

## **Part 8:**

# **Electricity prices in Germany**

Electricity prices in Germany are amongst the highest in Europe. There are many reasons for this, for example a relatively high share of surcharges and taxes, but also partially due to the costs arising from the promotion of renewable energy sources. However, many customers continue to support Germany's energy transition regardless. While wholesale electricity prices on average have been in decline in recent years, surcharges, taxes, and grid fees raise the bill for Germany's private households and small businesses. Despite the high power tariffs, over 20 years after the full liberalization of the electricity market, a substantial share of electricity customers have not yet changed their electricity provider. Market observers noticed that the costs are often not even high enough for customers to look for alternatives.

### **Electricity prices will rise by 3.4% in 2020 to a record level - 31.47 Ct / kWh (11.5 TWD)**

In 2019, electricity prices passed the 30-cent mark and there is no good news for private consumers in 2020 either. Based on the available data, electricity prices are expected to rise by more than 1 cent to 31.47 cents per kWh in 2020 - an increase of 3.4% on the electricity bill -, which relates to additional costs of 36 Euros (approx. 1,200 TWD) per year for a 3-person household (with 3,500 kWh of annual consumption).

The electricity price consists of 3 components: In addition to the actual costs for generating electricity [22.4%], the consumer also pays for the transport of energy through the networks [25.1%]. Subsequent levies, duties and taxes added will form the largest chunk (52.5%) of the electricity price in 2020.

### **Electricity prices in 2020: grid charges 25.13%**

In 2020, grid charges will be the biggest cost driver for the electricity price. While nationwide, on average, the electricity transmission fees will increase by 6.5%, there are huge regional differences. The North of Germany will be burdened more than the south.

### **Electricity prices 2020: taxes and duties 52.42%**

Electricity customers must also adjust to rising taxes and duties. Based on the forecast data available from the transmission system operators, the tax burden will increase by 4.5% in the coming year.

The surcharge to promote green electricity [EEG surcharge] will increase by 5.5% in 2020. According to the operators of the large electricity networks 50Hertz, Amprion, TenneT and TransnetBW, the levy in the coming year will be 6.756 Ct/kWh. Other levies and taxes will also rise slightly.

### **Electricity prices 2020: power generation 22.44%**

The costs for electricity procurement, i.e. generation plus profit, have risen sharply since 2016 and this trend will continue in 2020: The 2019 electricity prices [ $\varnothing$  48.24 Euro / MWh] on the futures market were around 13% higher than in 2018 [43.84 Euro / MWh] and 65% higher than 2016 [ $\varnothing$  26.58 Euro / MWh].

Only prices in short-term trading [spot market] fell. However, only very small amounts of electricity are traded here, which are intended to compensate for the daily requirements in the event of shortages. In September 2018, the kilowatt hour on the spot market did cost 5.48 cents, compared to 3.58 cents in 2019, representing a decrease of 34%.

The purchasing strategies of the utilities are mostly long-term oriented, so that not every electricity provider benefits from short-term price reductions. For example, supply contracts for 2023 (the year after the German nuclear power plants will have completely shut down) are already being traded today on the electricity exchange. The kilowatt hour base load electricity will cost 5.23 cents / kWh in Sept. 2023!

Even though wholesale power prices in Germany have on average declined in recent years before picking up again in 2018, providers were reluctant to pass these price reductions on to customers.

### **Special right of termination in the event of an electricity price increase for 2020**

Consumers affected by price increases enjoy special rights: electricity providers must announce the increase in electricity prices for 2020 at the latest six weeks before the adjustment. Consumers may cancel their contracts within 14 days and look for a cheaper provider.

### **Select an electricity provider**

Customers could save money by routinely comparing prices and changing their contracts accordingly. German customers can choose from at least 1100 providers. However, there seems to be certain lethargy among German consumers. More than half stick to their long-term suppliers and existing contracts, even though cheaper options are available.

Consumers have easy access to price comparison websites and can change their provider with a few clicks online. The price differences between these can be substantial, sometimes reaching 20-30%.

