

I. THE ENERGY ZEITENWENDE: GERMANY'S SUCCESSFUL SEPARATION FROM RUSSIA

The energy sector, in particular the gas sector, is one of the areas of German state policy in which the energy crisis caused by the Russian invasion of Ukraine and Chancellor Olaf Scholz's *Zeitenwende* policy have brought about lasting systemic change. The Kremlin's actions were intended to increase chaos in the European energy sector, and some of them were aimed directly at Germany. But in the end they have served only to reveal the failure of the concept of a multifaceted energy alliance between Germany and Russia which Berlin had promoted over previous years. The German political and economic elites were forced to fact-check and debunk all the main myths on which this policy was based, and to initiate emergency actions aimed at making Germany independent of Russia as regards fuel supplies. As a consequence, the political decisions taken by these two countries have resulted in the severing of most of their former ties in the field of energy. The loss of its largest gas supplier has urged Berlin to build up Germany's LNG import infrastructure at an accelerated pace, on an unprecedented scale and at enormous cost, so that the country can permanently abandon Russian gas.

However, the *Zeitenwende* policy does not always involve actions which require an about-turn in specific areas. As regards energy transition, the previous strategy has not been modified. Moreover, the energy crisis is being used in the official narrative as another strong argument in favour of the accelerated implementation of the *Energiewende*, as previously agreed on by those in power.¹

Although Germany's energy decoupling from Russia is profound, and the measures launched thus far will enable Germany to become permanently independent of Russian fuel supplies, it cannot be ruled out that in the longer term, should the relations between the West and Moscow normalise, a portion of the German economic and political elite will seek to revive the bilateral trade relationship, including the resumption of fuel imports, albeit certainly not on such a large scale as prior to 2022.

¹ Germany's energy transition (*Energiewende*) is one of the most important political-economic projects being carried out by contemporary Germany. It envisages gradual efforts to replace conventional sources of energy with renewable ones in the electricity generation sector, and its ultimate goal is to base this system 100% on the use of RESs. The most important elements of this process include the phase-out of nuclear power (completed in mid-April 2023) and coal (planned for the 2030s). One of the basic assumptions of the *Energiewende* involves using natural gas as a transition and backup fuel for RES until the system as a whole is fully based on renewable sources, in line with the initial concept.

Germany's energy dependence on Russia

Over the last two decades, Germany's energy policy relied on its strategic partnership with Russia. According to the German political and business elite, it was mainly intended to enable the German economy to meet its growing demand for gas at an attractive price, which was particularly important for the global competitiveness of Germany's gas-intensive industrial sector. Secondly, it facilitated the implementation of the energy transition according to plan; and thirdly, it allowed Germany to increase its role as a European gas hub. Manifestations of this alliance included the much-publicised joint infrastructural projects (the Nord Stream 1 and 2 gas pipelines); Russia's alarming, steadily increasing share in German imports (55% in 2021); and far-reaching business ties between the key energy companies from both states. These were apparent, for example, in the exchange of assets in the energy sector, such as when Gazprom Germania became the owner of Germany's biggest gas storage facility (Rehden), and Wintershall Dea took over a stake in gas fields in Siberia. It was precisely companies such as Uniper and Wintershall Dea, whose main stakeholder is BASF, that were the biggest beneficiaries and advocates of this alliance.

The problem of Russia's growing influence on the German gas sector was downplayed in Germany for many years. The elite's views were dominated by two myths: the first one suggesting that there is a community of interests which generates mutually beneficial interdependences between the two states, and the second presenting Russia as a strong and reliable supplier.² They produced the conviction that Moscow would not risk losing the economic benefits which resulted from this alliance in the pursuit of its current political goals. This in turn discouraged Berlin from offering genuine, rather than merely declarative support to the initiatives involving the construction of LNG terminals to facilitate the diversification of supplies, as this was viewed as unnecessary.

German-Russian energy cooperation flourished not only in the natural gas sector, as Russia was also Germany's biggest supplier of oil (in 2021 it accounted for around 33% of the supplies) and hard coal (around 50% in 2021). Berlin also proffered no objections to the expansion of the Russian oil company Rosneft in Germany. As a consequence, this company became the co-owner of three big German oil refineries (for example, it acquired more than half of the stake in the PCK refinery at Schwedt near the Polish border, and became Germany's third biggest oil company in terms of the volume of oil processed).

