Challenges in energy and climate policy: Market vs. regulation

In September 2019, on the occasion of the German federal government’s climate cabinet meeting, the AmCham Germany Energy & Climate Committee published a position paper summarizing its recommendations for effective energy and climate policy.

The Energy & Climate Committee, chaired by Dr. Birgit Ortlieb and Ursula Menhart, is the voice of AmCham Germany’s members in the energy sector and represents energy producers and consumers as well as component suppliers. The committee monitors legislative developments in energy and climate policy in Germany and the EU as well as in the US and is actively involved in related political debates.

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While recognizing the urgent need for impactful actions toward a low-carbon economy, the committee points out in their work the importance of predictability and reliability in the process of adjusting regulatory frameworks.

While the German federal government’s efforts are important, regulation — such as carbon pricing — on a national level can only be the first step: Truly effective climate protection is a global task that has to be addressed at least at the G20 level. This is crucial not only because nearly 80% of global CO$_2$ emissions are produced outside the EU, but also because “only a global CO$_2$-pricing regime creates a level playing field that provides comparable production conditions and guarantees international competitiveness for all market participants,” remarked Dr. Birgit Ortlieb, Director, Government Affairs, Germany, at Dow Germany Inc., under whose direction the position paper was drafted. “Companies need global solutions when competing internationally and we should see that as a chance to protect the environment,” continued Ortlieb.

Many companies have already committed to the ambitious goals set out in the Paris Climate Accord. Numerous AmCham Germany members have contributed to the path to decarbonization by developing and implementing innovative low-carbon and energy-efficient products and technologies. As more businesses develop low-carbon strategies, supportive government policies can act in tandem to enhance positive effects, unlock economic opportunities and maintain international competitiveness.

Among the key variables for most industry decisions to select or invest in a location, the security of energy supply as well as competitive energy prices are at the highest level of concern. As the transformation of the German energy system is facing major challenges with the imminent phase-out of nuclear power and coal as well as the transition to renewable energies, the committee’s position calls for swift implementation of market-based incentives for investments in order to enter the second phase of Germany’s energy transition. In the current situation and in the context of a secure energy supply, the German gas market also plays an important role and AmCham Germany welcomes all efforts aimed at diversifying supply sources.

To make the process of building a low-carbon economy a success, it is essential for policymakers to keep an open mind and to allow innovative products — such as battery technologies, synthetic fuels and gas as well as hydrogen — to compete in the (global) marketplace.