Energy transition barometer 2024 of the IHK organization

What can be done in the short term

Companies need a new and long-term perspective for doing business in Germany, as this year's Energy Transition Barometer from the IHK organization shows. Politicians must present a strategy that not only sets out clear goals for the energy transition, but also reliable and credible framework conditions for doing business in Germany after 2030. Only then will companies regain confidence. And only then can Germany be and remain a good location for the production of goods and services in Europe. To this end, the comprehensive and complicated EU regulations of the Green Deal must also be reviewed and streamlined. The following proposals initially address points where national legislators are largely responsible. Specifically, we propose ten measures for good location conditions in Germany as part of Europe:

- Reduce taxes and levies on electricity
- Accelerate grid expansion, reduce grid fees with budget funds
- Implementing the Acceleration Pact
- Switching the expansion of renewable energies to investment funding
- Promoting investment in transformation - but the right way
- Provide network connections quickly and in line with demand
- No gold plating for waste heat, no excessive regulation for energy efficiency
- Making the hydrogen import strategy credible
- Giving perspective for carbon management
- Anchoring Germany in the internal energy market

Reduce taxes and levies on electricity

The transformation will only succeed if companies can switch their processes to electricity at competitive costs. Electricity should therefore be cheaper than fossil fuels and not be made more expensive by additional cost components.

A far-reaching switch to electricity is a declared goal of the energy transition. Additional taxes, levies and surcharges on electricity are therefore counterproductive. As a task for society as a whole, the remaining levies and charges belong in the federal budget. The reduction in the electricity tax for the manufacturing industry agreed in the electricity price package and consolidated in the growth initiative should be consistently extended to all sectors.

Accelerate grid expansion, reduce grid fees with budget funds

The share of grid fees in energy costs has been growing for years - contrary to political assessments to the contrary, a further increase is more than likely as a result of the modernization and expansion of the grid infrastructure. A comparable trend is also emerging for heat, hydrogen and CO_2 grids.

In view of the already existing price disadvantage in international competition, it is important to reduce grid expansion costs through efficient procedures and with the help of the federal subsidy already provided for. The transmission of renewable electricity from direct supply contracts should be made particularly attractive by means of reduced grid fees. In addition, the willingness of a company to flexibly organize its electricity procurement depending on availability should not lead to higher grid fees.

Implementing the Acceleration Pact

Companies believe that extremely long planning and approval procedures are slowing down growth, innovation and the speed of change in Germany. This applies to the rapid transformation to a climate-neutral industry as well as to the nationwide expansion of broadband, the development of attractive cities and communities and the renovation and expansion of roads, railways and waterways. The sluggish procedures are also increasingly shaking companies' confidence in politics.

On November 6, 2023, the federal and state governments addressed this problem in the so-called Acceleration Pact and adopted numerous measures with which they want to achieve the "German pace". However, at the beginning of June 2024, the DIHK Acceleration Monitor found that implementation of the first measures was very slow.

The many individual acceleration laws with narrowly defined areas of application, e.g. for wind energy, hydrogen or transmission grids, also result in a highly fragmented

approval law. However, investment projects to transform the economy are often not limited to the use of one energy source or one type of plant. As a result, many of the procedural accelerations will come to nothing. The procedural accelerations should therefore be generally introduced for all approval procedures, as agreed in the Federal-Länder Pact.

Switching the expansion of renewable energies to investment funding

Renewable energies at competitive prices are of central importance for Germany as a business location. A considerable acceleration in the expansion of renewable energies is therefore necessary.

At the same time, the current subsidy regime in the EEG is associated with high costs because renewable energies are expanded independently of demand and infrastructure and without any link to market signals. Instead of a permanent state-guaranteed fixed and minimum remuneration, one-off investments in renewable energies should be rewarded. Investment cost subsidies are therefore preferable to operating cost subsidies. With the Electricity Partnership, the DIHK has developed a concrete proposal to accelerate investments in renewable energies through an investment subsidy and a reduction in grid fees.