² For more see M. Kędziński, 'A dangerous dependence on Russia. Germany and the gas crisis', *OSW Commentary*, no. 427, 23 February 2022, osw.waw.pl.

A year of crisis management

Russia's invasion of Ukraine and the resulting political breakdown in the relations between the West and Moscow confronted Germany with the prospect of an unprecedented energy crisis. The question of the future of Russian fuel imports was raised as early as the first few days of the war. On the one hand, there was a rise in pressure both internal (from some politicians, experts and commentators) and external (from Germany's allies, including Poland) to stop these imports by introducing an EU-wide embargo. On the other hand, the risk that Moscow itself could halt these supplies was viewed as increasingly likely.

Due to Russia's significant share in Germany's hard coal, oil and natural gas imports, any potential, abrupt cessation of the inflow of these commodities, whether as a result of the West's decision or on the Kremlin's initiative, would have exposed the German economy to serious economic losses resulting from price hikes, and would have posed a genuine threat of shortages, at least at the regional level. Numerous analyses suggested that in this scenario Germany's GDP could have decreased by anything from 0.5% up to 12%.³ The fear of the economic consequences was one of the main reasons why Berlin opposed the plan to introduce an embargo on Russian fuels at the beginning of the war. Ultimately, under pressure from the public and the allies, it supported the EU's proposed embargo on hard coal and oil imports. However, in order to win some time, Germany needed to implement preparatory measures, and so it took part in negotiations and agreed to set the deadline to introduce this embargo at the summer of 2022 (for hard coal) and at the end of the same year (for oil).

From Germany's point of view, the most difficult situation was recorded in the gas sector. At the beginning of the war it turned out that, due to many years of neglect, that no infrastructure was in place to enable Berlin to quickly replace Russian gas with gas imported from other suppliers. There was widespread fear that an embargo would lead to a serious gas shortage which would particularly affect the German industrial sector, as this sector would be the first 'victim' of the rationing of supplies which would be necessary in this situation. This was the main reason why Berlin consistently refused to support

³ A GDP decline of 0.5-3% was forecast by a group of economists from the universities in Bonn and Cologne, while a drop of between 3% and 12% was predicted by the Macroeconomic Policy Institute of the Hans Bökler Foundation.

an EU-wide embargo on Russian natural gas imports, and instead declared its intention to reduce its gas purchases gradually, abandoning them completely by mid-2024.⁴

This was the aim of the plan for the emergency construction of infrastructure to import liquefied natural gas. To replace Russian standard gas supplies with LNG during the transition period, Germany leased five so-called floating LNG terminals, two of which (in Wilhelmshaven and Brunsbüttel) were put into operation at the turn of 2023, and three more (Wilhelmshaven 2, Stade, Rügen) are expected to be inaugurated in winter at the turn of 2024. A total of almost €11 billion has been allocated from the German budget (for 2022–38) to finance the lease, installation and operation of these five state-leased units. Another such facility is the privately-owned floating LNG terminal in Lubmin, which has been in operation since the beginning of 2023. The effort involved in procuring the terminals was unprecedented by German standards. In order to ensure their smooth launch within just a few months, several new laws were enacted: these included a special law which greatly simplified and shortened the procedures, formerly very complicated, for obtaining construction permits, carrying out environmental impact studies and public consultations.

In spring 2022, as the prospect of a halt in gas supplies from Russia became increasingly realistic, Berlin also launched a series of preparatory measures as part of its crisis management strategy. On the one hand, these served to prepare the German economy for a potential gas shortage. A state of emergency was declared in the gas sector (Germany was the first EU country to do so), and regulations and guidelines were introduced to manage any possible need to ration supplies. On the other hand, these measures were intended to minimise the risks and costs linked with the potential worst-case scenarios.

Firstly, instruments were put in place to reduce gas consumption in all sectors of the economy. This referred in particular to the energy sector, where the main emphasis was placed on replacing gas with coal (by temporarily reactivating or prolonging the operation of a total of around fifteen coal-fired back-up power plants and power plants which had been earmarked for shutting down). Several measures were implemented in the industrial sector, including facilitated procedures for replacing gas with other energy carriers. In addition, both federal- and state-level authorities introduced various restrictions and

⁴ 'Wirtschaftsminister Habeck: Deutschland kann bis Sommer 2024 unabhängig von russischen Energie-Importen sein', Business Insider, 25 March 2022, [businessinsider.de](https://www.businessinsider.de).

guidelines for saving gas and electricity (for example, this involved reducing the degree of heating in buildings and the illumination of monuments, as well as closing swimming pools and ice rinks).

