

„Green Electricity at Affordable Prices: The Bigger Energy Crunch”

By Martin Babilas

The British author William McFee once said: “The world belongs to the Enthusiast who keeps cool.” In the face of the debate about gas shortages, which is understandable but also dominated by alarmism and crisis rhetoric, this is all the more true as we may be overlooking the more serious challenge: sufficient affordable electricity for industry. Because the latter is in the midst of the biggest structural change in over 100 years – the transformation to a carbon-neutral world.

Climate neutrality: The project of the century

It is true that Germany will face a significant gas shortage and substantially higher costs over the next 18 months. This jeopardizes the existence of many companies. But as soon as sufficient LNG supply capacities are available, the acute gas crisis could be largely under control, from around the spring of 2025.

More serious for the economy, however, is the lack of a competitively priced electricity supply, if the pace of expansion of renewable generation capacity remains far too slow. The German government seems to be hearing this call now, but the latest measures will not be enough. According to the German Chemical Industry Association (VCI), the annual electricity demand of the country’s chemical industry alone, on the road to greenhouse gas neutrality by 2050, will increase to more than eleven times that of 2018, from 54 TWh to 628 TWh.

Although the chemical industry’s share of total electricity consumption in Germany is still quite low at 10.5%, with around 500,000 employees and in terms of sales it is the third largest industry sector.

Even more important is the fact that chemistry provides basic materials – in the case of specialty chemicals, innovative solutions - for almost all industrial manufacture. We all use these products every day – from solvent-free additives in wall paints, to shimmering metallic effects, to PVC-free closures for baby food, or electric cars that run longer thanks to intelligent insulating materials.

Ensuring that this key industry has a sufficient electricity supply in the long term is crucial: if we do not secure it now, we will experience an energy crunch in five to ten years that could push our society back even more massively than the current crisis. If a solution is not found, we will see de-industrialization in Germany. Not to mention the social failure on the way to climate neutrality.

Avoiding the de-industrialization of Germany

Germany is in a quandary: Industrial production accounts for around 23 % of the overall economy – we are more dependent than other countries on traditional

industry and at the same time, as an export nation, on competitiveness. A recent study conducted by Deutsche Bank shows that high energy prices could mean a decline in manufacturing output of 2.5 % in 2022 and 5 % in 2023.

We therefore need sustainable, but promptly effective solutions for affordable green electricity. This is what politics and business must shape. Even in the crisis.

First, we need to invest massively in renewable energy sources. Policymakers should support industry on this path and create the framework for sufficient green electricity now - at internationally competitive prices, around 4 cents / KWh, and coordinated across the EU, ideally uniformly. This also includes the grid infrastructure.

Renewable energies must be promoted even more strongly and quickly, and news processes must be massively accelerated by means of public subsidies. This is a challenge for politics; we need more efficient approval, especially for CO₂-relevant technologies.

On the other hand, industry must – in addition to using resources more efficiently – tackle its on-site electricity generation more vigorously; if necessary with government (co)support.

I know from my own experience how challenging the transformation to carbon neutrality is: ALTANA AG has set itself the goal of becoming CO₂ neutral by 2025 – at 48 production and 5 service and research sites in more than 20 countries. By the end of 2021, we were able to reduce our carbon footprint by 70% compared to 2014 – not least thanks to the conversion of global electricity procurement to renewable sources. This is part of our social responsibility.

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