at some point, coal-fired generation will just no longer be worthwhile. So we don't need a coal phase-out, or a coal phase-out schedule, or phase-out programme, or whatever. When we agreed after Fukushima to phase out nuclear power, there was cross-party consensus that we could not phase out nuclear and coal-fired generation at the same time. I find it annoying – to put it mildly – that the Greens have revoked this agreement.

**What about the target to have at least one million electric vehicles on German streets by 2020?**

This was a government target, but it has now become obvious that the target cannot be realised. Electric mobility will play an important role, in particular in cities and conurbations. But I don't think electric mobility is the answer to everything. The combustion engine still has a lot of potential, not least in terms of emissions and consumption reduction, but also when it comes to technological advancements enabling the use – the economically worthwhile use – of synthetic fuels. And there are environmental issues to be considered regarding the electric car too. So the different technologies should not be played off against each other, we should be open to all technologies. And even if in 10 years' time a quarter of our cars are electric, this will still leave three-quarters with a combustion engine.

**Regarding the big issue of digitalisation, what are your expectations for the energy sector?**

I hope for more transparency, which in turn can be the

basis for changes in behaviour. Digitalisation will also lead to new, innovative services and products. Grids, in particular distribution grids, will need digitalisation to become smart, so that they can cope with the rising volumes of renewable power feed-in. And also cope with the rising number of electric cars and charging stations.

**And finally: what would be the most pressing energy policy decision to be taken by the new government?**

As I've said, what we should focus on is linking up the two parallel power systems that we now have – the conventional and the renewable power systems – with storage, flexibilities, and the necessary grid extension. And this should be done in the context of the European power system. A further priority is a stronger ETS. It should be extended to other sectors, instead of struggling with national measures such as the Climate Action Plan 2050 or EEG itself. And there is also quite a lot to be done in terms of smart grids, and changes to the grid access fees. What we certainly don't need in the next legislative period is another raft of newer, better, higher targets and new cost-intensive subsidies.

### German offshore projects near completion

German utility Innogy has finished installing all of the turbines at its 332MW Nordsee One offshore wind farm, while developer WPD has completed the substation at its 111MW Nordergrunde farm.

Innogy today installed the 54th and final turbine at Nordsee One. It is targeting a full launch by the end of this year. It has a 15pc stake in the project, while Canada's Northland Power holds 85pc.

WPD had installed all of the turbines at Nordergrunde by the end of 2016, but its launch was delayed by the insolvency of BVT, which was contracted to complete the substation. WPD instead completed the station itself. "We are now able to prepare for final commissioning," managing director Achim Berge Olsen said.

Both farms are in the German North Sea.

Offshore wind capacity was around 4.7GW [by the end of June](#) and is due to rise to 7.7GW by the end of 2019.

Iberdrola's 350MW Wikinger farm is also scheduled to come on stream by the end of 2017.

The 396MW Merkur offshore project is scheduled to launch next year, while six projects with a combined capacity of 1.9GW are scheduled to come on line in 2019.

### New Turkish CCGT to sell more power in spot market

The 927MW Kirikkale combined-cycle gas turbine (CCGT) power plant will offer higher volumes in the day-ahead market from next week ahead of its commercial launch – reach-