



Joint press release

Bonn, 01 December 2021

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Monitoring Report 2021 published by the Bundesnetzagentur and the Bundeskartellamt

The Bundesnetzagentur and the Bundeskartellamt have today published the Monitoring Report 2021 on developments in the German electricity and gas markets. The data analyses in the report refer primarily to 2020 but also show price development for the first quarter of 2021 as well as more recent trends.

"The numbers in the monitoring report show that we still have work to do in implementing the energy transition, and the coronavirus pandemic has not made the challenges we face on the energy markets any smaller," said Jochen Homann, Bundesnetzagentur President.

Andreas Mundt, Bundeskartellamt President: *"As the energy transition moves ahead and at the same time electricity generation from nuclear power and coal is being phased out and renewables are being expanded, we are now seeing quite substantial upheavals in market structures and market positions. This makes it all the more important to secure competitive structures at all levels of the market and ensure that consumers have a choice."*

The coronavirus pandemic also impacted the energy markets in 2020. A temporary decline in demand meant the energy transition targets could be met. In the regulated sector of the energy industry, the effects of the pandemic were relatively small. In the market sector of the energy industry, the 2021 global economic recovery is currently leading to rising prices, which will also be felt by final consumers.

Decline in conventional electricity generation

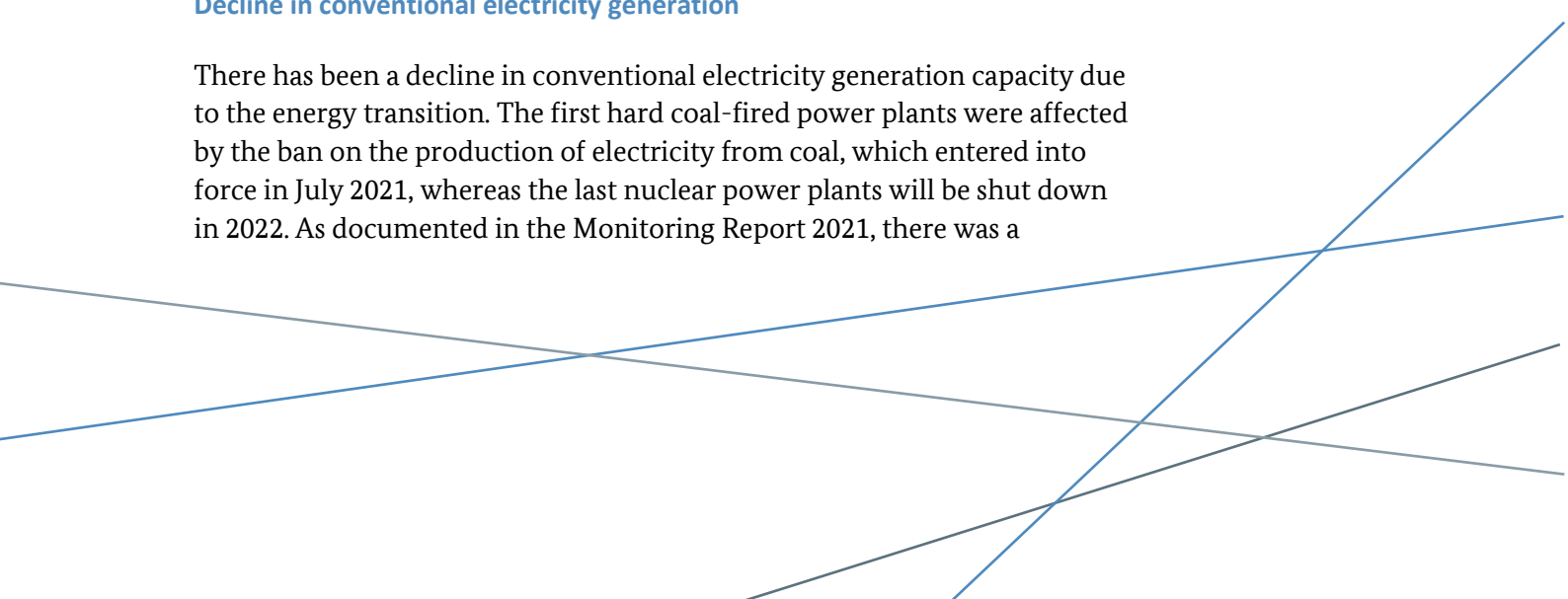
There has been a decline in conventional electricity generation capacity due to the energy transition. The first hard coal-fired power plants were affected by the ban on the production of electricity from coal, which entered into force in July 2021, whereas the last nuclear power plants will be shut down in 2022. As documented in the Monitoring Report 2021, there was a

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significant decline in electricity generation from non-renewable energy sources (down 11.6%) in 2020. Electricity generated by coal-fired plants, in particular, saw a large decrease in 2020 for the second year in a row, with around 25% less electricity generation coming from hard coal and around 20% less generation from lignite.