Secondly, Berlin decided to carry out emergency purchases of gas on global markets to store it for the winter. Using federal budget funds, the German gas hub THE bought a total of nearly 5 bcm of gas for €8.7 billion. This gas was mainly bought in summer on the spot market, when the price was very low, even though the cost was irrelevant as the political priority was to fill the gas storage facilities before the start of the heating season.

Thirdly, Germany launched administrative proceedings to take over Russian-owned strategic assets in the gas sector (the Gazprom Germania Group) and the oil and fuel sectors (two companies belonging to Rosneft). To achieve this, for the first time in Germany's history, the instrument of a trust was applied against a privately-owned business.⁵

Starting from May 2022, initially on the basis of its own sanctions targeting selected companies, and later using the pretext of technical problems, Moscow gradually reduced its gas supplies sent via pipelines to Germany; finally, at the end of August, it halted them completely. Less than a month later, an explosion damaged both lines of the now-defunct Nord Stream 1 pipeline and one of the two lines of the still uncommissioned Nord Stream 2 pipeline.

Just as in other European countries, in Germany the energy crisis triggered unprecedented hikes in the prices of electricity, natural gas and fuels, which in turn resulted in high inflation rate and social discontent. To fight the consequences of the crisis, in 2022 Berlin implemented a total of three assistance packages worth many billions of euros, and finally, at the end of the year, it set up a 'financial umbrella' worth a total of €200 billion. These funds are being used to finance initiatives such as the freezing of energy, gas and heating prices for households and businesses. Other solutions implemented included measures approved by the European Commission and intended to stabilise Germany's key energy companies, Uniper and SEFE.

Ultimately, thanks to both these measures and certain favourable external factors (in particular a mild autumn and winter), Germany managed to avoid the

⁵ A similar (although not identical) instrument was applied in 1990 to manage the state-owned property of the former German Democratic Republic. The Trust Office (*Treuhandanstalt*) established back then was responsible for privatising these assets or winding them down when unprofitable.

scenario of fuel shortages in late 2022 and early 2023. However, it is still unclear how the situation will develop in the next heating period. Some experts and energy sector representatives have warned that in the event of a combination of negative circumstances (a long and cold winter, reduced availability of LNG on the global market, sabotage activities, and technical failures of elements of strategic infrastructure), the occurrence of a gas shortage in 2024 cannot be ruled out.

The failure of Berlin's energy alliance with Moscow

One of the most important manifestations of the *Zeitenwende*, that is, the policy of a new era announced by Chancellor Scholz following the Russian invasion of Ukraine, involves the failure of the concept of a multifaceted energy alliance with Moscow which had consistently been implemented in previous years. The political crisis linked with the Russian invasion has debunked the basic myths promoted by the supporters of this form of cooperation. Firstly, contrary to what the German elite believed, the dependency resulting from the network of ties turned out to be asymmetrical, to Germany's disadvantage – Germany was much more dependent on Russia than *vice versa*.

Secondly, the image of Moscow as a stable and predictable supplier and partner with which other countries can cooperate in order to build their political and economic strategies, has collapsed. As early as the months immediately preceding the war, Gazprom's actions (especially its decision to empty out its gas storage facilities located in Germany) triggered Germany's shift in its perception of Russia as an energy partner. Moscow increasingly came to be viewed as a threat, and the former policy of close alliance, which had *de facto* led to Germany's dependence on Russia, was now considered a strategic mistake. At this point, however, it is worth noting that there are quite a few individuals in the German elite, especially among the architects of the former policy, who do not question Germany's close cooperation with Russia in the pre-war years as such, although they do admit that it went too far, and that greater effort should have been made to diversify supply sources and, above all, to build up the country's LNG import infrastructure.⁶

Thirdly, it became evident that the Kremlin was willing to sacrifice the mutually beneficial business relations and the resulting profits on the altar of

⁶ This opinion was voiced by former Chancellor Angela Merkel and the present Chancellor Olaf Scholz: see for example 'Scholz verteidigt Merkels Russlandpolitik', Frankfurter Allgemeine Zeitung Online, 19 June 2022, faz.net; '„Jetzt bin ich frei“', RedaktionsNetzwerk Deutschland, 17 June 2022, rnd.de.

