

Press Release

Cheap Heating Oil, Pricy Electricity: Current Levies and Surcharges Hamper Clean Energy Transition

A baseline study by Agora Energiewende has found a large energy price imbalance that favours energy harmful to the environment. Reforming the present system of levies and surcharges is the next major step in the climate friendly restructuring of the energy system.

Berlin, 10 April 2017 – The extra charges that Germany tacks on energy prices vary greatly by energy type. The taxes, levies, fees and surcharges per kilowatt hour are 0.6 cent for heating oil, 2.2 cents for natural gas, 4.7 cents for diesel, 7.3 cents for gasoline and 18.7 cents for electricity. The extra charges per kilowatt hour of electricity are more than 30 times higher than the taxes levied on heating oil. Paradoxically, as the share of energy from renewables continues to rise, levies and surcharges have gone up as well, which means that the cleaner electricity gets, the more expensive it becomes. By contrast, fuels like petrol, diesel, and natural gas, harm the environment, yet have remained affordable.

“This imbalance arose unintentionally over the past 15 years, but it cannot continue. For it punishes climate friendly energy use and rewards behaviour that harms the environment,” explains Patrick Graichen, the director of Agora Energiewende. “In a country that has espoused the cause of a cost-efficient clean energy transition, we should be doing the exact opposite. The prices should tax the use of CO₂, whose emissions damage the environment. The system of energy levies and surcharges urgently needs to be turned on its head. This will be a central task of climate protection for the next administration.”

Agora Energiewende commissioned a detailed baseline study of energy levies and surcharges and based on the findings submitted an overview of reform options to ensure that the system promotes, rather than hampers, climate protection. “This is also a prerequisite for energy sector coupling, the merging of electricity, heating, and transportation,” Graichen notes. “If the levies and surcharges on electricity, heating, and transportation remain out of adjustment in the long term, then the comprehensive transition to clean energy will not succeed.”

Among the reform options proposed by Agora Energiewende was shifting part of the renewable energies levy (EEG surcharge) to the federal budget or to a separate fund. The idea is to lighten the load that electricity consumers shoulder for the technology development of photovoltaics and offshore wind power and for EEG industry exceptions.

Another option is to raise taxes on heating oil, natural gas and fuels based on how much they contribute to global warming. Currently, German prices for heating oil, natural gas, diesel and petrol are cheaper than the European average and considerably more affordable than five years ago. “While the clean energy transition for electricity was funded in past

years using EEG and CHP surcharges and higher network fees, the effects of the early 2000s environmental tax reforms on heating oil, natural gas, petrol and diesel have completely gone up in smoke," Graichen says.

The system of levies and surcharges does not only handle energy sources unevenly; it makes it more difficult to achieve the best possible balance of supply and demand. Because the sum of levies and surcharges on the consumer electricity price far exceeds the wholesale price on the power exchange, there is no incentive for users to increase electricity demand in times of low or even negative electricity prices. But Graichen says that this is exactly what is necessary in an electricity system with much wind and solar power. "Flexible users should be able to respond to fluctuating prices on the power exchange." One solution is to vary levies and surcharges based on the power exchange price, ensuring that the price signals that arrive with electricity users are clearer.

"The study shows that the restructuring of energy levies and surcharges is a complicated task. It has the potential to be the next major step in the clean energy transition," Graichen emphasizes. "We must face the challenges head-on because the imbalance could become so large so that it's no longer possible to imagine a climate friendly restructuring of the energy system."

The baseline study was completed by Agora Energiewende in cooperation with E-Bridge consultants, the Centre for European Economic Research (ZEW) and TU Clausthal. The study is available for download free of charge at www.agora-energiewende.org.

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