

# Economics in Brief



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## The second energy turnaround – what do companies think?

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The energy turnaround is entering its second phase. The European Commission has presented its new climate and energy package, is revising the Emission Trading Scheme, and is reviewing the German Renewable Energies Act (EEG), especially the exemption clauses for industry. The German government has laid down the initial framework for the reform of the EEG. It is now vital that it does not lose sight of what companies think. The results of the "KfW/ZEW CO<sub>2</sub>-Barometer" company survey show that Europe and Germany are, by and large, on the right track, even though a series of problems remain to be resolved.

It must be ensured that **EU Emission Trading** functions correctly, and yet low CO<sub>2</sub>-certificate prices only provide minimal incentives for companies to invest in energy-efficiency measures. The *KfW/ZEW CO<sub>2</sub>-Barometer* reveals that companies have a sustained surplus of emission rights, and their certificate-price expectations are continuing to fall. Reforming emissions trading to create a fully functioning instrument with clear, long-term reduction targets and price management is therefore of paramount importance and to be welcomed. European export companies need to be compensated elsewhere in order to safeguard their competitiveness. All companies benefit from energy-efficiency investments as they lower energy consumption and thus protect them from unexpected increases in energy prices.

Whatever the gains in terms of reduced energy costs and energy imports in the future, acceptance of the energy turna-

round depends greatly on its **costs today**: The promotion of renewable energies by means of the EEG must be affordable for private households, and should not unduly burden the international competitiveness of industry. We know from the *KfW/ZEW CO<sub>2</sub>-Barometer* that companies view the EEG levy as a particularly strong driver of electricity prices. The current government proposal for the reform of the EEG is therefore a step in the right direction, as it renders promotion more cost-efficient and market-oriented. The key issue now is to use the EU Commission's state aid proceedings of the EEG exception clauses positively in order to focus this on companies which actually compete abroad.

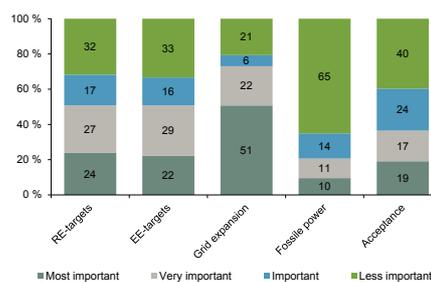
The surveyed companies view electricity **network expansion** as being the major challenge in the energy turnaround: To date there have been no credible proposals as to how the development of the network and the expansion of renewable energies can be synchronised. Drawing-board technological and regional guide-

lines are at any rate not to be recommended. Achieving market-compatible solutions should be the primary aim here.

The EU climate and energy package remains silent on the topic of **energy efficiency**; it doesn't even define non-binding targets. The clear energy-efficiency goals set out in the German energy strategy stand in positive contrast to the latter in this respect, even if Germany is only half-way towards reaching them. The *KfW/ZEW CO<sub>2</sub>-Barometer* shows that companies which set energy consumption targets also implement energy-efficiency measures. Small- and medium-sized enterprises generally invest less in energy-efficiency measures in production processes than larger companies, and therefore promotional measures are still needed. ■

The **KfW/ZEW CO<sub>2</sub>-Barometer** is a survey of all the companies in Germany participating in the EU emissions trading system, and has been jointly conducted by KfW and ZEW since 2009. Since 2013, manufacturing industry companies that are not party to the EU-EHS system have also been surveyed on various energy topics (including price expectations, energy-efficiency measures, and the energy turnaround). The results of the survey of companies participating in the EU-EHS system are published annually in the "Carbon Edition" of the *KfW/ZEW CO<sub>2</sub>-Barometer*. The survey results for those companies not participating in the EU-EHS system are published in the "Manufacturing Industry Edition".

Figure: The biggest challenges in the energy turnaround



Source: KfW/ZEW CO<sub>2</sub>-Barometer, Manufacturing Industry Edition