

# How Germany Is Coping without Russian Gas (November 2, 2022)

## Abstract

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The Russian invasion of Ukraine in February 2022 forced Germany to reconsider its close economic ties with Russia and in particular its high energy dependence on Russian gas. The Nord Stream II pipeline project would have further increased this reliance but was stopped from going into operation after Russia's attack on Ukraine. As part of the economic sanctions on Russia which were imposed by the USA, the European Union, and other western democracies, Germany had to substantially adjust its energy policy. This article describes the effects for both consumers whose energy costs soared and energy-intensive industries who had to find new energy sources to compensate for the loss of cheap Russian gas.

## Source

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### How Germany is Coping without Russian Gas

Between price caps, a fossil fuel fallback and voluntary rationing, Germany hopes to get by without Russian gas this winter. But industrial players could start eyeing cheaper locations abroad.

"We heat with gas. And of course that's a huge concern for us."

Sonja Bade runs a bed-and-breakfast in the coastal town of Lubmin, Germany. With her husband and five children, she lives and works in the charming, 115-year-old house just a few blocks from the Baltic seashore. But with winter starting to set in, she's worried.

"With or without the bed-and-breakfast, I can't afford to keep this house if gas prices triple or quadruple. I just can't," she said, sitting with DW in the breakfast room late one evening. "And nobody can tell me that anyone else could either."

She's also afraid that rising energy costs will keep tourists away. One guest has already canceled, saying he's worried about his own energy bill.

### Botched energy policy

It's a bad omen for tourism, a key industry in Lubmin. But the same coastal conditions that make it a popular beach destination also made it the ideal endpoint for the Nord Stream Baltic Sea pipelines from Russia. Nord Stream 1 (NS1) had been one of Europe's main gas supply routes, delivering the bloc 55 billion cubic meters (bcm) of gas from Russia via Lubmin in 2021, or 45% of EU gas imports. In Germany, over half of natural gas consumed was Russian.

Then, in August, Russian state-owned energy giant Gazprom ceased flows through the pipeline, amid tension with the EU over the war in Ukraine. Nord Stream 2 (NS2), a second pipeline running parallel to NS1, was completed in 2021, but never went into operation as a consequence of Russia's invasion.

"The goal was not to sink a billion-euro project into the Baltic Sea," Falco Beitz, a Social Democrat (SPD) in the state parliament of Mecklenburg-Western Pomerania, where Lubmin is located, told DW.

Standing under a blue sky at the Lubmin marina, across a small channel from the Nord Stream facilities, Beitz explains how Russia's war in Ukraine had changed views on the federal government's energy

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policy. “Since February 24, naturally there's a different perspective,” Beitz said, speaking of the day Russia invaded Ukraine. “There is a before and an after. From today's perspective, [NS2] was not the right strategy.”

### **Heating costs skyrocket**

To fill the gap left by Russia, Germany has had to buy gas and other energy alternatives on the expensive spot market. This has led to higher prices for consumers. Today an annual gas contract for a German household costs 173% more than it did a year ago, according to energy price portal Check24. That's €3,726 (\$3,702.15) for an average annual consumption of 20,000 kilowatt-hours (kWh), compared to €1,365.

“Russia is effectively waging a gas war against Europe,” Beitz said. “And we need to look around for alternative ways to solve the current problem.”

Germany has been looking high and low for solutions. In October, the federal government cut taxes on gas and passed a €200 billion energy relief package. This week (Oct 31), a commission of economic experts released a report endorsing a gas price cap for consumers. The measure could save an average household around €1,056 per year. Berlin is expected to pass many of the commission's proposals.

### **Fears of industry exit**

The group also proposed a price cap for large industrial players but said it should be tied to the condition that existing production remain in Germany. With cheap Russian gas now a relic of the past, there are concerns that companies could relocate energy-intensive production to lower-cost countries.

Around 44% of the final energy consumed in Germany is for nonresidential purposes — that includes industry and trade. According to Germany's environment ministry, roughly two-thirds of this final energy is needed in the form of heat. Gas accounts for over a quarter of this energy. Renewables make up just 3%.

### **Fossil fuel renaissance?**

While a new report from the International Energy Agency says Russia's war has “turbo-charged” the global shift away from fossil fuels, which include natural gas, Germany's short-term approach has been a mixed bag. Old coal plants have been brought back on the grid because of the energy crisis, and the New Year deadline to shutter the country's last three nuclear power plants was extended into 2023. Nuclear energy is labeled “green” under the EU's energy taxonomy, but Germans are notoriously averse to nuclear due to the fear of accidents as well as the contentious issue of where to store nuclear waste.

Meanwhile, the loss of Russian gas has launched the rapid development of at least five liquefied natural gas (LNG) terminals in Germany, including in Lubmin. But critics say building out on LNG infrastructure is misguided when Germany needs to reduce its use of fossil fuels to meet its carbon emissions targets.

### **Turn down the heat**

Germany's gas storage facilities are full for now, which can get the country by for the next two to three months, according to the Federal Network Agency (BNA), which manages Germany's energy grid. But German winters can last much longer than that.

“It can still get really cold in February and March, even into April,” BNA spokesman Fiete Wulff told DW. “And you have to know Germany is much more dependent on gas for home heating than many other countries, so the temperature plays a very key role.”

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So even with the scramble to find alternative supplies, to avoid federally mandated rationing, Germans will have to turn the heat down.

“If we can get the gas consumption in Germany down substantially this winter,” said Wulff, “we say at least 20%, then there is a good chance that we will get through the winter.”

Source: Kristie Pladson and Neil King, “How Germany is Coping without Russian Gas,” DW.com, November 2, 2022.

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