

Fearing Russian gas cutoff, Germans prepare for cold winter

Russia is supplying less and less gas to Germany. Now the Nord Stream pipeline is being shut for maintenance, and no one knows for sure if it will come back online. The Kremlin is using gas to exert leverage on Germany.

Many renters in Germany are receiving unpleasant letters these days. As energy prices rise dramatically, landlords and property management companies are increasing the monthly flat rate for heating costs. One housing company in Berlin is announcing a 100% increase in heating prices for apartments heated with gas or oil.

Whether this will be enough is not clear. The high energy prices have a delayed impact because the advance payments are not offset against the actual costs incurred until the end of the year.

The GdW, an association that represents 3,000 housing companies, has calculated that each household would have to budget up to €3,800 (\$3,870) more for energy in the coming year.

Potential social unrest

This represents a real problem for people on low or medium incomes, an association of housing cooperatives in the state of Saxony warned. "We are talking about family livelihoods. Politicians must finally understand that," it said in a statement.

It's not just rising energy prices that are burdening people. Inflation is affecting almost everything. German Chancellor Olaf Scholz has already made it clear that no state in the world will be able to absorb the impending avalanche of costs. "We will not be able to subsidize all prices," the chancellor stressed. Meanwhile, Economy Minister Robert Habeck has been urging Germans to save energy for the past few weeks.

Germany's largest real estate group, Vonovia, is planning to reduce the default temperature in gas-heated buildings to a room temperature of 17 degrees Celsius (62.6 F) at night, which it estimates will reduce consumption by 8%. During the

day, heating will continue as usual. The hot water supply will not be affected, and there would be no restrictions on showering or bathing, it added.

But things look different in Dippoldiswalde. In this small town in Saxony, a housing cooperative recently informed its tenants that in the future there would only be hot water in the early morning, at midday and in the evening. The residents were told: "As already announced in the general meeting, we now have to save for the winter."

This sparked an excited discussion on social media. Federal Construction Minister Klara Geywitz was quick to call the restrictions illegal. The German Tenants' Association also pointed out that a lack of hot water is grounds for a rent reduction.

The affected housing cooperative refuses to be deterred. Tenants have shown great understanding, said a board member. He said he was glad to have initiated a debate, even if the company was now being abused online. "People are already way ahead of the politicians in Berlin," the board member told the DPA news agency.

Dim view of Nord Stream

In the Economy Ministry, the air conditioning was switched off weeks ago, and less heating will be used in the fall. This could also be done in state-level ministries and other government agencies, Minister Habeck said on Friday in the Bundesrat, the parliamentary chamber that represents Germany's states.

The fact is that Berlin's dependence on Russian gas has been underestimated for a long time. Most of it flows through the Nord Stream pipeline, which brings natural gas through the Baltic Sea directly to Germany. In 2021, the share of Russian gas supplies was 55%; currently, it is 35%, according to the Economy Ministry.

Russia has drastically cut back the supply, citing a missing gas turbine from the German company Siemens that is being repaired in Canada, but is stuck there because of the sanctions imposed on Russia.

Nord Stream will be shut down completely for maintenance on Monday. Will the Russians turn the pipeline back on after the scheduled ten to 14 days? "If the turbine comes after the repair, then that will allow an increase in volume," the

Kremlin says, before insisting that Russia does not use its gas as a means of political pressure.

No gas in the winter?

That is exactly what the German government fears. In Berlin, they are hoping for the best but preparing for the worst. Laws are already being passed to mitigate the consequences of the shortage and the impact of rising energy prices.

The Energy Security Act stipulates that in the future more coal-fired power plants can be used to generate electricity instead of gas-fired plants so that the gas can be used for heating. Previously, coal was to be steadily reduced in the interests of climate protection.

On the other hand, it will be easier for ailing energy companies to get federal aid. One of these is Uniper: Since mid-June, the energy supplier, which is more dependent on Russian gas supplies than any other, has been receiving only 40% of the contractually guaranteed gas from Russia's Gazprom and has had to procure replacement quantities at significantly higher prices on the world market.

This has plunged the company into a financially precarious situation, which is why Uniper has now asked the state for financial help. There is talk of a state subsidy of €9 billion, similar to the money provided to the airline Lufthansa at the height of the coronavirus crisis. When Lufthansa recovered, the government was able to sell the shares again and even make a profit.

Is a severe economic crisis looming?

The number of financially distressed utilities is increasing almost daily.

"Our country may be heading for the worst economic crisis since the founding of the Federal Republic of Germany," said Friedrich Merz, leader of the biggest opposition party, the center-right Christian Democratic Union (CDU), which was Germany's ruling party for 16 years until the new government was sworn in in December. Merz said Germany was experiencing its highest inflation rate in 30 years, and added that, for the first time in decades, the balance of trade is tipping so that the country is importing more goods than it is exporting. German companies are being threatened with a loss of international competitiveness, he concluded.

In a study published at the end of June, the economic research institute Prognos

looked at the consequences of a complete halt to Russian gas supplies, meaning that Germany would have to make do with supplies from other countries and the gas volumes it has already stored to date.

The study found that, after four weeks, there would no longer be enough gas for everyone. Since, according to the law, private households, social services, and district heating suppliers would continue to be supplied, the stop would primarily affect the industry. Sectors such as steel, crude iron, chemicals, and glass would be particularly hard hit, with production expected to fall by around 50%.

And the entire economy would be affected. Prognos estimated that, if Russian gas supplies were to fail, Germany's economic output could drop 12.7% by the end of the year.

This article was originally written in German.

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