



# The next phase of the energy transition can now begin

- We are continuing to develop renewable energy so that it becomes the mainstay of our energy supply.
- We are making renewables fit for the market.
- We are making the electricity market fit for renewable energy.
- We are creating digital infrastructure for the energy transition.
- We are taking a truly European approach to the energy transition.

On 8 July 2016, a number of new pieces of legislation were adopted by the German Bundestag and the Bundesrat, marking the beginning of a new chapter in Germany's energy transition. In passing this legislation, we have succeeded in bringing the various strands of the energy transition together. Up until now, renewable energy, the electricity market, energy efficiency, the grids and digitisation have each been treated as separate elements. What we have done is to turn these all into a consistent overall framework. This is the biggest reform of the electricity market since the deregulation of the 1990s. We are continuing to integrate renewable energy into the electricity market, are creating the electricity market 2.0 – a market fit for integrating a growing share of renewables – and are enabling the development of a digital infrastructure that is capable of connecting more than 1.5 million electricity producers and large-scale consumers. Moving forward together at European level is more efficient than pursuing national strategies unilaterally. This is why our reforms are anchored in the European internal market.

The energy transition is being built upon strong legal and economic foundations. For the first time, we are also taking a European approach to the project. We set out plans to do so in the 10-Point Energy Agenda, which we drew up at the start of the current government. Having now successfully implemented these plans, the next phase of the energy transition can now begin.

## **The next phase of the energy transition: strategy and measures**

So what exactly did the German Bundestag and the Bundesrat adopt on 8 July 2016? And how does the new legislation fit into the existing strategy for the energy transition?

The key pieces of legislation adopted are the 2017 Renewable Energy Sources Act, the Act on the Further Development of the Electricity Market, and the Act on the Digitisation of the Energy Transition.

### **We are making renewable energy fit for the market**

Mandatory direct marketing was introduced when we amended the Renewable Energy Sources Act back in 2014. This means that those who generate electricity are responsible for selling it. The move from 'feeding in' to 'marketing' electricity has gone smoothly. The introduction of the 2017 Renewable Energy Sources Act brings to an end the phase of technology funding in which prices

were set by the government. We are moving over to the use of competitive auctions, meaning that the level of the fees paid for electricity generated from renewable energy is determined by auction. This ensures that future expansion will take place at competitive prices. There will be no more over-funding. The legislation also enables us to ensure that the high level of market-player diversity that has characterised the energy transition will be upheld.

The law gives the first-ever definition of a "citizens' energy company" and provides for these to participate in the auctions on simplified terms.

Auctions will be held for funding for onshore and offshore wind energy, PV energy, and biomass. Small installations are exempted from this requirement.

All of these measures will help us raise the share of renewables in electricity consumption from its current level of 33 % to 45 % by the year 2025, and will also make them more cost-effective.

### **We are making the electricity market fit for renewable energy**

Germany's power supply must remain cheap and reliable, even as the market is characterised by increasing amounts of wind and solar power. The Electricity Market Act puts the rules in place for competition between flexible supply, flexible demand, and storage. We are making sure that electricity traders live up to their responsibilities: those who sell electricity to customers must purchase an identical quantity and feed it into the grid at the same time. This will ensure that the supply stays secure. Free price formation on the wholesale electricity market will ensure that there is sufficient investment to create the capacities required. The level of capacity maintained will be that demanded by the customers – no more, but also no less.

In order to achieve our climate targets, we are placing 13 % of Germany's lignite-fired capacity on 'security stand-by', with subsequent decommissioning.

### **We are creating digital infrastructure for the energy transition**

The Act on the Digitisation of the Energy Transition marks the beginning of the smart grid, smart meter and smart home in Germany. We are using it to enable the development of a digital infrastructure that is capable of

connecting more than 1.5 million electricity producers and large-scale consumers. The Act centres on the introduction of smart meters. They will provide a secure communication platform which will make the electricity supply system fit for the energy transition.

**We are taking a truly European approach to the energy transition**

Germany is a central part of a interconnected European electricity system. It is subject to the rules of the internal market, compliance with which is monitored by the European Commission. Electricity is a product, and can be freely traded across state borders. The energy transition will only be successful if we adopt a pan-European approach to it, and if it is designed in conformity with EU law. We have ensured that our energy policies are in line with EU law, and have engaged in intensive discussions with the European Commission to ensure that this is the case.

We are in a permanent dialogue with our neighbours about how the electricity market should be developed moving forward. Indeed we are convinced that the energy transition will only be efficient if we make use of the internal market. This will allow us, for example, to combine hydropower from Scandinavia and the Alpine countries with wind power and photovoltaics in Germany.

**So where do we stand today?**

We have now implemented almost all of the points on the 10-Point Energy Agenda as planned. Now that these have been successfully implemented, the next phase of the energy transition can begin.

**The energy reforms: the key projects**

