

# Implication of European/ German energy policy on the development of the wind industry

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On a European level, two significant breakthroughs were achieved in energy policy during the summer: the European target for the share of renewable energies in the electricity supply will be increased to 32 percent by 2030. In addition, EU-member states are obliged to submit detailed plans by the end of 2019 regarding the deployment of renewables to contribute to achieve the EU-wide target of 32 percent.



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This includes a five years' visibility on future auction timetable and volumes. Member states cannot change their energy policies on a year-to-year basis, hence more reliability can be achieved for the companies and capital cost can be reduced, due to less regulatory risk.

After the general election in Germany, it took quite a while to form a new government. An ambitious attempt to form a 'Jamaica'-Coalition (Conservative-Black, Liberal-Yellow and Green) failed, so that a new version of the old government was formed by the Conservatives and the Social Democrats. Many hopes for an ambitious renewable, yet market-oriented energy policy were buried. In spite of the bleak expectations of most observers, the coalition agreement included some very ambitious cornerstones, such as a 65 percent target for renewable energies in the electricity sector, 4 GW extra volume for wind onshore, PV and a, not further defined, 'contribution' of offshore wind.

These targets of the coalition agreement in Germany and the EU's new energy policy framework are in tune. The clarity and long-term visibility in EU-legislation is crucial for companies to invest in manufacturing, supply chain, skills as well as in research and development. What the industry needs now, is a stringent implementation in tender quantities and growth figures.

The path to 65 percent renewables is all but cleared: ongoing discussions about the interpretation and implementation of the wording in the coalition agreement between the parties keep up an extreme level of insecurity and jeopardize its

success as a whole.

Europe though has the potential of remaining an ambitious market anyways, but the global competition is tough. Market size, productivity, investment and adequate political conditions are crucial for the industry's global site selection, e.g. for research and development, testing facilities and construction. The same applies to the existence of a powerful research environment as well as a pre-competitive collaboration between companies. These requirements must be met by European sites to stay competitive.

With regards to Germany, the EU-Directive will help to provide transparency for the deployment volumes to meet the German 2030 target of 65 percent renewable energies in the electricity system set in the coalition agreement. The market slump was part of the tendering system but is no longer compatible with the 65 percent target. It is now crucial not only to install capacity, but also to promote innovations for system integration and climate protection in the areas of heating and transport. Sector coupling remains unforeseeable: since nobody can predict, whether there will be electrification of mobility or not, more efficiency or not, more growth in general or not: we do not know what the future energy consumption will be and therefore it is unclear, what the 65 percent share will be.

What remains true for all scenarios is, that the successful deployment of wind energy in Germany will be the key factor, since any goal beyond 35 percent renewables is a potential market for wind energy. Repowering and decommissioning of old

turbines, even keeping the current level, is a potential market for the future.

Beyond that, it is not enough to extend a few large power lines in order to keep the grid's capacity to handle the new decentralised energy world. A wider, innovative and to a certain extend courageous approach is needed and all actors, including the federal state, are desperately seeking for a way to both speed up the grid and to use the unused potential of the existing grid. Grid operators need more than only incentives to 'invest in copper', but also to invest in smart grids, temperature monitoring and so on.

Every kilowatt hour produced from fossil fuels, which is replaced by renewable energy or at least generated with technologies able to use renewable fuels is the future, be it in heating, transport or industrial processes, is an important step because Germany is lagging far behind its own targets. In addition, free grid connection capacities should be used to make the required contribution to closing the GHG reduction gap in 2020.

In a growing world market, an ambitious and dynamic domestic market is an important prerequisite for success in export. In 2017, the export rate of the wind industry in Germany was at 65 percent. Following the record expansion year 2017 for onshore wind energy in Germany, new installations are declining in 2018 as expected. With the regulation to require the BImSchG-approvals by the end of 2019 as a qualification for bids, an important step towards the correction of the decisive error in the EEG 2017 was taken. It is now crucial to determine that this requirement will be



Hauteville wind park, France; copyright: Nordex

valid beyond 2019. For the time being, some of the special tenders mentioned in the coalition agreement must be used quickly to alleviate the imminent growth gap in the German onshore wind industry in 2019. These quantities should be determined carefully to ensure competition.

In order to speed up approval procedures, administrative obstacles at federal, state and local authority level must be removed as fast as possible. A sufficient number of approved projects is necessary to guarantee competition and to achieve the expansion objectives. The industry, i.e. manufacturers, developers, federal and state ministries and others organised by the 'Fachagentur Windenergie an Land' (expert agency for onshore wind energy), have

therefore established a process to identify the main obstacles and suggest ways of solving them. The importance of this process has been acknowledged widely and is expected to produce its first results by early 2019.

Last but not least: what will happen to the existing thermal generation capacity? After the phase-out of nuclear energy in Germany, the phase-out of coal is being discussed in a so-called 'Coal Commission'. For the moment, no one knows if there will be a fixed date for the final kilowatt hour produced from coal in Germany. Right now, fossil power plant owners and environmental organisations fiercely defend their respective standpoints on both sides of the table. A struggle that

becomes even more emotional, because the fate of a whole region, the Lausitz, is at stake. However, new technologies - such as gas power plants burning hydrogen or thermal storage - which can be integrated in power plants instead of the coal fired boiler provide options for the future.

Finally, the further development is determined by the predictability and consistency of the political framework. The European framework helps, but long-term investments need long-term perspectives and a policy and society supporting innovation.

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