

Bayer threatens to quit Germany over nuclear shutdown

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German companies may relocate production to countries with lower energy costs

Germany's decision to phase out nuclear power after the Fukushima catastrophe in Japan could lead to some of the country's major companies relocating elsewhere in search of cheaper energy.

Marijn Dekkers, head of Bayer, the pharmaceuticals group, said: "It is important that we remain competitive compared with other countries. Otherwise, a global company like Bayer will have to consider relocating its production to countries with lower energy costs."

Under a package of energy bills passed last month by the German government, all nuclear power facilities in the country will be taken offline by 2022. Analysts say that the move will hit energy companies hard and contribute to an increase in electricity prices. Dekkers told the business magazine *WirtschaftsWoche* that Germany's electricity costs were already the highest in the EU, making the country "unattractive" for the chemicals industry.

Bayer, which developed the first aspirin in 1897, employs more than 35,000 people in Germany. Dekkers said that his company was planning 4,500 job cuts worldwide – including 1,700 in Germany – but that it was already investing in emerging markets. "Overall, we will create over 2,500 new jobs in countries like Brazil, India, Russia or China," he told *WirtschaftsWoche*.

The report also quoted Robert Hoffmann, head of the communications company 1&1, saying that taxes to subsidise renewable energy sources were too high in Germany. Hoffmann said that his company drew energy from Norwegian hydropower plants, but that it still had to pay a contribution to German renewable energy costs.

"Essentially, we're subsidising the construction of solar-powered roofs... So we end up paying double," he said. Hoffmann said that his company was looking at locations where "green electricity exists without the extra costs".

In a report released last week, the Swedish energy company Vattenfall attributed a fall of 10.2bn Swedish krona (£1bn) in operating profit for the second quarter of 2011 to "a one-off effect of the German parliament's decision to phase out the country's nuclear power".

The move has also prompted concerns about disrupted power supplies. German transmission systems operators have warned there could be a risk of power outages this winter, and have questioned the reliability of renewable energy sources, saying there is still a need for base power sources to ensure the stability of the grid.