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EEG 2021 prevents reaching renewable energy targets

The 2021 amendment of the Renewable Energy Sources Act (EEG) is disappointing for the German Renewable Energy industry. Despite some improvements for small-scale self-suppliers and tenant electricity the necessary acceleration of the German energy transition will not be achievable under the new legislation. On the contrary, multiple hurdles are slowing it down. Increasing targets and expansion paths in line with the -55% greenhouse gas reduction target of the European Green Deal has been postponed, the commitment to the energy transition as a public interest has been removed, and the tenders, once praised as a free-market instrument, were further complicated and limited in size and will therefore not stimulate market growth, but will probably further slowdown deployment.

Most notably, some last-minute far-reaching changes to the wind energy tender design include a regulation with which the bidding volume is reduced, if underbidding is expected. This leads competition into absurdity, further unsettles the industry, and ultimately risks the achievement of the necessary expansion of renewables. The amended EEG also leads to stronger dependence from EU state aid decisions. Already by financing part of the EEG surcharge through revenues from the national carbon pricing mechanism, the law became subject to state aid clearance and thus potentially limits choices for legislators for future amendments.

A new regulation for bioenergy allows only 80 percent of new plants and 80 percent of existing plants to be awarded a flat-rate contract when the tendered quantity is signed. This increases the uncertainty among the industry. With the elimination of the tender volumes, which can only be put out to tender again three to four years later, the urgently needed capacity additions will be reduced. Furthermore, in the PV sector, the option of participating in the tender from 300 KW or, alternatively, receiving remuneration for only 50 percent of electricity is an artificial market barrier. If the project developers must participate in highly limited production auctions in the future to receive a market premium for more than 50 percent of the generated electricity, major shares of commercial roofs will still not be developed for solar PV projects. This is fatal for the energy transition because unleashing photovoltaics growth will be key for the successful transformation.

More appropriate avenues for reducing the costs for citizens and companies were discussed, such as reducing electricity taxes, which would have kept the EEG outside the state aid regime. Consequently, future amendments to the EEG will always have to be negotiated with the EU's DG Competition now that this option was unfortunately abandoned against our repeated warning.

The relevant question is why there was only insufficient competition in the existing tender design. Competition requires a broad and strong offer, and sufficient eligible projects for participation. As a priority, hurdles for permits and the lack of designated areas for wind power deployment must be removed. This is particularly important to develop actual competition in line with the EU's competition rules, and to not further jeopardise the goals of the energy transition and reaching climate protection targets.