

GREEN ENERGY: DOES THE ENVIRONMENT BENEFIT?

SEBASTIAN BATTRAM*
UNIVERSITY OF LEIPZIG.

The importance of producing energy with renewable and environmentally sustainable methods is more than just acknowledge worldwide. Since the European Union and Germany in particular is vanguard in promoting and realizing Green Energy, it makes a perfect case study to highlight likely ‘traps’ for a government when dealing with energy suppliers.

This article will bring out complexities to successfully establish the institutional and physical framework to produce green energy or energy from renewable sources in Europe in the back drop of a strong oligopolistic energy market.

Although Germany is claiming for a green-environment friendly policy making, the ground realities depict how difficult it is for the State to issue laws which would protect the health of the environment including the population and yet support the production of renewable energy. The German energy market is very tightly controlled by four major energy supplying companies. The four energy companies have traditionally been producing 90% of energy supplies with coal and nuclear plants which highly contrasts the current policy reality. In addition the four energy producing companies influence the price setting on electricity and gas in Germany.

This scenario puts forth a significant dilemma to the German State: of how to create a supply system which systematically increases the production and usage of green energy, continuing to nourish the wellbeing of its nation, without invoking turmoil in the oligopolistic energy market while still safe guarding its political ideology towards becoming nuclear free.

Germany is the first country in the world with an official agenda to change the energy supply for the whole country with a strong policy focus to reduce CO2 emission. These policies lead to rethink the ways of energy production and change the global discourse on this matter drastically. Germany is the first state to enact a law whereby the production of energy via nuclear power plant would be prohibited from 2022 onwards. These facts make the case of Germany more than interesting to study of how a strong, well functioning and structured State like Germany has to shift and re-shift its position vis-à-vis the economic might and interests of the four companies.

The energy market in Germany is divided among four major energy suppliers RWE (2010 revenue 53bn €) , Vattenfall (2010 revenue 23bn €) , EON (2010 revenue 92bn €) , EnBW (2010 revenue 17bn €) . 80% of the Germany’s electricity and gas requirements are fulfilled by the four above mentioned companies. Due to the stark dependency on the four companies, the economic power and political leverage of these actors is very intense.

Every change made in the energy policies by the German State has to be either in favour of the companies or the State must be willing and ready to accommodate protests and liabilities thrust by the companies to protect their interests and position in the market. The State seems to be trapped between good will and monetary interests. At this juncture an important question arises: Is the structure of the energy market in Germany

efficient enough to benefit the general public and safe guard the environment rather than the profits of the corporations?

In order to ease the situation, the German State attempted restructuring and opening the energy market. This move would bring in more competitors ergo decreasing the dependency on the four companies to run the country. Instead the result was a deluge of legal complaints and long discussion rounds initiated by the four companies effectively slowing down the entire policy process resulting in valuable loss of time and tax payers' money.

The article will analyze who the beneficiary is in the current structure of the energy market in Germany: the environment, the consumer, the energy suppliers or the state?

By way of conclusion, the article will propose three hypothetical scenarios to cope with the dilemma at hand. Scenario A will have a nationalized energy sector with the State as the only and main actor in the energy supply for the country. Scenario B will have a privatized energy sector with corporations running the energy production and supply. Scenario C will involve the state, the corporation and the civil society (non political, non commercial affiliations).