

German communities looking to produce own electricity

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By Aurelia End, AFP

FRANKFURT -- From small towns that dream of heating homes with their own wood to major cities that are launching municipal power companies, German authorities want a slice of their energy markets.

Picturesque Schmalkalden, population 21,000 in the woodlands of eastern Germany will soon produce its own electricity.

"Decentralised energy is the way forward," the town's project manager Rene Killenberg told AFP.

Taking on the German power giant E.ON, which dominates the local market, Schmalkalden will install five turbines that run on natural gas and biogas this year to supply inhabitants with heat and electricity.

Eventually, the town hopes to generate power with local wood supplies and earn money in the process.

"We have a historic town center that is expensive to maintain," Killenberg explained.

"For residents, there is a big difference between paying their electric bill to a company listed on the stock market and making a local patriotic gesture."

Many cash-strapped German municipalities are rediscovering a similar "patriotism," 10 years after selling off large parts of their local utilities.

"There is also, especially in the east, the desire to reduce dependency on Russian gas" which was cut off briefly during a dispute between Russia and Ukraine earlier this year, said Emanuel Heisenberg of Greenviornement.

His company specializes in smaller gas turbines to produce local power.

Bigger Cities Have Bigger Plans

The northern port of Hamburg, the second largest German city, has just created two companies to produce heat and electricity locally.

Within a few months, Hamburg hopes to sell electricity from renewable sources and if possible compete with the dominant regional power company, Vattenfall Europe.

Vattenfall, E.ON, RWE and EnBW have shared the German energy market, from production through to distribution, for years.

German and European competition authorities are determined to break up their domination, a move "which plays to communal actors," said Theo Kitz, a sector analyst with the bank Merck Fink.

In addition, "many contracts with private companies are currently set to expire," which opens the way for municipalities to regain control, noted Carsten Wagner of the German federation of local utilities VKU.

There are many ways for communities to get involved.

On a small scale, they can band together to negotiate a favorable price for energy and sell it for a small profit.

More ambitious projects involve creating independent generating plants that are often designed to run on renewable energy sources.

A key advantage is that they can "be satisfied with profits of less than 10 percent that private shareholders would not accept," said Wagner of VKU.

A good example was the launch of talks by an alliance of local utilities with E.ON to buy its subsidiary Thuega, which hold stakes in around a hundred energy providers worth more than three billion euros (US\$4.3 billion).

"That would have been unthinkable a few years ago," Kitz said, although he also noted that such projects had limits.

"Municipalities are not energy experts, whether it is a question of distribution or production," he said.

Private groups "will maintain their influence by creating public-private partnerships with cities to which they will offer their technical expertise."

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