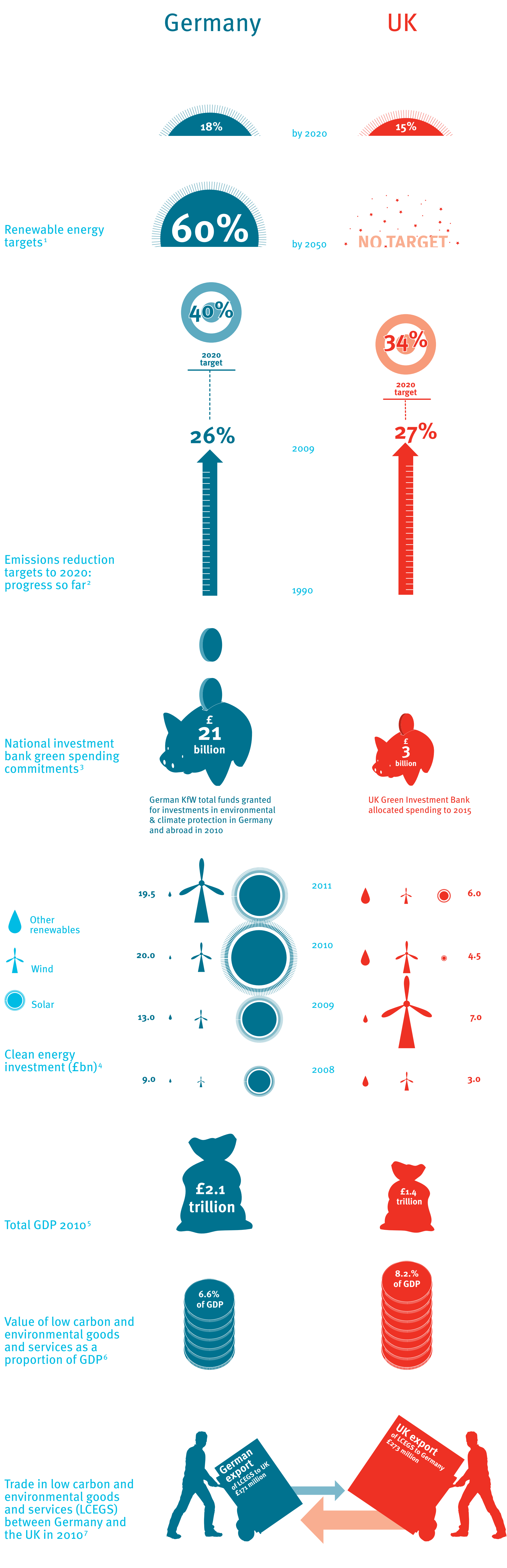
Green growth at a glance: how do Germany and the UK compare?

green alliance…



Germany
UK
Renewable energy targets[1]
18%
by 2020
15%
60%
by 2050
NO TARGET
Emissions reduction targets to 2020: progress so far[2]
40%
2020 target
34%
2020 target
26%
2009
27%
1990
National investment bank green spending commitments[3]
£ 21 billion
German KfW total funds granted for investments in environmental & climate protection in Germany and abroad in 2010
£ 3 billion
UK Green Investment Bank allocated spending to 2015
Other renewables
Wind
Solar
Clean energy investment (£bn)[4]
19.5
2011
6.0
20.0
2010
4.5
13.0
2009
7.0
9.0
2008
3.0
Total GDP 2010[5]
£2.1 trillion
£1.4 trillion
Value of low carbon and environmental goods and services as a proportion of GDP[6]
6.6% of GDP
8.2% of GDP
Trade in low carbon and environmental goods and services (LCEGS) between Germany and the UK in 2010[7]
German export of LCEGS to UK £171 million
UK export of LCEGS to Germany £273 million

Green growth at a glance: how do Germany and the UK compare?

The transition to a low carbon and resource efficient future offers opportunities to help deliver a more balanced economy, to grow exports and exploit comparative advantages. But how well positioned is the UK for this challenge compared to one of its main competitors?

Germany's ability to weather the financial storm has been impressive and its policies have ensured its place as a low carbon pioneer and market leader in renewable energy. It has built a strong renewables sector through a combination of ambition, regulatory consistency and industrial strategy. It has an advantage over the UK in this area despite the UK's geographic potential for wind and wave power.

Germany's national infrastructure bank has more financial leverage having been established in 1948. By comparison, the UK's Green Investment Bank will only launch this year and will be unable to borrow on capital markets until 2016 at the earliest.

Looking beyond renewables the comparison is more positive for the UK. The two economies are currently closely matched for the value of their low carbon and environmental goods and services. This category includes a broader mix of economic activity, including building technologies, carbon capture and storage, recycling and resource recovery, carbon finance, and the development of low carbon vehicles.

This snapshot suggests that each country's economic development path is dictated by the way policy and competitive strengths interact over many years to drive market expectations. It is now common wisdom that Germany will excel at renewable energy, and this creates positive feedback for its economy.

The UK's performance on a broader basket of clean technology is more impressive than many would expect, but its story to investors is less clear. Confidence in UK renewables has been shaken by mixed signals from government. Without a clear strategy on green growth we cannot assume that the UK will maintain its strong position in areas of current advantage, or regain ground on renewable energy.

Data sources:

[1] UK: European Parliament and European Council, 2009, *Directive 2009/28/EC on the promotion of the use of energy from renewable sources, Annex One*; Germany: Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, 2010, *Energy concept: for an environmentally sound, reliable and affordable energy supply*, p.5

[2] UK: UK Parliament, 2008, Climate Change Act 2008; United Nations Climate Change Secretariat, 2009, *Summary of GHG emissions for the United Kingdom of Great Britain and Northern Ireland*; Germany: Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, 2010, *Energy concept: for an environmentally sound, reliable and affordable energy supply*, p.4; United Nations Climate Change Secretariat, 2009, *Summary of GHG emissions for Germany*

[3] KfW Bankengruppe, 2010, *Annual Report 2010*, p.17; HM Treasury, *Budget 2011*, p.4

[4] Bloomberg New Energy Finance, 2012, *UK and Germany trends in clean energy investment*

[5] World Bank, 2012, 'Germany', http://data.worldbank.org/country/germany (last accessed 23 February 2012); and 'United Kingdom', http://data.worldbank.org/country/united-kingdom (last accessed 23 February 2012)

[6] Department for Business, Innovation and Skills, 2011, *Low carbon and environmental goods and services – Report for 2009/10*, p.15

[7] Department for Business, Innovation and Skills, 2011, 'UK trade by country', in *Underlying data for low carbon and environmental goods and services industry analysis*

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