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Energy

End of Dutch Gas Supply Complicates German Environment Goals



By Jabeen Bhatti

A comprehensive supply shift in Germany's natural gas sector could complicate the nation's goal of a green-energy transition and foster reliance on Russian gas just as European Union member states seek greater energy independence from their powerful eastern neighbor, analysts told Bloomberg BNA.

Dutch gas giant Gasunie is preparing to slow supplies of inefficient, low-calorific natural gas (L-gas) to Germany's northwest by 2020, and to cut off supplies entirely by 2030.

So gas connections for some 5 million German households must be reoutfitted for high-calorific gas (H-gas)—a more energy-efficient natural gas from Russia and Norway, already standard throughout the rest of the nation—before the Dutch supply is tapped out, according to information provided to Bloomberg BNA from the German Technical and Scientific Association for Gas and Water.

'Stranded Investments'

While some analysts view this huge undertaking as a necessity given current market demands, others fear that continued investment in natural gas infrastructure undermines the goals of Germany's green-energy transition, known locally as the Energiewende.

"On the one hand, the energy transition is going in the right direction with the expansion of renewables and the approach to energy conservation," Claudia Kemfert, head of the Department for Energy, Transportation and the Environment at the German Institute for Economic Research in Berlin, told Bloomberg BNA.

"But the consequences of current investments in natural gas, given that we'll have less in the future, aren't being considered enough," she added. "Because the need for gas is decreasing rather than increasing, I see these moves as stranded investments for the energy transition."

Natural Gas From Russia

In 2010, Germany vowed to halve its energy consumption by 2050, depart from nuclear energy altogether and phase out fossil fuels, replacing them with at least 80 percent of renewable energy sources in the mix. Germany also aims to decrease greenhouse gas emissions by 80 to 95 percent by 2050 as compared to 1990 levels.

But natural gas still accounts for almost 23 percent of Germany's total energy consumption, according to figures from the German Ministry for Economic Affairs and Energy. And Germany imports 93 percent of its natural gas.

As of 2015, L-gas from the Netherlands constituted about 29 percent of German imports of natural gas, while H-gas from Russia made up 40 percent, and H-gas from Norway another 22 percent, according to the German Association of Gas and Water Industries.

'Two Separate Energy Models'

If Germany is successful in halving its total energy consumption by 2050, natural gas will still continue to account for roughly 22 percent of all energy used in Germany, according to projections from the Fraunhofer Institute, a research society.

As such, the current reoutfitting is a necessary move to modernize a large chunk of Germany's energy market, Karen Smith Stegen, a professor of political science at Jacobs University in Bremen, whose work focuses on European energy policy, told Bloomberg BNA.

"Gasunie has announced that by 2020 everything will be slowed down—between now and four years from now, this supply is not going to be supplanted by wind energy or something like that," she said. "So it's actually a necessity that they make this transition."

But some view re-outfitting as a cause for concern.

Snapshot

- Some 5 million more German homes expected to be fitted to take Russia's high-quality natural gas
- Environmental groups question investment as country talks about moving away from fossil fuels

"It contradicts the ambitions of the energy transition that we're building expensive pipelines and reoutfitting 5 million households for H-gas—these aren't the activities that we need to set ourselves up for the energy transition," Kemfert said. "We keep trying to develop two separate energy models side by side, but at some point that won't work any longer."

Nord Stream 2

The construction of the Nord Stream 2, a 1,200 kilometer-long (745 mile-long) natural gas pipeline connecting the German energy grid with Russian H-gas supplies in the Baltics, could expose Germany's energy supply to geopolitical issues, said Kemfert.

"The energy situation with Russia has gone fairly well up to this point, but we have to prepare ourselves for the chance that it could become more difficult as ongoing conflicts throughout the world persist," said Kemfert.

The European Union—of which Germany is the most economically powerful member—is embroiled in a dispute with Russia, pressuring the country with economic sanctions to quit its meddling in the conflict in eastern Ukraine.

And Russia has a history of manipulating gas supplies and prices in former Eastern Bloc states under the guise of its suppliers having technical issues, Smith Stegen told Bloomberg BNA.

'Great Strides'

"If the Russians decide to cut that off for supposed technical reasons, that's still going to hurt," said Smith Stegen. "A significant reduction will have an effect, regardless of how good your energy conservation or energy efficiency is."

An open European energy market in the future might curtail the prospects of increased Russian influence by allowing bloc members to make up for energy deficiencies on their own. But that's still a long way off.

"The European Union has made great strides, more than anyone would think, in achieving a unified energy market, but it's not going to happen tomorrow," said Smith Stegen. "So right now, Germany would be affected—Russia's reach is getting longer and more intensive with the Dutch gas supply going down."

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