

Germany

83%

expect electrifying their operations would lower their energy bills

High energy prices, coupled with growing energy insecurity, mean business leaders increasingly want an economy powered by clean electricity rather than by volatile fossil fuel imports

What Business Needs

Greater investment in renewables production and grid capacity would help reverse the view among 71% of executives that the power system is falling behind industry needs.

(e.g. by encouraging uptake of heat pumps in buildings and electric vehicles).

Policy Context

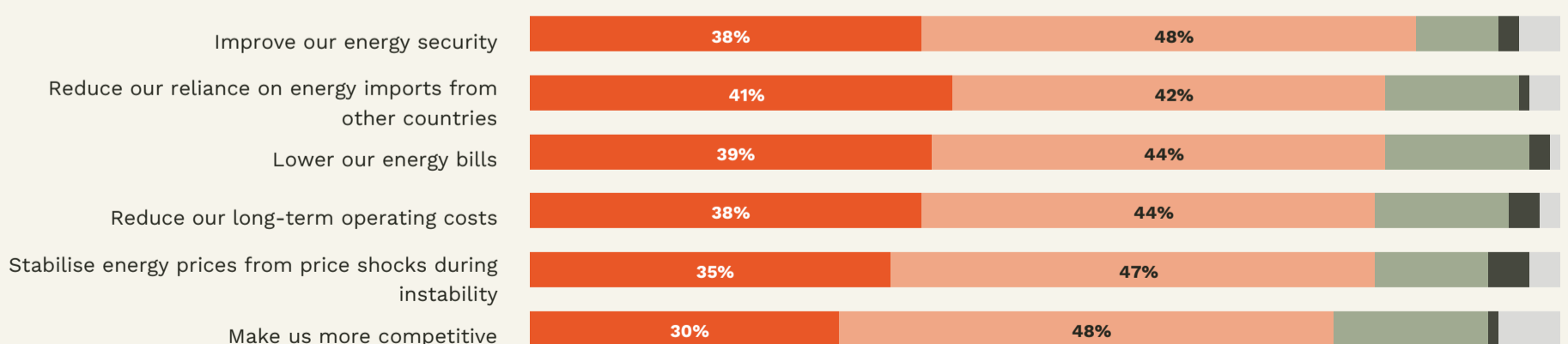
Germany's formal policy commitment is to have a climate-neutral energy system by 2045, but the pathway for clean electrification is contested. On the one hand, the government is looking to scale the country's renewable power build-out (particularly in the onshore wind sector), while also stimulating demand

On the other hand, it continues to see natural gas as an important bridging tool while coal is being phased out, in addition to it being a longer-term option for industry and power when combined with carbon capture and storage.

This ongoing reliance on gas exposes the country to import-related energy shocks. Within the business community, this is driving a desire for greater energy stability, which, in turn, is building support for clean electrification.

German business leaders see electrification as the route to secure, affordable energy

Definitely Probably Probably not Definitely not Don't know



Thinking about your business switching from fossil fuel-powered equipment to electric alternatives, to what extent do you think this would do the following?

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Business Viewpoints

In fact, the majority of executives say that switching their equipment to electricity would not just stabilise their energy supply but actually bring down their energy bills (83%) and reduce their operating costs (82%) over time.

The pace of large-scale electrification is seen as too slow, however, both as regards the integration of renewable energy and the expansion of the grid. In fact, 70% of executives now say Germany risks falling behind in the race to an electric future, while 71% warn that the country's power system is falling behind business demand. This sluggish pace comes down to system cost concerns, inconsistent political support and frequently changing regulatory conditions, among other factors. Hence, many businesses point to structural barriers as a drag on electrification. In particular, the poll flags permitting delays and unpredictability as notable blockers, along with low investment in the grid. Executives' list of preferred policy solutions is similarly broad. Faster planning approval and grid connection are cited especially frequently, for example, with nearly one third (32%) identifying these from a selection of possible policy options. The expansion and digitalisation of the grid (39%) elicit an even more popular response.

While business support for electrification is strong, electricity as a proportion of total final energy consumption has remained static for the last two decades, averaging around 20%.¹ This is in part due to the unfavourable electricity-gas price ratio at a project level. While recent energy crises have helped change this calculus, current electricity prices are still seen as high and thus a deterrent to investment. For this reason, lowering of electricity costs ranks as the preferred policy option picked out most often by business leaders (45%).

On a more positive note, however, most (78%) business leaders agree that electrification would increase their company's competitiveness. This belief is influenced by electricity's perceived deflationary impact on energy bills; an outcome that 42% of senior executives identify as a top benefit of switching to electricity—nine percentage points higher than the average for the 18 markets surveyed. Realising these benefits will depend on continued expansion of renewable generation and grid infrastructure to ensure that clean electricity can be delivered at scale and at competitive prices. Any rise in demand will also be contingent on policy remaining stable in the future, with most (66%) executives saying that frequent changes to policies and incentives deter long-term investment.



¹ <https://yearbook.enerdata.net/electricity/share-electricity-final-consumption.html>