

# LETTER FROM BERLIN



## Heat Pump Fiasco

*How the Greens fell from grace.*

BY KLAUS C. ENGELEN

**B**erlin's focus has shifted. German Chancellor Olaf Scholz's "tank battle" and the insufficient German military support for Ukraine's defense against the Russian invaders are no longer the major issues.

Germany's new defense minister, Boris Pistorius, is now the country's most-liked politician. And Germany approved a new €2.7 billion worth of arms for Kyiv—the largest amount so far—and Scholz and Zelensky now are in close touch.

The bad news is that Germany has slipped into recession. The estimate for the first quarter of 2023 showed the German economy contracting by 0.3 percent. That followed a contraction of 0.5 percent in the final quarter of 2022. The latest figures for the eurozone as a whole show the currency bloc marginally growing by

only 0.3 percent in the second quarter of 2023 after no growth the first quarter. This is very bad news.

*Politico's* Johanna Treeck put this recession news in perspective: "Not so long ago, Germany was Europe's powerhouse: wealthy, booming, politically strong. But the mighty have fallen. ... Germany is by far the eurozone's biggest economy, accounting for almost 30 percent of the bloc's economic output. It is the largest trading partner of more than half of the EU's 27 countries. Politically too, that has enabled Berlin to call a lot of the shots within the European Union."

But for Germans owning houses or apartments—along with a large part of German industry and its *Mittelstand* of small and medium-sized firms—the big scare in this summer of discontent comes from what the governing traffic-light coalition—under pressure from the Greens

and with the help of docile Social Democrats—is planning: getting rid of oil and gas heating in a hurry and aiming for 65 percent renewable energy in heating systems in order to combat climate change.

### **GREENS ARE IN THE DRIVER'S SEAT ON CLIMATE CHANGE**

Can a green professional climate change elite take control of economic policy for the world's fourth-largest industrial country?

Can this elite force millions of property owners into a radical and costly replacement of their heating systems for which they are not prepared? A changeover from gas and oil to renewable energy sources, without making clear how this would be possible in reality, is on its way to the

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lower and upper houses, the *Bundestag* and the *Bundesrat*. The measure could drive poorer owners into bankruptcy or force them to sell their homes. The social implications of the planned heating system changes are not being dealt with. Already, the traffic-light coalition legislation is putting a damper on property prices.

A network of Green Party non-governmental research institutions—with their leading personnel

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now in key positions in the governing coalition—is trying to put into reality the substitution of oil and gas with renewable energy sources in a new amendment to the German Buildings Energy Act (*Gebäudeenergiegesetz*, or GEG), thereby also implementing EU directives.

According to International Energy Agency data, 81 percent of household heating needs in Germany are met by burning fossil energy sources. Fifty-three percent of households use natural gas and 26 percent use oil. The German governing coalition's key substitute for natural gas and oil is heat pumps, the use of which is currently hovering around a dismal 2 percent.

The prospect of Germans being forced to replace their heating systems is causing one of the biggest political upheavals in the history of post-war Germany, with an uncertain outcome and major repercussions for the European Union. According to Eurointelligence observers in May, "The anti-Green backlash has started," because "the European People's Party is now actively considering pulling out of supporting the European Commission's Green Deal because of voter backlash. The party is considering killing the Commission's latest environmental protection legislation, which is resisted by farmers and rural communities. We argue that the reality of Green politics,



Robert Halbeck at the 2023 *Re:publica* conference.

### Green Dividing Line

Vice chancellor and minister for economic affairs and climate action Robert Habeck has come under massive pressure since the phase-out of nuclear power and the new heating law, which forces the replacement of oil and gas heaters with heat pumps. Green politics has fast become the dividing line in European politics.

—K. Engelen

especially in Germany, is causing a massive political backlash."

There, the Eurointelligence observers in Brussels are right. Many homeowners in Germany don't have the financial means to pay the poten-

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tially huge costs of replacing their gas and oil heating systems or coming up with the required 65 percent renewable energy sources required under the proposed new law.