its strategic political goals, and to use the advantages gained in mutual relations to target Berlin and put pressure directly on Germany's decision-making processes. The new element was not the fact that in energy relations Moscow was ready to use the instruments available to it to achieve its short-term political goals, but that it decided to launch such measures not only against its neighbours such as Ukraine and Poland, but also against Western European states, in particular Germany. Russia's actions, both the indirect ones resulting in a pan-European energy crisis and those intended to target Germany directly, have caused huge financial losses for German companies and households, and dealt a major blow to the German federal budget and the local government budgets. At present, although it is difficult to estimate the cost precisely, it is clear that the burden shouldered by German taxpayers already stands at hundreds of billions of euros. The cost of the so-called financial umbrella and the three anti-inflation assistance packages alone amounts to almost €300 billion. Berlin has earmarked a further almost €11 billion for the floating LNG terminals which needed to be procured quickly, and just under €9 billion for the emergency purchases of gas for storage in 2022. For comparison, the financial contribution provided by German companies to the construction of Nord Stream 2 (in the form of loans) amounted to less than €2 billion.

Following the outbreak of the war, the former German-Russian energy alliance increasingly transformed into a regular energy war. Both sides took political decisions which actually degraded the previous achievements of this cooperation; these affected in particular the companies that had served as foundations of this collaboration and were responsible for its practical aspects. The most spectacular examples on the Russian side include the gradual reduction and eventual halt in gas supplies sent to Germany, which came as a major blow to numerous German gas importers and put the largest of them, Uniper, on the brink of insolvency. Other examples were the decision to strip the German upstream company Wintershall Dea of its assets in Russia, and Moscow's takeover of Unipro, the subsidiary company of Uniper which owns several heat and power plants in Russia. On the German side, one important move involved stripping Russian companies of control of their assets in the German gas sector (Gazprom Germania, GG) and the oil & fuel sector (Rosneft Deutschland and RN Refining & Marketing) by placing these companies under trusteeship (which was exercised by the German state regulator, the Federal Network Agency BNetzA). In the case of GG, Berlin subsequently decided to nationalise it without compensation. It now operates as a German state-owned company under the name Securing Energy for Europe (SEFE).

This has resulted in the gradual dismantling of the network of links built up over previous decades between key German and Russian energy sector companies and their business activity in both countries. Bilateral cooperation in the energy sector has regressed to the level it was at several decades ago. It should be noted that the companies most affected by this crisis on the German side include businesses such as Uniper and Wintershall Dea. Prior to 2022, they were among those energy companies which relied most heavily on cooperation with their Russian counterparts as a key element of their business strategies. These companies were involved in major infrastructure projects (such as Nord Stream 2) while at the same time being among the main groups which lobbied in Berlin in favour of maintaining favourable relations with Moscow and against any measures that threatened this cooperation, which from their point of view was very lucrative. As a result of the collapse of this model of cooperation, both companies not only suffered financial losses standing at many billions of euros (in the case of Uniper they ultimately resulted in the company's nationalisation), but also confronted the need to reorient quickly and seek new areas and partners for their business.

Revolutionary change in the natural gas sector

The natural gas sector is one of those areas of the German energy sector in which the *Zeitenwende* has triggered fundamental changes. The most significant of these involves the structure of imports, which meet around 94% of Germany's demand for gas (domestic production accounts for the remaining 6%). This is because in 2022 Germany lost its largest supplier of natural gas – that is, Russia – which in recent years accounted for around half of its imports. The drop in supplies from the east has mainly been offset by increased gas purchases from Norway (which has become the main source of imports), as well as from the Netherlands and Belgium, and to a lesser degree France. As regards the latter three countries, these imports are mainly liquefied gas, which is obtained via their gas ports. The gas imported to Germany via this route is provided as part of the importers' portfolio, and is supplemented with purchases made on the spot market (it is likely that LNG from Russia is still reaching Germany via this route). Moreover, in the situation of Germany's shift to more extensive LNG purchases, companies importing gas to Germany have begun to expand their contract portfolios in order to add new long-term contracts. In this context, the US is Germany's most important new trading partner.⁷

⁷ For more see M. Kędzierski, 'At all costs. Germany shifts to LNG', *OSW Commentary*, no. 510, 28 April 2023, osw.waw.pl.

