

Wind Power in Britain and Germany: Explaining contrasting development paths

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Executive Summary

- Wind power in Germany is considered to be a major ‘success story’. Germany has the largest operating capacity in the world and enjoys world leadership in terms of its turbine manufacturing base. In contrast, the UK has the best wind resource in Europe, but it has little installed capacity and an underdeveloped manufacturing base.
- However, despite their differences in current context, Germany and the UK are now facing similar challenges brought about by, for example, the closure of old generating capacity, the liberalisation of electricity markets, and concerns over climate change. Each country has hosted debates this year on energy sources and conversion technologies.
- Critical to the discussions on the need for reform are such questions as: What are the reasons for the markedly higher rate of expansion in Germany? Are there elements in each country’s policy and practice that are worth preserving and perhaps sharing cross-nationally?
- We tackle these questions by comparing the energy sector issues, policy dimensions and factors related to local implementation that affect the industry in each country. We discuss the contrasting policy instruments that Germany and the UK rely upon to promote renewable energy sources, and we stress the importance of the institutional and socio-economic contexts that support these policy instruments. In doing so, our analysis contributes to the growing literature comparing ‘feed-in tariffs’ with ‘quota systems’.
- It is clear that the German ‘feed-in tariff’ has proved a highly flexible and manageable policy instrument. In contrast, the UK’s Renewables Obligation (RO) has proved more costly but less productive. Moreover, the RO is making wind power progressively more expensive to the UK consumer at a time when degressive ‘feed-in rates’ are making it cheaper in Germany.
- On the other hand, the RO provides a mechanism for the market integration of renewables by developing commercial relationships between actors in the electricity supply industry. In Germany, the route to market integration has yet to be identified.

- We cannot over-emphasise the need to provide a stable investment environment for new technologies. The lower risks to investors in the German system contribute to its superior performance. However, strategic support should not be allowed to turn into permanent subsidy.
- In contrast to the 2004 amendment of the German Renewables Energy Sources Act), the 2005 UK consultation led to no policy renewal. Whereas German policy-makers had recognised the need to adjust the levels of 'feed-in tariffs' to changing circumstances, their British counterparts drew few lessons from national experience or international comparison. Nevertheless, the 2006 UK 'energy policy review' and its implementation offer opportunities to revisit energy policy options and the calibration of policy instruments.

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Notes to the editor:

The Anglo-German Foundation contributes to the policy process in Britain and Germany by funding comparative research on economic, environmental and social issues and by organising and supporting conferences, seminars, lectures and publications which encourage the exchange of knowledge, ideas and best practice, both between the two countries and between researchers and practitioners.

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