

The Response by Germany to the Energy Crisis

~ Prospects and hints for green growth based on energy-saving measures and investment~

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Germany, which was relying on Russia for 55% of its natural gas supply (2020), is suffering serious effects from the reduction in the natural gas supply from Russia and the resulting steep rise in energy prices. For example, industry is having to carry out production adjustments. Germany is accelerating its efforts to secure alternatives to Russian gas, including the construction of LNG terminals at a speed seven times faster than previously. It is worth noting that just as Germany is accelerating supply-side measures, on the demand side it is strengthening energy-saving as a measure which has quick effect.

Specifically, Germany is implementing a campaign called “80 million together for the energy transition” which is encouraging gas-saving and electricity-saving behavior. The website run by the German Federal Ministry for Economic Affairs and Climate Action provides to customers and businesses detailed advice which contributes to gas-saving and electricity-saving.

This website is designed so that readers can get easy-to-understand, comprehensive, and one-stop information which enables them to transition from understanding energy-saving measures to acting on them, including (1) the introduction of measures which can be taken immediately such as room temperature adjustment, efficient heating methods, and replacing shower heads, and the saving effects of each of the measures, and in addition (2) information provision for receiving an energy-saving diagnosis by the government, and (3) information about subsidy measures concerning insulation retrofits and the introduction of highly-efficient devices, etc. which can be utilized by not only customers but also businesses to implement measures.

Regarding the industrial sector, the German Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway conducted a survey of gas consumption in 2,500

businesses in May 2022 and from October 1 formed the Gas Safety Platform for consideration of reduction measures at the time of an emergency. This platform introduces a mechanism which can allocate the surplus gas each business generates from its reductions to the necessary businesses through an auction.

Note that most of the industrial sector wants to implement the promotion of energy-saving as a response to the steep rise in energy prices. Specifically, in the results of a questionnaire conducted in November 2022 (multiple item answers allowed), 73% of respondents in the industry answered that they wanted to pass on the cost to their products as a response to the steep rise in energy prices, while 50% of the respondents answered that they would implement energy-saving capital investment. In contrast to this, the percentage of respondents who answered production adjustments (17%), utilization of alternative energy (21%), and international relocation (8%), respectively, was relatively low.

Toward the realization of reasonable energy-saving that overcomes the energy crisis, in 2023 the German government will provide support from the Climate Change Fund of a different order of magnitude at 16.9 billion euros (2.43 trillion yen) for measures to improve the thermal insulation of houses and buildings and will contribute 3.4 billion euros (124.5 billion yen) to the streamlining and modernization of the production processes in industry. We can infer from the questionnaire results that energy-saving has been accepted as an important measure in the short term, partly because of the provision of these kinds of subsidy measures.

Nonetheless, in order for energy-saving investment to provide a foothold for long-term green growth, it is necessary to consider the variety of risks that could be an impediment to it. For example, Germany's energy experts have pointed out that a social consciousness accepting the "new normal for natural gas supply" and the need to take measures as an entire country so that industry remains in Germany has not been fostered. Moreover, they say that the medium- to long-term risk is emerging that perhaps German businesses will relocate their factories to the United States because they are attracted by the tax breaks and refund measures introduced under the Inflation Reduction Act passed in the United States and also because they regard the domestic production of natural gas to be an important factor of production. What is required is a commitment to support by the government which goes beyond the government proposing measures utilizing the Climate Change Fund to also leveraging energy-saving measures in the medium- to long-term in

order to strike a balance between energy security measures and climate change measures and induce private investment for green growth.

What about the case of Japan? Diverse support was provided in the FY2022 Supplementary Budget passed on December 2, including 50 billion yen for “renewed encouragement subsidies for energy-saving capital investment,” 100 billion yen for “improvement of the thermal insulation performance of houses” and 30 billion yen for “introduction of highly-efficient water heaters,” etc. Furthermore, at the GX Executive Council, in relation to energy-saving, a roadmap for making investments of approximately 14 trillion yen over the next ten years in energy-saving renovations of houses and for the promotion of ZEB and ZEH was presented. In order to ensure that short-term energy-saving measures lead to medium- to long-term green growth, the strengthening of policies and subsidy measures for the fostering of markets are also required in Japan from the perspective of international competitiveness.

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