The second major about-turn in the German gas sector involved the launch of unprecedented efforts to build LNG import infrastructure, which had hitherto been absent. As part of its emergency measures, the government focused on leasing several floating terminals (known as FSRUs). In Q1 2023, the three FSRUs already operational accounted for 5% of Germany's gas imports. Ultimately, however, Germany plans to build three onshore gas ports, in Brunsbüttel, Stade and Wilhelmshaven. As regards the first one, the state-owned KfW bank will hold a 50% stake in it worth almost €750 million. These facilities are expected to replace the FSRUs which previously operated in the same locations. According to documents published by the government, once all of the planned terminals (both the FSRUs and the onshore gas ports) are put into operation, by 2027 Germany will be able to directly import around 54 bcm of gas annually, which roughly corresponds to the capacity of the Nord Stream 1 pipeline. This would not only enable Germany to permanently abandon its gas imports from Russia, but also would help it to maintain its role as an important transit country on the gas map of Europe. This is because other countries in the region (in particular the Czech Republic, Austria and Slovakia, as well as Moldova and Ukraine) could use the German terminals. Moreover, in line with the plan, the new infrastructure will be upgraded in future to enable Germany to replace its LNG imports with new, low-emission energy carriers (such as hydrogen and hydrogen derivatives including synthetic gas and ammonia).

In addition, the emergency construction of LNG import infrastructure is linked to another manifestation of the *Zeitenwende*, namely a paradigm shift in Berlin's approach to energy security, and in particular to the financing of projects to ensure it from the state budget funds. Prior to Russia's invasion of Ukraine and the collapse of the Berlin-Moscow energy alliance model, Germany's political elite largely ignored both the need to diversify the supply sources and the crucial role of LNG import infrastructure in this context. As a consequence, representatives of this elite were not prepared to shoulder the additional financial burden resulting from this situation. It was not until the *Zeitenwende* was announced that Berlin became willing to earmark huge funds for the construction of infrastructure to diversify its import sources. Moreover, it began to use the slogans emphasising energy independence, the security of supplies, and the need to boost the system's resilience to shocks as one of the main narrative lines in the public debate.

Another significant change which can in a sense be viewed as a consequence of the crisis involves the state becoming a major actor in the German gas sector. As a result of the ownership changes, the German state treasury became the

owner of the two companies which had been the largest importers of gas to Germany prior to 2022. Uniper was taken over by the state on the basis of an agreement signed with the company's shareholders (in particular the largest of them, the Finnish-owned Fortum). As regards SEFE (formerly Gazprom Germania), the takeover was carried out on the basis of an administrative procedure. The nationalisation of the two major market players marks a significant change in the structure of the German gas sector, which until recently was highly fragmented and exclusively privately owned. Until recently, the state's ability to influence the operation of the companies operating in this sector was limited to measures such as legal regulation and financial support. The takeover of Uniper and SEFE has opened up new opportunities for Berlin to directly influence the companies' strategies so that they are better suited to meeting the needs of the energy transition, and to shape the gas market in accordance with the government's preferred policy.

Another interesting aspect of the *Zeitenwende* in the gas sector involves the fact that Germany's approach to domestic gas production has not changed – although it could have and, in the present circumstances, perhaps it even should have. The loss of the largest gas supplier to date, record high commodity prices on the energy hubs, as well as problems with procuring LNG on global markets, have all revived the debate in Germany regarding the domestic production of gas, which had been falling for years. Representatives of the energy, mining and industry sectors, as well as politicians from the coalition party FDP and the opposition CDU/CSU, called not only for increases in conventional gas production, but also for the use of fracking technology, which at present is banned in Germany, to extract shale gas (it is estimated that there is between 380 bcm and as much as 2300 bcm of this resource in Germany). According to representatives of the gas sector, simplification of the current procedures, along the lines of what was done in the case of LNG terminals, would enable Germany to start production within 12 months. However, resistance from environmental organisations and the two main coalition parties, the SPD and the Greens (whose electorates include many opponents of fracking) has proved too strong. Following a debate that lasted several weeks, the topic has been definitively abandoned.