A look at the tabloid *Bild* in May on the voter reaction to the controversial law says it "is a bitter pill for the

Öko-party." The INSA polls in July show the Green Party falling to fourth with 13.5 percent, and the right-wing Alternative für Deutschland at 20 percent, ahead of the SPD's 18 percent. The opposition CDU/CSU stood at 27 percent. At the beginning of 2023, the Greens were at 18 percent and the AfD at 15 percent. The liberal Free Democrats remained at 7 percent and the Left Party at 5 percent, just reaching the limit to be represented in the Bundestag.

### "GREEN-RENEWABLE COMPLEX"

Explaining what is happening—playing on the Anglo-Saxon term "military-industrial complex"—the lead commentator for *Frankfurter Allgemeine Zeitung*, Jasper von

Altenbockum, described on the front page of the May 20, 2023, issue how the Green Party, when entering Scholz's coalition government and naming the prominent climate advocate Robert Habeck as vice chancellor and minister for economic affairs and climate action, hoped he would be able to mobilize a "green-renewable complex" (*grün-erneuerbare Komplex*). That is happening. The energy transition already has become the business of eager lobbyists, argues the *FAZ* commentator, with Habeck's huge bu-

**After thirty hours of marathon negotiations, the coalition partners reached a compromise on the highly contested phase-out of gas and oil in the heating of homes.**

reaucracy (four official state secretaries plus three parliamentary state secretaries at the top level) mainly working on "climate, climate, climate," but not much on economic matters.

Von Altenbockum makes the point that Habeck's "irreplaceable superman of the green scene," Patrick Graichen as deputy minister for energy, originally came from Agora Energiewende, a think tank and lobbying organization, of which he was one of the founders in 2012 and top manager from 2014 to 2021. Graichen resigned his ministry post in May amid cronyism allegations.

**PHASING OUT OIL AND GAS**

When the Greens came to power as part of the three-party coalition, the phase-out of oil and gas in the heating of homes as part of an amendment to the German Buildings Energy Act was understood early on as a politically explosive challenge. What is less known is that it was Habeck's main climate change state secretary Graichen who wrote the huge new

legislation. What is more known is Habeck's praise of Graichen for his role getting Germany through the last winter without Russian oil.

At the beginning of April this year, after thirty hours of marathon negotiations, the coalition partners reached a compromise on the highly contested phase-out, banning the installation of new gas and oil-fired heating systems starting next year. All newly installed heating systems would have to meet the requirement that they be powered by 65 percent renewable energy. Some exemptions and phase-in periods would be part of the compromise deal. To make Germany climate-neutral by 2045 is the ambitious long-term goal.

In a Forsa-RTL-ntv poll in April, 78 percent of Germans questioned rejected the Habeck plan to replace oil and gas heating systems while 18 percent supported such plans in order to ameliorate climate change.

The sharply negative reaction in the media was to be expected. In May, *Der Spiegel* had this message: "Operation Heat Pump: Expensive and controversial, with Green over-enthusiasm running headlong into chaos." The *WirtschaftsWoche* cover headlined "The Pump of the Nation: We surrendered to Putin's gas, and now we're betting everything on the heat pump?" From *Bild*,

"Every second German in favor of Habeck's resignation."

**HOW GRAICHEN WORKED ON THE HEATING CHANGE**

Under the heading, "In the net of the green lobby," the *WirtschaftsWoche* of May 5, 2023, had an in-depth analysis by Daniel Goffart about how Graichen, as official secretary of state, headed a far-reaching green network, financed with public funds from think tanks, nongovernmental organizations, and the Green Party, that is reaching into ministries and parliaments. It's about taking advantage and accusations of cronyism when it comes to filling important positions and awarding public procurements and assignments. In German industry and business circles, the 51-year-old economist and political scientist is considered an uncompromising ideological eco-activist. For his boss Habeck, Graichen is "the man who saved Germany from suffering a serious energy crisis."

