

## National Policy Briefing – Germany: Release of ‘Key action points for the successful implementation of the energy transition’

Brussels, 10 July 2015

On 1 July the German government reached a political agreement, summarised in a [Key Points Paper](#), on measures to achieve the objectives of the *Energiewende* (German energy transition) in a cost-effective and socially-acceptable manner. The agreement, which focuses on five areas for action, includes a proposal to boost support for CHP in the coming years.

### Introduction

The German government (i.e. the governing coalition of the CDU, CSU and SPD) has published a 5-point Milestone Decision on the policies needed for Germany to cost-effectively meet its *Energiewende* objectives (underpinned by the goal of reducing GHG emission reductions by 40% by 2020). Should no new policies being put in place, Germany is set to miss its CO<sub>2</sub> emission reduction target by 22 million tons by 2020.

The Key Points Paper includes a three-step process towards reducing CO<sub>2</sub> emissions in conventional generation, higher support for CHP, additional support for energy efficiency, grid expansion, and provisions for phasing out nuclear power.

### Proposed measures for achieving *Energiewende* CO<sub>2</sub> target

The Key Points document estimates that the largest share of the additional CO<sub>2</sub> reduction will be covered by the measures addressing coal (and lignite) power plants, 2.7 GW of which will be assigned to a capacity reserve. The next most important measure in terms of CO<sub>2</sub> emission reductions is providing additional support for the uptake of CHP plants, followed by further energy-efficiency measures in buildings, the public sector and industry.

Measures	Additional CO <sub>2</sub> reductions/year
2.7 GW of coal power plant fleet moved to capacity reserve	11-12.5
Additional CO <sub>2</sub> reductions by coal power industry	1.5
Additional CHP support	4
Efficiency in buildings	2.5
Efficiency in municipalities	1
Efficiency in industry	1

Efficiency in DB AG	1
Total	22m tonnes CO <sub>2</sub>

## CHP – A key principle for the *Energiewende*

The German government sees CHP as a key technology for achieving the *Energiewende* goals, with CHP projected to contribute as much as 18% towards the additional required CO<sub>2</sub> reductions.

In order to further promote the development of efficient, flexible and climate-friendly CHP, the German government has tabled the following proposals:

- The support cap for high-efficiency CHP will double, from €750 million to €1.5 billion per year.
- €500m will be allocated to replacing coal-fired CHP plants with gas-fired CHP plants.
- Temporary support for high-efficiency CHPs running on gas that are currently in difficulty, in order to prevent less efficient heat-and electricity-only solutions from prevailing.
- Support for thermal storage will be increased to enable CHP plants to react more rapidly to electricity price fluctuations.

CHP is currently supported in Germany through the CHP Law, which dates back to 2002 and was last reviewed in 2012. The CHP premium awarded to all high-efficiency CHP plants ranges from between 5.41-1.8 ct/kWh on top of the normal electricity market price. These values may be revised during this year's CHP Law review and in light of the government's renewed commitment to boosting CHP funding in the coming years.

One proposal that has raised concerns among the CHP industry in Germany is the adjustment of the CHP target to 25% cogenerated electricity in total thermal power generation rather than in total power generation, including renewable electricity production. This provision, motivated by the need to align CHP and RES policies in Germany (according to the proposal), will likely reduce the level of ambition in terms of electricity generated by CHP.

## Conclusions and Timeline

The high-level document agreed this month (July 2015) will need to go through a 'stress test' assessment followed by the adoption of legal provisions to implement it by the end of 2015, with concrete proposals on how to safeguard legal provisions in the long run emerging by November 2015.

The review of the German CHP law (KWK-G), expected by the end of this year, will contribute to the implementation of the new political agreement put forward by the German government.

## Further information

[Key points for a successful Energy Transition](#) (in German)

[Reaction by B.KWK, the German CHP Association](#) (in German)

[Entry in the German Energy Blog](#) (in English)