

Coalition agreement sets ambitious guidelines for future-oriented energy policy in Germany

- Clear timelines and specific proposals create certainty for investors
- RWE will make its contribution towards the success of the energy transition

Essen, 24 November 2021

In their coalition agreement, the German SPD, Green and FDP parties have set ambitious guidelines for future energy policy:

Accelerated coal phase-out

The coal phase-out in Germany is to be accelerated and ideally achieved as soon as 2030. Meanwhile, RWE has emphasised repeatedly that a faster phase-out of coal is possible if renewables, networks and storage facilities are massively expanded at an accelerated pace while significant gas-fired power plant capacity is added, to ensure continued security of supply. RWE is prepared to contribute to this expansion and to maintaining security of supply. The company expects that there will be clarity regarding the relevant framework conditions by the end of next year as stipulated in the coalition agreement. The company is open to talks with the new German government to clarify how an accelerated coal phase-out can be implemented under these conditions.

Expansion of renewables

RWE expressly welcomes the fact that the coalition parties want the expansion targets for renewables to be considerably increased. It is also positive that a large number of very specific proposals have already been developed on how this is to be achieved. RWE is confident that these measures, which cover permitting processes, grid connectivity, provision of sites and much more, can provide a huge boost to the expansion of renewable energies.

Security of supply through new gas-fired power plants

The coalition agreement rightly states that, in addition to the necessary addition of renewables capacity, a faster phase-out of coal will create a considerably higher need for flexible generation capacity in order to guarantee security of supply. It is good that there is agreement that state-of-the-art gas-fired power plants with a clear decarbonisation roadmap are essential to achieving this. RWE's coal-fired power plant locations also offer good conditions for this.

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For companies to be able to invest in new gas-fired plants, incentive systems need be quickly created so that the new power plants, which will be deployed less and less while renewables are increasingly expanded, are financially viable. RWE expressly welcomes the fact that the new German government wants to create clarity for investors and also to develop a new market design. However, it will have to ensure that these investments are recognised as investments in climate protection within the framework of the taxonomy, as they are essential to enabling a faster coal phase-out in Germany and thus CO₂ reductions. The coalition agreement does not include a clear statement on this. RWE considers it as positive that the new coalition will continue to rely on the European Emission Trading System (EU ETS) as the key instrument of climate policy. A minimum CO₂ price is only to be sought together with the European states. This is a positive move, as it avoids significant disadvantages for the German industry.

Hydrogen as a decarbonisation path

For the required new gas-fired power plants, retrofitting to carbon-free fuels must be designed-in from the beginning and taken into consideration when it comes to subsidies. The new government is rightly focussing on hydrogen here, which is particularly essential to the decarbonisation of industry. It wants to make Germany the leading market for hydrogen. The coalition partners are therefore right in wanting to establish a functioning hydrogen economy as soon as possible and in pragmatically not wanting to focus solely on green hydrogen. Another positive aspect is the intention to significantly increase electrolyser capacity and to forge ahead on hydrogen importing. The new German federal government will have to make sure that these initiatives are not undermined by the upcoming frameworks from Brussels. These must not set such narrow criteria for the production of green hydrogen that any attempt to ramp up the hydrogen economy in Germany would be doomed to failure.

No disadvantages for employees

RWE expressly welcomes the fact that the coalition agreement takes the social aspects of the energy transition into consideration, too. Regulations that safeguard the early retirement and qualification of the company's employees are therefore good and important. The employees of RWE must not have to bear the brunt of political decisions. Solutions are therefore required that ensure neither the employees nor the company suffer any disadvantage. The company notes that, for the time being, the coalition does not intend to grant any additional compensation. In accordance with the provisions stipulated in the public contract with the German federal government, RWE expects protection of legitimate expectations and constructive talks with the new government as to how modifications can be formulated in the current law and in the contract.

Impacts of coal phase-out on the Rhenish mining district

A coal phase-out considerably earlier than planned means that the total amount of coal still required to supply the power plants would decrease. At the same time, the coalition partners intend to spare the villages from being resettled in the so-called third resettlement phase. In this context, RWE expects a continued consistent permit certainty here for the opencast mine's operation. The company will now seek talks with the state government of North Rhine-Westphalia to discuss the consequences resulting from the coalition agreement.

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The state government itself had announced its openness to an earlier phase out of coal-fired generation as well as the preservation of the phase-three resettlement villages just a few weeks ago.

Markus Krebber, CEO of RWE AG: "Overall, this is an encouraging outcome. The coalition agreement can give the energy transition a considerable boost. Especially due to the fact that specific measures will be paired with the ambitious targets. The transformation of our industrial nation requires decisiveness and pragmatism. Therefore, in addition to the energy policy stipulations, I particularly welcome the coalition's plan to speak in the first half of 2022 to industry and other social stakeholders about reliable framework conditions for this Herculean task."

In the coming days, the company will review in detail the coalition agreement announced today and its impact on RWE.

On 15 November, RWE presented its 'Growing Green' growth and investment programme of €50 billion gross for more renewables, batteries as well as hydrogen and flexible generation. €10 billion to €15 billion of these investments are earmarked for projects in Germany.

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RWE is leading the way to a green energy world. With an extensive investment and growth strategy, the company will expand its powerful, green generation capacity to 50 gigawatts internationally by 2030. RWE is investing €50 billion gross for this purpose in this decade. The portfolio is based on offshore and onshore wind, solar, hydrogen, batteries, biomass and gas. RWE Supply & Trading provides tailored energy solutions for large customers. RWE has locations in the attractive markets of Europe, North America and the Asia-Pacific region. The company is responsibly phasing out nuclear energy and coal. Government-mandated phaseout roadmaps have been defined for both of these energy sources. RWE employs around 19,000 people worldwide and has a clear target: to get to net zero by 2040. On its way there, the company has set itself ambitious targets for all activities that cause greenhouse gas emissions. The Science Based Targets initiative has confirmed that these emission reduction targets are in line with the Paris Agreement. Very much in the spirit of the company's purpose: Our energy for a sustainable life.

Forward-looking statements

This press release contains forward-looking statements. These statements reflect the current views, expectations and assumptions of management, and are based on information currently available to management. Forward-looking statements do not guarantee the occurrence of future results and developments and are subject to known and unknown risks and uncertainties. Actual future results and developments may deviate materially from the expectations and assumptions expressed in this document due to various factors. These factors primarily include changes in the general economic and competitive environment. Furthermore, developments on financial markets and changes in currency exchange rates as well as changes in national and international laws, in particular in respect of fiscal regulation, and other factors influence the company's future results and developments. Neither the company nor any of its affiliates undertakes to update the statements contained in this press release.



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