

6/21/2022

German Energy Crisis: Independence and the EU



Industrial facilities of PCK Raffinerie oil refinery are pictured in Schwedt/Oder, Germany, May 9, 2022. The company receives crude oil from Russia via the 'Friendship' pipeline. REUTERS/Hannibal Hanschke/File Photo

Val Hornsby
The America-Eurasia Center
US-European Program
www.eurasiacenter.org

The America-Eurasia Business Coalition

Germany Energy: Independence, Dependence, and effects on the EU



Wind turbines dot the German countryside. Photo Credit: WindEurope

It is no secret that the German economy is the largest in the European Union. Its economic influence is vast, and when it can provide economic stability, the rest of the European Union can reap the benefits of that stability across its complex and interconnected markets. This is part of the reason that the energy crisis currently ripping across the continent is such a critical problem to address. Germany's success in tackling this crisis can put the wider European Union on a path to greater security, prosperity, and geopolitical influence.

Since the Russian invasion of Ukraine on February 24, 2022, Europe has been embroiled in a refugee and energy crisis unparalleled in recent memory. The European Union has since banned Russia from the SWIFT banking system, halted exports across various industries including energy,

and made it more challenging for Russia and Belarus to do business with EU member states.¹ However, the EU has not banned oil imports from Russia outright, mostly because as of 2021 roughly 45% of all gas imports and 40% of all gas consumption in the EU comes from Russia.² As the EU grapples with the current crisis in Ukraine, alternative sources of energy imports and production are being examined. Germany may hold the answer to lead an EU free of dependence on Russian energy markets.

The German government, led by Chancellor Olaf Schulz, has made it clear that their objective is to cut Russian oil imports in half by the end of the summer and completely halt them by the end of the year.³ In order to offset those energy costs brought about by the elimination of Russian oil (which represented about 55% of Germany energy imports before the war), Germany is seeking to encourage the development of emissions-reducing renewable sources of energy such as off-shore wind. Currently, roughly 40% of Germany's power comes from renewable energy sources.⁴⁵

¹ https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/restrictive-measures-sanctions/sanctions-adopted-following-russias-military-aggression-against-ukraine_en

² <https://www.iea.org/news/how-europe-can-cut-natural-gas-imports-from-russia-significantly-within-a-year>

³ <https://www.reuters.com/business/energy/german-refineries-try-operate-without-russian-crude-2022-05-13/>

⁴ <https://www.forbes.com/sites/uhenergy/2022/03/24/a-balance-of-power-examining-germanys-post-russia-path-for-energy-sources/?sh=5c97e6a632b0>

⁵ <https://www.reuters.com/business/energy/exclusive-germany-prepares-crisis-plan-abrupt-end-russian-gas-sources-2022-05-09/>



A solar power plant with photovoltaic systems is seen near Mainburg, north-west of the Bavarian capital Munich, Germany, October 20, 2021. REUTERS/Lukas Barth/File Photo

In an effort to reduce their reliance on Russian energy, the “Easter Package” was introduced by the German government to work towards some of its long-term renewable goals at a more rapid pace. This package would seek to nearly double German renewable energy production to 80% by 2030 and focuses on growing renewable production of electricity and onshore and offshore wind energy production.⁶ Federal Minister for Economic Affairs Robert Habeck stated that “Overall, the Easter Package is creating the conditions for boosting Germany’s energy security and energy sovereignty. At the same time, it lays the foundations for Germany to become climate-neutral.”⁷

This plan will also seek to build renewable energy infrastructure that, once built, will only require maintenance or updated technology in the future, eliminating the need for expensive and burdensome retrofits.⁸ German economic security is not only important to the German government and its people, but also to the whole European Union because of the tight connections between the German economy and the EU’s single market. The Easter Package represents a rapid realization of

⁶ <https://www.enerdata.net/publications/daily-energy-news/germany-unveils-its-easter-package-accelerate-renewable-development.html>

⁷ <https://www.bmwk.de/Redaktion/EN/Pressemitteilungen/2022/04/20220406-federal-minister-robert-habeck-says-easter-package-is-accelerator-for-renewable-energy.html>

⁸ <https://www.bmwk.de/Redaktion/EN/Pressemitteilungen/2022/04/20220406-federal-minister-robert-habeck-says-easter-package-is-accelerator-for-renewable-energy.html>

Germany's renewable energy goals as well as a solid investment in the future economic security of Europe.

While Germany is making great strides towards its goal of 100% renewable energy power with the passing of this act, the issue of where the today's energy needs will come from is at the forefront of the minds of Germany's citizens and the citizens of the other EU nations. The German government has made several decisions to alleviate the current crisis, alongside their more long-term goals of renewable energy production. One of these is the switch to liquefied natural gas (LNG) in German energy and the government's signing of long-term deals with Norway and Qatar for the importation of LNG.⁹ The government has also guaranteed short-term loans to German energy companies to help offset the high costs during the energy crisis.¹⁰ These efforts have created a more suitable and sustainable path forward for Germany in responding to the current energy issues it is facing.

As the EU's largest economy, Germany will be a key leader in dealing with the current energy crisis. The combination of rapidly expanding renewable energy sources, working with individual energy companies and the public for cooperation in energy production/reduced fossil fuel consumption, and making energy agreements with EU aligned nations is a tough balancing act. However, it is one which can propel both Germany and the EU as a whole toward energy sustainability, security, and a reduced reliance on the importation of Russian energy.

⁹ <https://www.whitecase.com/publications/alert/germanys-reaction-energy-crisis>

¹⁰ <https://www.reuters.com/business/energy/exclusive-germany-prepares-crisis-plan-abrupt-end-russian-gas-sources-2022-05-09/>

