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## Russia and the German *Energiewende* – Is there a connection?

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## Russia and the German *Energiewende* – Is there a connection?

Bonn, 27 March 2014. Following the Russian incorporation of the Crimea in violation of international law the West has imposed sanctions on the Russian banking sector as well as on Russian and Ukrainian individuals with close contacts to the Putin regime. In spite of these somewhat symbolic sanctions, the first effects are already apparent: capital is flowing out of Russia and planned European investments in the country are being put on hold.

It remains to be seen to what extent the Europeans are willing to also impose economic sanctions on Russia. There is considerable concern that further sanctions could inflict major harm on the countries' own economies. Because if Europe imposes economic sanctions, Putin will respond in kind – to the detriment of both sides.

However, Russia has more to lose, as its exports are based primarily on the country's rich raw materials. These are not only primary energy sources such as crude oil, natural gas and coal, but also significant portions of the worldwide stocks of lead, iron, gold, cobalt, copper, nickel, zinc, tin and metals of the platinum group. This list underscores the dilemma facing the Russian export sector. The major reliance on raw materials rapidly leads to losses, as was the case most recently in 2008 as a result of the financial and economic crisis. Russia cannot afford to interrupt energy exports to Europe. Although there is great demand for energy in Asia in particular, Russia does not (yet) have the infrastructure to divert its energy exports to the emerging Asian economies.

Economic harm would be caused to the global economy as a whole, and with it the developing and emerging countries, as the mutual economic dependencies are considerably greater now than in the era of the Iron Curtain. The world economy is still in a difficult position following the financial crisis: the crisis in the Euro zone has not yet been overcome, the emerging countries are facing difficult structural problems and the global economy requires stability and co-ordinated action on the part of the major nations. Serious conflicts such as the current one between Russia and the West result in the newly-established multipolar system – e.g. the G20 – being at risk of tottering.

But just how close are the economic ties between Russia and Germany or Europe? In 2013 German exports to Russia, primarily technology and consumer goods, amounted to 36.1 billion Euro. Imports from Russia stood at 40.4 billion Euro, largely consisting of raw materials. Russia was Germany's most important supplier of fossil energies, account-

ing for 38 % of natural gas supplies (an upwards tendency), some 35 % of crude oil imports (sinking tendency) and 27 % of coal imports (increasing tendency). For Europe as a whole the figures (for 2011) appear at first glance to be less dramatic – around 35 % of oil imports and 30 % of gas imports originated in Russia. However, eastern Europeans in particular are dependent on supplies of Russian crude oil and gas.

What, then, is the significance of European economic sanctions on Russia in view of this energy dependency?

Following the nuclear disaster of Fukushima Germany proclaimed the energy transition, or in German, the *Energiewende* – away from nuclear energy and in the direction of renewable energy sources and energy efficiency. As a result of rising electricity prices the federal government is currently focusing on reforming the Renewable Energy Sources Act (EEG), with the goal of slowing the expansion of renewables. However, the *Energiewende* is not a mere "electricity transition", it also covers the fields of heating and mobility.

Space heating, industrial process heating and transport are dominated by fossil fuels. As a consequence, there is major – as yet untapped – potential for increasing energy efficiency and expanding the use of renewable energy sources. Instead of slowing the energy transition down it should be accelerated and extended to the rest of Europe.

At the EU-US summit in Brussels on 26 March 2014 U.S. President Barack Obama urged Europeans to become less dependent on energy imports from Russia. He recommends that Europeans, too, turn to fracking, a controversial process of extracting natural gas. However, the purpose of the *Energiewende* is not to replace fossil energy imports with an expansion in local fossil fuel production, or to generally become less dependent on energy imports. Rather, it concerns the transformation of our energy system to a low-carbon economy.

As many developing and emerging countries are also dependent on fossil fuel imports, the experience that Germany is acquiring via the energy transition serves as an international role model. If Germany successfully achieves the energy transition and shows that competitiveness, employment and climate protection can all be achieved at the same time, then this model will be copied, including in many developing and emerging countries. It is for this reason that the German *Energiewende* is of such significance to development policy.