As Goffart points out, "[S]eldom has an official state secretary attracted as much criticism and attention as Graichen. The former managing director of the Agora Energiewende, a mixture of think tank and lobby group, has

*A Stiebel Eltron heat pump. The company plans to quadruple its heat pump manufacturing capacity at its factory in Holzminden, Germany.*

*It also plans to triple the number of industrial jobs it provides to 1,200 positions by 2027, according to PV Magazine.*



been accused of nepotism and a lack of transparency, but also of arrogance and abuse of office.”

Graichen started his career under Jürgen Trittin, the Green federal minister for environment during the 1998–2005 Gerhard Schröder SPD-Green coalition. As head of Agora, he and his team worked for years on the conversion of the total German heating infrastructure in preparation for a new gov-

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ernment to act. Goffart points to a 2017 Agora study under the prophetic title “Heat Transition 2030” (*Wärmewende 2030*) which Graichen and company, when they achieved the levers of government power, could use as the blueprint for a new law based on the premise “that without getting rid of oil and gas to fire the heating systems there would be no chance for Germany to meet the politically accepted climate goals.”

Goffart comes up with other relevant observations. Graichen’s arrogance at industry events was noted at a conference of municipal utilities a year ago in Berlin. “The rigor with which Habeck’s energy expert fought against gas on the open stage left many speechless.” And when the question arose of what will happen to the gas distribution networks that are worth billions of euros, Graichen responded: “Then write them off,” despite potential secondary uses of gas networks for hydrogen transport.

### HELPFUL TO RELATIVES AND FRIENDS

When the news broke that Graichen, as member of a three-person selection committee for the new head of the German Energy Agency (Dena), made

sure that Michael Schäfer—a Green politician and best man at his wedding—got the Dena top position, minister Habeck tried hard to keep his top official in charge of the green energy transition.

Graichen admitted his “mistake,” Schäfer did not take the Dena job, and a new selection procedure was put in place, but there was bad news in the ministry’s internal investigation. Two more compliance failures connected with relatives were found which forced Habeck to send Graichen into temporary retirement.

No wonder the media took a close look at how many of Graichen’s relatives and friends held lucrative jobs in Green-dominated think tanks and NGOs. Graichen’s sister Verena Graichen is the wife of Habeck’s other state secretary Michael Kellner, a former campaign manager of the Green Party. She works as researcher at the Öko-Institut, which gets assignments from the economic ministry. She also is deputy chair of the

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Bund für Umwelt und Naturschutz Deutschland (BUND, or Friends of the Earth, Germany) and delegate at the German National Hydrogen Council (*Nationaler Wasserstoffrat*), for which her other brother Jakob Graichen also writes studies.

It is interesting to add what veteran observer of the German political

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scene Wolfgang Münchau thinks about how much Habeck has been damaged. “The scandal is a reminder that Green politicians make similar mistakes than others do. Habeck’s error was not to fire Graichen right from the start. In politics you never sit through a nepotism scandal without lasting damage. The damage-minimizing strategy is to act immediately. But the bigger problem is that the Greens will struggle to use the power of moral arguments, which has been an important factor in their political rise. They are not on course to replace the traditional parties in the foreseeable future.”

We should give the final word to the Brussels Eurointelligence observers: “The backlash against all things Green is now in full swing. You can see this in Germany, where Robert Habeck has come under massive pressure since the phase-out of nuclear power and the new heating law, which forces the replacement of oil and gas heaters with heat pumps. [Former Chancellor] Angela Merkel signed up to any climate-change declaration. But her party was never on board for the real thing. It was always a matter of yes, but. Green politics has fast become the dividing line in European politics. *FAZ* sees the European People’s Party withdrawal from the consensus as the start of the 2024 European election campaign. The deeper dispute between the right and the left is on whether climate change policies be based on innovation or regulation.” ◆