The *Zeitenwende*'s impact on the German energy transition model

In response to the crisis, Berlin was urged under pressure from various factors to launch a number of *ad hoc* measures which not only failed to be in line with the *Energiewende*, but also frequently even contradicted the previously

adopted assumptions of the transition. Ultimately, however, neither the crisis triggered by the Russian invasion of Ukraine, nor the failure of the concept of an energy alliance with Moscow, nor the forced changes to Germany's gas policy have proved to be sufficiently important reasons for Berlin to modify the main assumptions of the German model of transition in the electricity generation sector. It should be noted that following the war's outbreak, especially during the first months of the invasion, as part of the broad domestic debate focused on the *Zeitenwende*, some of these assumptions were openly challenged by certain representatives of the German political and business elite and were subject to fierce debates. However, the proponents of specific changes lacked the agency or sufficient public support to push them through.

Firstly, Germany did abandon nuclear power, despite the change in public sentiment and the German citizens' attitude towards nuclear power. The coalition party FDP and the opposition CDU/CSU were in favour of extending the nuclear power plants' operation for several years, but the main political forces making up the government, the SPD and the Greens, continued to oppose this change. After several months of public debate and a fierce dispute within the coalition, the only decision taken was to postpone the shutdown of the remaining three nuclear power plants by three and a half months, which duly happened on 15 April 2023.

Secondly, the crisis has not undermined the ruling coalition's plans to accelerate Germany's coal phase-out.⁸ The measures launched as part of the crisis management, including the decisions to activate the back-up coal-fired units and to extend the operation of the power plants earmarked for shutdown, are short-term solutions. They will be in place until mid-2024, as Berlin expects that the crisis will be under control by then. After that date, the implementation of the previously adopted mechanism to shut down the power plants is to be continued. Furthermore, an agreement was signed between the German federal government and the government of North Rhine-Westphalia on the one hand, and RWE on the other, which stipulates that the last remaining lignite-fired power plants in the lignite mining region of the Rhine will be shut down by 2030 (eight years sooner than the deadline set out in the relevant law). The Greens would like to reach a similar agreement with the LEAG company, which operates in eastern Germany, although in this case both the company itself and, most importantly, the governments of the specific federal states and the local communities are opposed to it.

⁸ For more see M. Kędzierski, *Germany bids farewell to coal. The next stage of the Energiewende*, OSW, Warsaw 2022, osw.waw.pl.

Thirdly, the energy crisis has not undermined Berlin's plans to use natural gas as a so-called transition fuel. In the situation of the shutdown of the remaining nuclear power plants and the planned acceleration of the coal phase-out, natural gas will play an important and increasingly relevant part in efforts over the coming years to stabilise and complement the generation of electricity from renewable energy sources. In this context, it will be necessary to construct numerous new gas-fired power plants. According to various estimates, the demand for the electricity generated by these units will stand at between 17 and 25 GW by 2030 (at the end of 2022 Germany's installed capacity of gas-fired power plants was 34 GW). To streamline and facilitate this process, the government plans to adopt a special strategy combined with financial support instruments later in 2023. However, it is assumed that from the beginning the new units should be capable of co-firing, and ultimately they will fully switch to hydrogen, as this fuel is expected to replace natural gas as a supplement to RESs in the electricity generation sector in the long term.

At the same time, the Scholz government has decided to use the energy crisis triggered by Russia's invasion of Ukraine as an additional, convenient and expressive argument in the public debate in favour of the continued acceleration of the energy transition. Coalition politicians have begun to link the *Zeitenwende* not only with the *ad hoc* anti-crisis measures discussed above, but also with the previously agreed long-term projects for decarbonisation, albeit sometimes in a more restrictive version. The speech delivered by the FDP chief and Germany's Finance Minister Christian Lindner at the Bundestag on 27 February 2022 was of particular significance. In it, he attempted to convince the Bundestag members to accelerate the pace of transitioning the energy generation sector to renewable sources, and referred to RESs as 'the energies of freedom' (*Freiheitsenergien*) which contribute to a decrease in Germany's dependence on the import of fossil fuels. Another element added to the *Zeitenwende* narrative was the comprehensive legislative package in support of RESs adopted in summer 2022, which included a series of facilitated procedures regarding investments in new renewable power plants, and increased the scope of new capacity auctions. Moreover, it set a more ambitious target regarding the share of RESs in Germany's electricity consumption by 2030, increasing it to 80% instead of the previously planned 65%. Vice Chancellor Robert Habeck had presented the main assumptions of this package as early as January 2022. Following the war's outbreak, the targets originally adopted were raised only slightly in selected areas, for example regarding the development of wind and photovoltaic farms.

