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GREEN PRICING IN GERMANY: WAITING FOR TAKE-OFF

At the end of 1996, about ten companies were involved in marketing green power in Germany. By July 1999, the Association of German Electricity Utilities (VDEW) counted close to 50. A few months later the total is certain to be higher, as month after month new green energy products and services are launched into the headlines.

Since the official opening of the electricity market to competition in April 1998, every type of power utility – large, medium-sized and municipal – has tried to improve its image by fostering renewable energy options through voluntary extra payments from its customers. Green electricity has in fact been one of the first products to be marketed in the newly liberalised market. As one representative of a German utility explains: "Any business which wants to be successful in selling electricity to its customers has to offer 'green' electricity products. The lack of such an offer is an unacceptable risk (in terms of losing customers) compared to the small expenditure required." Many municipal utilities regard the supply of environmentally friendly services as an important pillar in their competitive survival. The ASEW – an umbrella organisation of about 200 municipal utilities – has even created the trademark “energreen”, under which its member companies can pool and sell their green power offers.

The number of companies operating a green electricity product may sound promising. Green pricing has not, however, turned into a success story so far. The known participation rates - customers signing up in relation to a company’s total customers - are mostly below 0.1 %. By far the highest participation rate at the moment is 0.6 %. Expressed as a share of overall electricity generation, the average percentage is even lower; consumers often choose to cover only a fraction of their total power consumption with 'green' kilowatt hours.

Against this, the business is still in an early stage of development, and only a few of the green power programmes have been on the market for more than two years. Moreover, marketing activity has often been small once the trademark has first been introduced. The (added) environmental benefit of several of the products has also been questioned, with a lack of information and transparency for potential consumers. Maybe even more importantly, the rules on access to the grid and transmission and distribution charges which have been applied since the formal opening of the German market have so far hindered true competition. However, a new 'association agreement' on these issues, expected to come into force next year, should make residential customer switching and nationwide marketing of green power much easier. A final conclusion on the performance of the voluntary market for green electricity cannot therefore yet be drawn.

The majority of companies have been selling green power for an extra charge of about eight pfennigs per kilowatt hour. But the range is huge - from 1 pf/kWh up to as high as 2 DM/kWh for offers based on photovoltaics (PV). Brands which have recently entered the market are usually based on a mix of energy sources, including wind, biomass, hydro and, nearly always, a certain percentage of PV. The latter plays a particularly strong role in the 'voluntary' German market.

The VDEW estimates that about 27,000 German households are taking advantage of green offers. On the other hand, non-residential demand has been very low. An exception is the pro-

gramme from the (up to now) largest German utility, RWE, which has about 30 commercial and industrial customers in addition to 15,000 households, although not all taking their entire demand from a green source. Other companies report more and more inquiries from businesses.

Many green power products include commitments to new renewable energy generation. In terms of new capacity, RWE and Bayernwerk, another major player in Germany, have been among the best. Bayernwerk supports 19 solar and 12 biogas installations under its green power programme; RWE has built 26 PV, three wind power and two hydropower plants.

Besides the 'old' electricity utilities, about 15 newcomers with various backgrounds have entered the green power market, several of them from the start of liberalisation. These are companies with an exclusive focus on green energy, some of them with generation capacities of their own, others only trading and marketing green electricity.

Given ongoing concerns about the credibility and environmental value of some green power products, customer information and environmental certification plays an important role in Germany. There are several initiatives to certify energy as green, although with differing objectives and clients. The Grüne-Strom-Label, for example, excludes companies which also operate nuclear power plants. The label of the German TÜV (Technical Monitoring Institute) certifies electricity from renewable energy whether or not it has received support under the Electricity Feed Law, whereas the scheme proposed by the Öko-Institut makes a distinction between old and new plants. Moreover, the German Environmental Protection Agency (UBA) is working on a proposal for including green electricity in its Blue Angel label. It is unclear which of the green labels will gain most acceptance in the end.

It will clearly take time for the green market to mature. However, it must be emphasised that a voluntary green power market cannot replace a regulatory framework which takes account of the environmental costs caused by existing energy systems and for which all polluters have to pay.

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