Trønder Energi Juleseminar – 7th December 2017

QUO VADIS, ENERGIEWENDE?

Dr. Arndt von Schemde, THEMA Consulting Group
THE ENERGIEWENDE IS AN AMBITIOUS LONG-TERM TRANSITION PROJECT
BUT HOW WILL IT DEVELOP GIVEN RESULTS FROM RECENT ELECTIONS?
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THE DIFFERENT PARTIES HAVE DIFFERENT PRIORITIES

CDU/CSU – Christian Democrats
- Largest party in Germany
- Center-right, used to be conservative and focus on Christian values
- Traditionally seen as closer to industry and “elites”

FDP – Liberals
- Used to be focused on civil rights and liberal economy
- Turned neo-liberal and lost voters
- Bounced back after not entering parliament in 2013

SPD – Social Democrats
- “Volkspartei”, Center-left
- Traditionally closely connected to unions, workers and industry, and hence to coal mining
- Implemented hard social reforms under Schröder, since then struggling to regain support from voters

Die Grünen – Green party
- Origin in environmental protest in the 70s and 80s
- Proponent of the “Energiewende”
- Sometimes seen as a “party for the rich”

Die Linke - Left party
- Socialist party
- Combines remnants of DDR party and former left-wing members of SPD
- Against capitalism, puts environment above industry

AfD – Alternative für Deutschland
- Founded by Eurosceptics in the wake of the Greek debt crisis
- Nowadays right-wing populists/nationalist party
TREMENDOUS LOSSES FOR GOVERNING GRAND COALITION

Gewinne und Verluste
Veränderung der Stimmanteile im Gegensatz zu 2013 (in Prozentpunkten)

-8.6  0.5  0.6  7.9  -1.2

CDU  SPD  Grüne  DIE LINKE.  Alternative Deutschland  Sonstige

Stand: Vorläufiges amtliches Ergebnis, 25.09.2017
Quelle: Bundeswahlleiter
VARYING FOCUS IN ENERGY POLICIES – AND SOMETIMES VAGUE AT BEST

CDU/CSU – Christian Democrats
- Increased cost focus
- No inner German price zones

FDP – Liberals
- Strong market and costs efficiency focus

SPD – Social Democrats
- Carbon price

Die Grünen – Green party
- Coal phase-out
- Energiewende 2.0
- Carbon price

AfD – Alternative für Deutschland
- Stop Energiewende
- Pro nuclear

Die Linke - Left party
- Prosumer
- Prices control
- Sector coupling
SO WHAT ARE THE CONSEQUENCES OF DIFFERENT SUGGESTIONS?

CDU/CSU – Christian Democrats
- Increased cost focus
- No inner German price zones

FDP – Liberals
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ONE GOVERNMENT OPTION WAS THE SO-CALLED JAMAICA COALITION

- Subsidies
- Market

- Fast transition
- "Moderate" transition

- The Green's party color
- The Liberal's party color
- Conservative's party color
JAMAICA REMAINS AN ISLAND IN THE CARIBIAN

...AND WILL NOT BECOME A GOVERNMENT OPTION
CONSIDERABLE DISSENS

- The Greens and Christian Democrats were getting along quite well
- It was somewhat surprisingly the Liberals that ended the coalition talks (pre-stage to government negotiations)
- Dissens along many areas:
  - Immigration and refugee policies
  - Energy policies
  - «Soli» (support for former East)

„ES IST BESSER, NICHT ZU REGIEREN, ALS FALSCH ZU REGIEREN”; CHRISTIAN LINDNER IN A PRESS CONFERENCE 20TH NOVEMBER, SHORTLY AFTER MIDNIGHT
THE DISSENS BETWEEN PARTIES WAS KNOWN

Source: Die Zeit, 41/2017 (5 October 2017)
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THERE ARE THREE OPTIONS LEFT (OUT OF FOUR REALISTIC ONES)

- New Grand Coalition
- Minority government
- New elections
- Jamaica
ENERGIEWENDE IMPLIES TREMENDOUS COSTS FOR GERMAN END-USERS
AN INCREASED COSTS FOCUS IS LIKELY – IN PARTICULAR AFTER THE GREEN PARTY WILL NOT BE PART OF GOVERNMENT

Source: Welt online 09-10-2017; Agora Energiewende
CARBON PRICE FLOOR AND COAL PHASE OUT MORE UNLIKELY NOW

AS A RULE OF THUMB: 50% OF THE PRICE EFFECT ENTERS THE NORDIC MARKET (SYSTEM PRICE)

**PRICE EFFECT IN GERMANY OF COAL PHASE-OUT***

- **Coal phase-out**
- **Best-guess**

**Note:** effect strongly depends on how fast coal is phased-out and how/if it is replaced

**PRICE EFFECT GERMANY OF CARBON PRICE FLOOR**

- **Carbon price floor**
- **Best-guess**

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*Based on the Agora Energiewende scenario for an earlier coal phase-out (implies no immediate coal phase-out), for the carbon price floor we assume a floor of EUR 30 per ton (ref. UK, ref. discussion France)*
THE INDUSTRY TAKES CLEAR POSITION IN THE DEBATE

„Davon profitieren bestenfalls französische Kernkraftwerke“

VON ANDREAS MIHM, BERLIN - AKTUALISIERT AM 09.10.2017 - 17:27

Wichtige deutsche Industrievertreter warnen in der Frankfurter Allgemeinen Zeitung eindringlich vor einer CO2-Steuer. Stattdessen wünschen sie sich etwas anderes.

HUGE IMBALANCES BETWEEN NORTH AND SOUTH IN GERMANY REMAIN

▪ Northern Germany has a ratio of close to 1:3 between peak demand and installed capacity
▪ After further nuclear and thermal decommissioning, there is also a deficit problem in Southern Germany
▪ “Risk” of price zones, with potential implications for Nordics
▪ Grid development lagging behind

COMpletely DifferenT CaPACity miX

- Low demand
- High demand

COMPLETELY DIFFERENT CAPACITY MIX

- Northern Germany has a ratio of close to 1:3 between peak demand and installed capacity
- After further nuclear and thermal decommissioning, there is also a deficit problem in Southern Germany
- “Risk” of price zones, with potential implications for Nordics
- Grid development lagging behind
BUT THE GOVERNMENT RULES OUT PRICE ZONES
NEW LAW PUSHED THROUGH PARLIAMENT IN NOVEMBER 2018 BY THE ACTING GOVERNMENT IN GERMANY

NEW LAW «ENSURES» ONE PRICE ZONE

Die Einheitlichkeit der deutschen Stromgebotszone bleibt gewahrt – Bundeskabinett billigt Änderung der Stromnetzzugangsverordnung

A REACTION FROM EU COMMISSION LIKELY

- The law is likely to trigger a reaction from the EU Commission
- The government argues that it creates transparency and reduces uncertainty
- However, imbalances and bottlenecks cannot be «forbidden» or ruled out by law
- Whether the law is in line with EU law remains to be seen

GAS WILL IN ANY CASE BECOME PRICE SETTING TECHNOLOGY

....IN MANY HOURS
GAS WILL IN ANY CASE BECOME PRICE SETTING TECHNOLOGY

....IN MANY HOURS

Merit order Germany

2025

2015 2020 2025 2030 2035 2040 2045

TWh

0 50 100 150

EUR/MWh

Hydro
Wind
Solar
Bio
Coal
Gas
Oil
Lignite
Nuclear
THE ENERGIEWENDE WILL CONTINUE – IT BASES ON BROAD CONSENSUS