Structure of the electricity generation market

The decline in coal-fired electricity generation in 2020 is also reflected in the market conditions for conventional electricity generation. The cumulative market share of the five largest electricity producers in the first-time sale of electricity has continued to decline.

The upcoming closures of power plants as a result of the simultaneous nuclear and coal phase-out will lead to a reduction of domestic generating capacity and thereby strengthen the competitive significance of the remaining major power plant operators to cover German demand. Thus this market must continue to be monitored closely for signs of market-dominating positions. The Bundeskartellamt publishes regular market power reports to complete this task.

Developments in the renewable energy sector

There was a slight increase of 3.4% in renewable electricity generation in 2020. The increase stems mainly from the ongoing expansion of photovoltaic and wind installations. Electricity from renewable energy sources rose to account for 45% of gross electricity consumption. In 2020 the expansion targets set for solar radiation, onshore wind energy and offshore wind energy in accordance with the 2021 Renewable Energy Sources Act were met. The first half of 2021 gives hope that this will also be the case in 2021.

The continuing expansion of renewable generation had an impact on the network operators' steps to safeguard network and system stability in 2020. Although around 95% of the potentially renewable energy that was generated was successfully transported to consumers, estimated costs for



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congestion management measures (curtailment, redispatching including countertrading, and grid reserve provision and use) rose moderately in 2020 to around €1.4bn.

Electricity and gas wholesale trading

From a competition perspective, it is good to see the continued high level of trading volume and liquidity on the power exchanges and wholesale electricity markets in 2020. Electricity and gas wholesale price trends in 2020 were, however, mixed. The marked decline in prices during the early phase of the pandemic was offset by a significant price increase by the end of 2020 that continued in 2021.

Retail markets for electricity and gas

The combined market shares of the four largest electricity and gas suppliers in the respective retail markets were well below the statutory thresholds for presuming market dominance. While the takeover of innogy by E.ON led to shifts in market share in the electricity sector, it has not caused any changes in terms of competition. As in previous years the assumption continues to be that there is currently no single dominant undertaking in these markets.

The energy transition, rising electricity demand to include e-mobility, and the charging infrastructure that is currently under development, are closely intertwined. Energy monitoring takes this into account by collecting data on publicly accessible recharging points (operated by the energy utilities) and their respective charging prices.

Andreas Mundt: *"As the charging infrastructure is expanding, we must now take care to ensure a competition-driven market structure for the future. For this reason, the Bundeskartellamt is currently conducting a sector inquiry of recharging points. We recently published our preliminary findings, which show that we must do more to ensure open and non-discriminatory access, for example to public areas for constructing recharging points."*



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As at 1 April 2021, electricity prices for household customers were up by around 2% compared with the previous year. There was also an increase in prices for non-household electricity customers (commercial and industrial customers). For the first time in 10 years, the average electricity prices for household customers who chose non-default suppliers were lower than the prices of alternative suppliers. That, too, is a sign of an energy market that functions well and is marked by competition, in spite of rising electricity prices.

As at 1 April 2021, the price of gas for household customers was up by around 6%. For non-household customers there was a price increase of around 4.8% for commercial customers and around 16.6% for industrial customers as at 1 April 2021. One of the key factors behind the price increases was the expansion of the national emission allowance trading system to the transport and heating sectors. Because the law provides for a gradual annual increase in carbon pricing until 2026 and also due to major price increases on the wholesale markets in the second half of 2021, gas prices are expected to continue rising over the next few years.

"The positive developments on the retail electricity and gas markets documented in the 2021 Monitoring Report become especially clear when looking at the number of household customers who switched supplier. The number of household customers making a supplier switch reached a record high of around 5.4m in 2020. Around 1.6m gas customers changed supplier, which was also a new high. This shows that consumers are more actively seizing the opportunities available to them to save," said Jochen Homann.

To alleviate the consequences of the pandemic for final customers, the right to withhold payment was expanded in the first half of 2020. Among other things, this measure led to a decrease of around 20% in the number of electricity supply disconnections in 2020, with the number of gas disconnections dropping even more sharply by 22%. Energy suppliers were also accommodating. Around three quarters of them at least temporarily waived the disconnection of electricity and gas services for customers who were behind with their payments.



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The latest report and additional information are available at
www.bundesnetzagentur.de/monitoringberichte.

The Bundesnetzagentur is an authority under the responsibility of the Federal Ministry for Economic Affairs and Energy. Its core tasks include supervising the energy, telecommunications, postal and railway markets.

As part of its mandate, the Bundesnetzagentur ensures that as many undertakings as possible can use the infrastructure in these sectors so that consumers benefit from competition and favourable prices.

The authority employs over 2,900 people at its headquarters in Bonn and Mainz and its 46 regional offices.