### **High nominal prices acceptable for many Germans**

Together with the Danes, Germans pay the highest nominal power prices of all customers in Europe. Nevertheless, a large majority of Germans continue to support the Energiewende and consider it generally beneficial for the economy. This attitude is supported by the fact, that for many people, the financial impact of rising power prices on their budgets is not substantial, since it constitutes only a relatively small part of their disposable income and household spending.

When counted in real terms, Germany actually ranks in the mid-field compared to fellow EU states. In Bulgaria, for example, power tariffs are only one third of those in Germany. But power outages are not only much more common, Bulgarians also, on average, earn only a ninth of what people earn in Germany.

In 2015, only 2.3% of the households' disposable income was spent on electricity, similar to mid-1980s levels.

Surprisingly, many people in Germany do not even know how much they actually spend on electricity at all. In a survey conducted in 2017, 92% of respondents said power consumption was an important consideration when buying new household appliances. At the same time, almost half (49%) of respondents said that they did not know their annual power consumption, and 37% had no idea how much they paid for it.

### **Total household energy costs down**

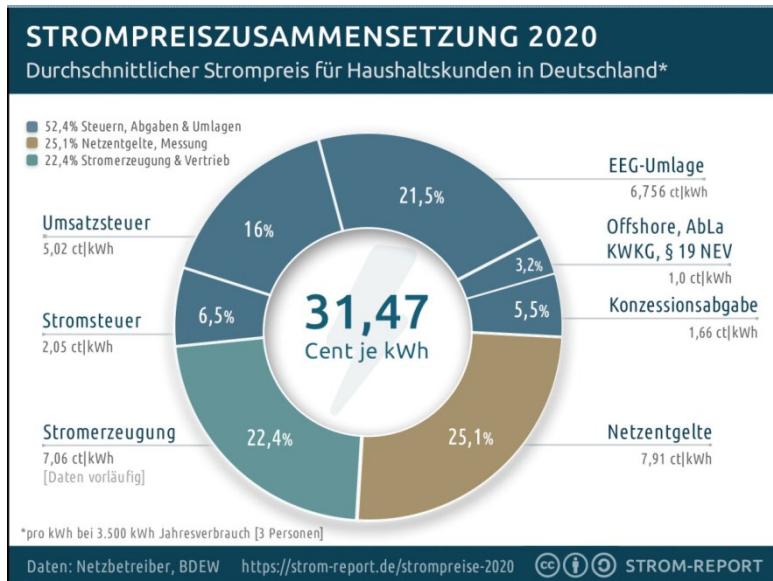
The German Ministry for Economic Affairs and Energy (BMWi) says that energy costs, which include heating, electricity, and petrol, stood at 232 euros per month for the average German household in 2017, down from 262 euros in 2013. The latest figure corresponds to 6.4% of total household expenditures. Petrol and other fuels accounted for the biggest share, followed by heating. Energy costs ranked third.

Apart from switching providers, efficient use is another way for people to save money on their power bills. In Germany, industries as well as private consumers have adopted energy saving strategies, like buying energy-efficient appliances or switching to low-energy light bulbs. Over the past 20 years, German households have reduced their energy consumption by 10%, while the respective rate in the United States increased by 20%. In 2014, an average German household used less than a third of the power of its US equivalent, and also less than an average household in other major industrialised countries in Europe, such as France, Britain, or Spain.

### **The electricity bill for the industry:**

With numerous exemptions for industrial consumers (for example exemption from grid fees) the industrial energy tariffs are artificially kept lower. The argument brought forward by industrial associations is to keep energy intensive industries competitive on a global level especially as the industry is already burdened with carbon pricing due to the European Union Emission Certificate Trading Scheme. At the same time energy costs are often not the most important factor on investment decisions.

At the meantime, the government needs to make sure that industries are not paying too little for electricity to a point that they might care too little about energy efficiency.



### Further Reading:

Strompreise steigen 2020 um 3,4% – neuer Rekord erwartet

(nur in deutscher Sprache)

<https://strom-report.de/strompreise-2020/>

**What German households pay for power, (Clean Energy Wire) 01.04.2019**

<https://www.cleanenergywire.org/factsheets/what-german-households-pay-power>

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