National implementation of energy management systems through tax reductions

Country: Germany
Level: National
Topics addressed: Public Policy, Legislation

Summary:
The objective of the case study is to demonstrate how the international standard ISO 50001 “Energy Management systems – Requirements with guidance for use” has been used by the German government to improve energy efficiency in the economic sector. This objective was part of a new energy concept aiming at reducing energy consumption, improving energy efficiency and, overall, shifting from fossil to renewable energy sources.

The nuclear catastrophe in Fukushima in 2011 lead to a radical change in Germany’s energy policy. Within a few months the government decided to phase out nuclear power by 2022. As a result, major parts of the energy production sector were to be shifted to renewables whilst at the same time the government pushed for far-reaching efforts to reduce energy consumption and improve energy efficiency in the economic, transport and private sector. This case study focusses on an approach to increase energy efficiency in companies with particularly high electricity consumption by granting tax reductions on the condition that they implement an energy management system.

Background:
In 2010, the federal government (at the time run by a coalition of the conservative CDU/CSU and the liberal FDP) introduced an energy concept that would formulate scenario-related guidelines for a clean, reliable and affordable energy supply. Its goal was to transform the German energy sector towards renewable energy sources whilst ensuring that energy remained affordable and jobs in the sector were secured in the long term. Since then, the concept has been repeatedly revised and further developed in the Renewable Energy Sources Act (EEG). The Act includes an EEG surcharge collected with the electricity rate in order to finance the expansion of renewables, enabling them to become one of the mainstays of Germany’s power supply.

Strategy:
One major issue in reducing the overall energy consumption in Germany was getting the economic sector to take action with regards to energy efficiency and energy saving.

The legislator has therefore included a clause in the Renewable Energy Sources Act which allows energy-intensive companies to enjoy a tax reduction on the EEG surcharge when proving that they have implemented an energy management system in accordance to ISO 50001.
Results and Impact:
The price of electricity is a major factor in the level of competitiveness of energy-intensive industries facing international competition. Establishing the legal possibility to save money on the EEG surcharge has emphasized the importance of the government’s goal to increase energy efficiency. ISO 50001 has become an important tool in achieving this goal. As a result, more companies have implemented an energy management system in accordance to ISO 50001.

Challenges and lessons learned:
The implementation of the regulation causes additional red tape for the companies involved. They have to file an application for the tax reduction with the Federal Office of Economics and Export Control (BAFA). This cannot be avoided if tax reduction is desired.

On the positive side, the principle of granting tax reductions in exchange for implementing an energy management system has raised awareness for energy efficiency and energy saving within the economy. According to an ISO survey there were around 23,000 valid certificates worldwide according to ISO 50001 in 2017, approximately one third of these existed in Germany.

Potential for Replication:
The effects of climate change have raised awareness all over the world for the need to reduce energy consumption, especially from fossil energy sources. Offering companies tax benefits to implement measures of energy saving and efficiently is thus a useful and successful tool to ensure the economy’s involvement in these efforts. We therefore feel positive that the approach can be replicated in other countries.

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