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Prof. Dr. Dorothea Schäfer, Research Director Financial Markets at DIW Berlin

NINE QUESTIONS TO CLAUDIA KEMFERT AND DOROTHEA SCHÄFER

»Spreading the risk«

here it is particularly important to attract enough private equity investors who then participate in financing the energy transition. If there is a large flow of equity capital into the investments, lenders are also better protected against risk.

1. Ms. Kemfert, the cost of the energy transition is a controversial issue. How much do you think the financing requirement will be? **The Federal Environment Ministry expects investment of up to 200 billion euros for renewable energy alone in the next ten years. Certainly investment in grids, energy storage, and power plants is also needed, but this would also be the case if there were no energy transition.**
2. Where is investment most urgently required? **Investment is most urgently required in renewable energy. The major projects, such as offshore wind farms which are particularly capital-intensive, and also major infrastructure projects.**
3. Ms. Schäfer, the euro crisis is currently a burden on the financial markets. What does this mean for financing the energy transition? **The euro crisis is above all indirectly relevant to the energy transition because it limits public resources. The fiscal pact is a response to the euro crisis and this means that further debt has to be kept to a minimum. In other words, the government's contribution to the energy transition can only be financed through borrowed capital to a very small extent.**
4. What is the role of the banks here? **The banks are indicating that they might restrict their willingness to provide loans in future. It seems that banks are making capital regulation responsible for their unwillingness to provide more loans. But only strong banks can raise the volume of funding needed for the energy transition. This means, the banks have to have a strong capital base and this cannot be achieved by constantly attempting to reduce the capital requirements for loans.**
5. How has it been possible to overcome financial hurdles nevertheless? **Financial hurdles can only be overcome if the financial burden is spread as widely as possible. And**
6. Ms. Kemfert, would the German Renewable Energy Sources Act surcharge have to be readjusted in that case? **No, support for renewable energy provides sufficient planning predictability for investors. But it is correct that the feed-in tariffs will also continue to be adjusted so that the German Renewable Energy Sources Act surcharge will not increase exorbitantly.**
7. Is there a need for adjustment elsewhere in order to respond to the difficulties of securing financing? **Yes. Germany's Energy and Climate Fund is dwindling, as it comes from sales of CO₂ certificates, and the price of these is extremely low. Because there are too many CO₂ certificates on the market and the upper limits have not been adjusted at EU level, the price is continuing to fall, heading towards virtually zero. This has to be adjusted at EU level.**
8. Ms. Schäfer, where would increased public investment be needed? **The government certainly needs to provide bridging loans or initial funding for innovative projects, for instance, by being involved in a project company as an equity investor.**
9. In the wake of the financial crisis, the government has already had to provide a lot of support to the banks. Could it not put the onus on the banks for the energy transition? **The government provides an implicit guarantee framework for the entire banking sector. This means non-cash benefits for the banks because they have lower financing costs as a result. In any case, the government should demand something in return by having the banks bear an appropriate share of the costs of the energy transition.**

Interview by Erich Wittenberg.



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