Promoting investment in transformation - but the right way

In addition to reliable framework conditions and competitive energy prices, the transformation of the German economy requires companies to invest heavily in the conversion of their processes and infrastructures. The transformation will only succeed with private investment, which will have to finance a large part of the adaptation. Smart investment incentives are needed to shoulder the necessary investments for energy- and resource-optimized processes and systems, the development of renewable process heat or the energy optimization of buildings. It is important that these funds are also available to companies in a calculable manner over the long term. In this respect, tax incentives for transformation are preferable to "traditional" funding programs. Funding programs are generally very complex, bureaucratic and dependent on uncertain funding allocations.

Provide network connections quickly and in line with demand

Companies should be able to apply for grid information and grid connection requests everywhere digitally and at the same time nationwide and receive feedback on their connection request within a maximum period of eight weeks. The aim should be to give companies quick planning security for investments.

More and more regulations are obliging companies to install PV systems, expand charging infrastructure or install heat pumps. At the same time, the existing grid capacities often do not allow them to be connected. In this respect, such regulations should always take grid capacities into account and not impose undifferentiated expansion obligations. This wastes resources and cannot be in the interests of sustainability.

No gold plating for waste heat, no excessive regulation for energy efficiency

Increasing energy efficiency is in companies' own interests. This enables them to achieve their operational climate protection targets and save costs by avoiding energy purchases. Requirements for energy audits and management systems that go beyond the European standards and for the avoidance and reuse of operational waste heat do not represent an appropriate cost-benefit ratio and should be avoided. The consideration of relevant operational waste heat is already part of the prescribed energy audits and management systems - this should be sufficient as proof to government agencies. The extensive and undifferentiated verification and disclosure obligations for operational action plans and waste heat potentials mean further unnecessary bureaucracy and should be abolished, especially if they relate to operational know-how or safety-relevant information.

Making the hydrogen import strategy credible

Many companies need hydrogen to achieve their transformation goals - they should therefore all have the opportunity to obtain hydrogen. The majority of the hydrogen required in Germany will have to be covered by imports. Instead of travel diplomacy, a credible import strategy is therefore needed above all.

The regulatory framework should be designed in such a way that hydrogen as an energy carrier and raw material can be procured quickly, in large quantities and at affordable costs. The infrastructure expansion associated with the market ramp-up of hydrogen is essential. Whether pipeline-based transport from supplier countries or "H2-ready" LNG infrastructure - in either case, a basic infrastructure needs to be implemented quickly across Europe. Where there are no pipelines, viable transportation alternatives via water and on land with regional supply options are needed.

The EU has a central role to play in establishing a functioning hydrogen market. A common procurement strategy for hydrogen that ensures the avoidance of new dependencies on individual supplier regions makes sense - the guiding principle is diversified European gas procurement.

Giving perspective for carbon management

The energy transition will only succeed if companies have access to affordable carbon capture and storage (CCS) and carbon capture and utilization (CCU) technologies$_2$. There is no doubt that the goal of climate neutrality in Germany in 2045 and in the EU in 2050 can only be achieved in many areas through the capture and storage or use of CO_2 . It is therefore wrong that German policy restricts storage on a sectoral and regional basis - to sectors that are difficult or impossible to decarbonize, such as cement, lime and steel, and generally only at sea.

Two thirds of EU states allow CO_2 storage on their territory. The EU Commission is already planning measures for cross-border pipeline transportation and grid access. German policymakers should follow this approach and provide a perspective for CO_2 use in Germany instead of setting narrow limits. Furthermore, there is currently no concept for financing a CO_2 network.

Anchoring Germany in the internal energy market

A secure and efficient supply of energy can be better achieved within a European network than on a national level. Nevertheless, despite some progress, a competitive internal energy market is only just beginning to function. The internal energy market should be strengthened by jointly pursuing market-oriented solutions in the restructuring of energy systems and by rapidly and consistently expanding European grids and cross-border interconnectors. The sluggish cross-border grid expansion due to the pursuit of national energy self-sufficiency, e.g. with hydrogen pipelines, hinders the efficient and cost-effective balancing of supply and demand.