Outlook

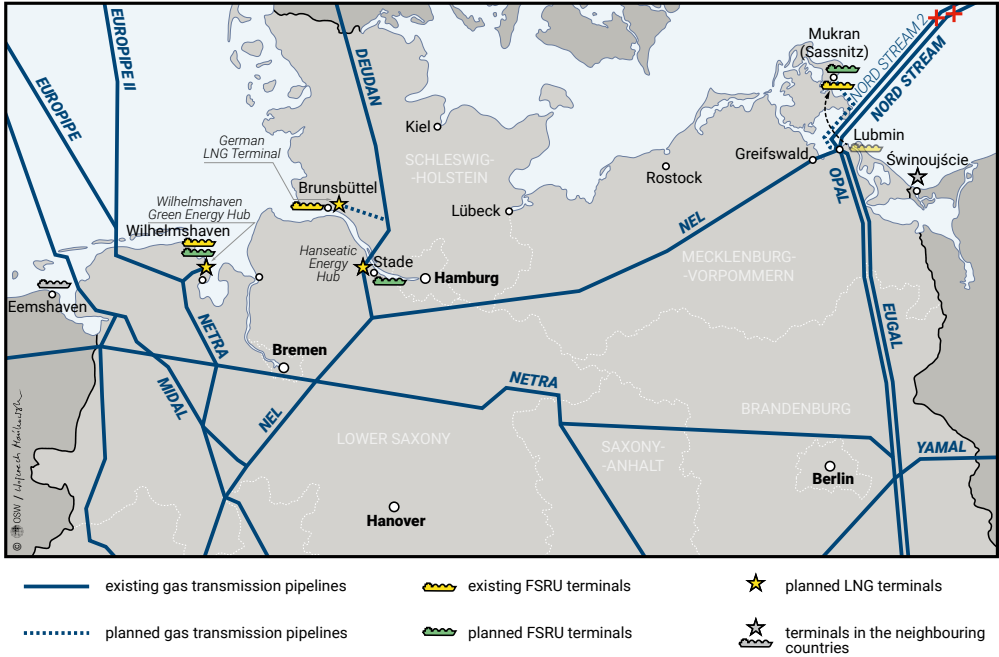
One of the main results of the *Zeitenwende* is Germany's energy decoupling from Russia. There are many indications that this is not just a temporary measure. The ongoing energy transition will gradually reduce the German economy's demand for fossil fuels. In the natural gas sector, where this demand will remain high at least for the next few years, Germany's efforts to build LNG terminals and the importers' decision to enter into further long-term contracts for the supply of liquefied natural gas will foster a full and permanent abandonment of Russian gas supplies, and will effectively reduce the market potential for a possible resumption of Russian imports. The experience of recent months will have a deterrent effect on that significant portion of German business which may potentially be interested in returning to business as usual, at least in the short term.

All this does not rule out purchases of Russian fuels in the future. Indeed, it should be expected that in the longer term, should relations between the EU and Germany on the one hand and Russia on the other hand normalise, a portion of the German economic and political elite will seek to renew trade relations, including the import of energy fuels, although certainly on a much smaller scale than prior to 2022. From Berlin's perspective, such a move could potentially be used as a political bargaining chip. Moreover, as Germany's consistent implementation of the energy transition to RESs will diminish the importance of traditional fossil fuels in favour of new energy carriers in the long term, it is likely that those favouring a resumption of Germany's economic cooperation with Russia will attempt to adjust this cooperation to the needs of the *Energie-wende*, and will seek to base it to a greater degree on the import of commodities such as low-emission hydrogen, ammonia and synthetic fuels.

The crisis has not altered the main assumptions of the energy transition. Moreover, it will likely be used by that portion of the elite which supports the transition as another argument to accelerate the switch to renewable energy sources. It should be expected that the implementation of the current concept will also increase the role of natural gas as a transition fuel. The only difference will be that the natural gas in question will come from non-Russian sources, at least in the near future. The large-scale development of LNG import infrastructure in Germany which is being carried out as part of the *Zeitenwende* will not only enable Berlin to continue this strategy, but is also expected to open up opportunities for the future utilisation of the planned terminals to procure new, low-emission energy carriers from abroad.

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Map. Location of German LNG terminals



Source: the German Federal Ministry for Economic Affairs and Climate Action.